

Appendix 4E

Preliminary final report

Incitec Pivot Limited

ABN 42 004 080 264

Financial year ended
(‘current period’)

Previous financial year ended
(‘previous corresponding period’)

30 September 2008

30 September 2007

Results for announcement to the market

Extracts of the Incitec Pivot Limited results for the financial year ended 30 September 2008

\$Amill

Revenues from ordinary activities	up	113%	to	2,918.2
Profit for the financial year	up	199%	to	614.3
Net profit for the financial year	up	199%	to	614.3
Dividends	Amount per security cents		Franked amount per security cents	
Current Period				
Interim dividend ⁽¹⁾	10.2		10.2	
Final dividend	19.5		19.5	
Previous corresponding period				
Interim dividend ⁽¹⁾	3.45		3.45	
Final dividend				
- normal dividend ⁽¹⁾	9.55		9.55	
- special dividend ⁽¹⁾	2		2	
Record date for determining entitlements to the final dividend:	24 November 2008			
Payment date of final dividend:	2 December 2008			
Net tangible asset backing per ordinary security⁽²⁾	Current period		corresponding	
	(\$0.58)		\$0.34	

⁽¹⁾ Dividends per share declared before the share split have been restated to reflect the 20 to 1 share split undertaken in September 2008.

⁽²⁾ Net tangible asset backing per ordinary security before the share split have been restated to reflect the 20 to 1 share split undertaken in September 2008.

The information should be read in conjunction with the financial report, which is set out on pages 2 to 108.

Financial Report

Directors' Report	2
Auditor's Independence Declaration	32
Income Statements	33
Statements of Comprehensive Income	34
Statements of Financial Position	35
Statements of Cash Flows	36
Statements of Changes in Equity	37
Notes to the Financial Statements	39
Directors' Declaration on the Financial Statements set out on pages 33 to 108	109
Audit Report	110
Shareholder Statistics	112
Five Year Financial Statistics	113

Directors' Report

The directors of Incitec Pivot Limited present the financial report of the Company and its controlled entities (the Consolidated entity) for the year ended 30 September 2008 and the related auditor's report.

Directors

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

Name, qualifications and special responsibilities	Experience
Current directors	
J C Watson AM, MAICD Independent non-executive director and Chairman Chairman of the Remuneration and Appointments Committee Member of the Health, Safety, Environment and Community Committee	John was appointed as a director on 15 December 1997 and was appointed Chairman in January 1998. John is the Chairman of Tasman Farms Limited and Governor of Van Diemen's Land Company, a director of Tassal Group Limited, Councillor of the Royal Agricultural Society of Victoria and a member of the Rabobank Food and Agribusiness Advisory Board for Australia and New Zealand. He is also a past Deputy President of the National Farmers' Federation, a former Chairman of PrimeSafe and a former non-executive director of Rural Press Limited. Until recently, he was Chairman of the Export Wheat Commission, which was replaced by a new authority, Wheat Exports Australia, on 1 July 2008. In 2004, he was awarded a Membership in the Order of Australia for services to the agricultural and food production sectors. In 2006, he was the recipient of the inaugural Rabobank Leadership Award.
B Healey FAICD, FAIM Independent non-executive director and Deputy Chairman Member of the Remuneration and Appointments Committee (to 5 September 2008)	Brian was appointed as a director on 1 June 2003. He is a former director of Orica Limited and Fosters Group Brewing Limited, a former Senior Vice President of Nabisco Inc. and Sara Lee Corporation, a former Chairman of Biota Holdings Limited, and a former Chief Executive of Nicholas Kiwi Limited. He recently retired as Chairman of Centro Properties Group and Centro Retail Limited.
A C Larkin FCPA, FAICD Independent non-executive director Chairman of the Audit and Risk Management Committee Member of the Remuneration and Appointments Committee (to 5 September 2008) Member of the Health, Safety, Environment and Community Committee	Tony was appointed as a director on 1 June 2003. He is a director of Corporate Express Australia Limited, OZ Minerals Limited and Eyecare Partners Limited. Tony was previously Executive Director Finance of Orica Limited, Chairman of Incitec Limited and Chairman of Ausmelt Limited. During his career with BHP Limited, which spanned 38 years, he held the position of Group Treasurer and, prior to that, he held senior finance positions in its steel and minerals businesses and various senior corporate roles. From 1993 to 1997, he was seconded to Foster's Group Limited as Senior Vice President Finance and Investor Relations. Until early 2006, he was a Commissioner of the Victorian Essential Services Commission.
A D McCallum Dip. Ag Science, FAICD Independent non-executive director Chairman of the Health, Safety, Environment and Community Committee Member of the Remuneration and Appointments Committee Member of the Audit and Risk Management Committee	Allan was appointed as a director on 15 December 1997. Allan is Chairman of Tassal Group Limited, CRF Foods (Vic) Pty Ltd and CRF (Colac Otway) Pty Ltd, and is a director of Medical Developments International Limited. He is a former director of Graincorp Limited and a former Chairman of Vicgrain Limited.
J Marlay BSc, FAICD Independent non-executive director Member of the Remuneration and Appointments Committee Member of the Audit and Risk Management Committee	John was appointed to the Board by the directors on 20 December 2006. John is a former Chief Executive Officer and Managing Director of Alumina Limited, a former director of Alcoa of Australia Limited, Alcoa World Alumina LLC and the Business Council of Australia, the former Deputy Chairman of Alcoa World Alumina and Chemicals Strategic Council, and the former Chairman of the Australian Aluminium Council. He has formerly held executive positions with, and been a director of, Esso Australia Limited, James Hardie Industries Limited, Pioneer International Group Holdings and Hanson plc. Mr Marlay was a member of the 2007 Prime Ministerial Task Group on Emissions Trading and is a member of the Chairman's Panel of the Great Barrier Reef Foundation.
J Segal BSc, MBA Managing Director & Chief Executive Officer Member of the Health, Safety, Environment and Community Committee	Julian was appointed as Managing Director & CEO on 3 June 2005. Immediately prior to joining Incitec Pivot, he was Manager of Strategic Market Planning for the Orica Group. He joined Orica in 1999 and held various senior management positions including General Manager, Australia/Asia Mining Services and Senior Vice President - Marketing for Orica Mining Services globally.
J E Fazzino BEc(Hons), CPA Finance Director & Chief Financial Officer	James was appointed as a director on 18 July 2005, following his appointment as Chief Financial Officer in May 2003. Before joining Incitec Pivot, he had many years experience with Orica Limited in several business financial roles, including Project Leader of Orica's group restructure in 2001 and Chief Financial Officer for the Orica Chemicals group. Immediately before joining Incitec Pivot, he was Orica's Investor Relations Manager.

Directors' Report

Company Secretary

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

Directors' interests in share capital

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

Director	Fully paid ordinary shares Incitec Pivot Limited
J C Watson	74,000
B Healey	20,000
A C Larkin	-
A D McCallum (1)	156,360
J Marlay (1)	20,000
J Segal (2)	2,134,120
J E Fazzino (2)	1,845,420

- (1) Held both directly and indirectly.
- (2) This interest includes, in the case of Mr Segal, shares acquired pursuant to his Retention Award and pursuant to the Incitec Pivot long term incentive plans and, in the case of Mr Fazzino, shares acquired pursuant to Incitec Pivot's long term incentive plans. Further details of the Retention Award and long term incentive plans are set out in the remuneration report and Note 35, Share Based Payments.

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

Directors' meetings

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

Director	Board		Audit and Risk Management		Remuneration and Appointments(3)		Health, Safety, Environment and Community	
	Held (1)	Attended (2)	Held (1)	Attended (2)	Held (1)	Attended (2)	Held (1)	Attended (2)
Current								
J C Watson	21	21			6	6	4	4
B Healey	21	20			5	3		
A C Larkin	21	20	4	4	5	5	4	4
A D McCallum	21	19	4	4	6	6	4	4
J Marlay	21	20	4	4	6	6		
J Segal	21	21					4	3
J E Fazzino	21	21						

- (1) This column shows the number of meetings held during the period that the director was a member of the Board or Committee.
- (2) This column shows the number of meetings attended during the period that the director was a member of the Board or Committee.
- (3) The Remuneration and Appointments Committee was reconstituted on 5 September 2008 to comprise 3 non-executive directors.

Principal activities

The principal activities of the Consolidated entity during the course of the financial year were the manufacture, trading and distribution of fertilisers, chemicals and, from June 2008, industrial explosives.

During the financial year, the Consolidated entity acquired Dyno Nobel Limited (Dyno Nobel). The principal activities of Dyno Nobel for the financial year were the manufacture and sale of industrial explosives and related products and services primarily in North America and Australia. Details of the acquisition of Dyno Nobel are contained in Note 28 to the financial statements.

Directors' Report

Review and results of operations

Financial Highlights

- Net Profit After Tax (NPAT) for the year ended 30 September 2008 was up 199% or \$409.0m to \$614.3m (2007: \$205.3m)
- Net Profit After Tax (excluding individually material items¹) for the year ended 30 September 2008 was up 224% or \$454.7m to \$657.2m (2007: \$202.5m)
- Earnings Before Interest and Tax (EBIT) (excluding individually material items) was up 210.1% or \$656.6m to \$969.1m (2007: \$312.5m)
- Earnings Per Share (excluding individually material items) were up 206% to 61.4 cents (2007: 20.1 cents)

Business Highlights

- Record EBIT contribution from the Fertiliser business of \$900.6m, driven by higher fertiliser prices and growth in trading margins
- Completion of the acquisition of Dyno Nobel on 16 June 2008, contributing \$79.5m EBIT for the financial year
- Project Velocity (Dyno Nobel business efficiency program) is well advanced and integration of the business has been completed
- Delivery of an additional \$47.4m to Cash Flows from trade working capital improvements in the Fertiliser business

External Sales Revenue

- Total sales revenue was up 113% or \$1,545m to \$2,918m (2007: \$1,373m)
- Sales revenue contributed by the Dyno Nobel business was \$571m (2007: \$0)
- Total sales revenue of the Fertiliser business was up 71% or \$975m to \$2,348m (2007: \$1,373m)
- Fertiliser revenue growth was largely driven by an increase in global fertiliser prices to record levels in response to growing demand for food, fibre, feed and fuel
- Drought conditions on the east coast of Australia persisted, however higher soft commodity prices generally encouraged an increase in planted area. The potential volume uplift from the increased planted area was offset by a reduction in application rates

Earnings Summary

As mentioned, NPAT (excluding individually material items) was up 224% or \$454.7m to \$657.2m (2007: \$202.5m) and EBIT (excluding individually material items) was up 210.1% or \$656.6m to \$969.1m (2007: \$312.5m)

Positive Factors include:

- Contribution from the Dyno Nobel business of \$79.5m (2007: \$0)
- Fertiliser business EBIT of \$900.6m (2007: \$312.5m) up 188.2% or \$588.1m
- Fertiliser growth was driven by higher average fertiliser price per tonne and higher global fertiliser pricing (priced in US dollars), partially offset by an appreciation in the Australian dollar against the US dollar
- Higher trading margins for local and exported product
- Savings generated by 'Tardis' program efficiencies

Negative Factors include:

- Higher raw material costs (particularly for sulphuric acid)
- Lower production volumes due to temporary production outages at Gibson Island and Phosphate Hill
- Costs incurred in pursuing business growth

Returns to Shareholders

- The Board has declared a final dividend of 19.5 cents per share (cps) fully franked
- This brings the total 2008 dividend to 29.7cps, fully franked (2007: 15cps, fully franked)
- Total shareholder returns were 25% for 2008 (2007: 242%) assuming shares were held for the full year

Balance Sheet

- The acquisition of Dyno Nobel was completed during the financial year for a total enterprise value of \$3.9billion
- Net debt increase by \$1,618.6m to \$2,030.3m at 30 September 2008 (2007: \$411.7m), reflecting the cash component of the acquisition
- The Net Debt/EBITDA² ratio is 1.95 at 30 September 2008 (2007: 1.2)

¹ Individually material items are revenues or expenses that are outside the normal operations of the business and are non-recurring in nature.

² Net Debt/EBITDA equals interest bearing liabilities less cash and cash equivalents / Earnings Before Interest, Tax, Depreciation and Amortisation, excluding individually material items.

Directors' Report

Dividends

Dividends declared and paid since the last annual report were:

Type	Cents per share	Total amount \$000	Franked / Unfranked	Date of payment
<i>Declared and paid during the year⁽¹⁾</i>				
2007 final dividend	11.55	116,479	Franked	13 December 2007
2008 interim dividend	10.2	102,865	Franked	2 July 2008
<i>Declared and paid after end of year</i>				
2008 final dividend	19.5	237,360	Franked	2 December 2008

Dealt with in the financial report as:	Note	\$000
Dividends	27	219,344
Subsequent event	27	237,360

(1) The dividends (cents per share) declared and paid during the year have been restated as a result of the 20:1 share split approved by shareholders in September 2008.

Changes in the state of affairs

In August 2007, the Company acquired a 13.2% interest in Dyno Nobel. On 11 March 2008, Dyno Nobel and Incitec Pivot entered into a Scheme Implementation Agreement. This Scheme Implementation Agreement was amended on 2 April 2008 to allow Incitec Pivot US Holdings Pty Ltd, a member of the Group, to acquire the shares in Dyno Nobel which Incitec Pivot did not already own, by way of schemes of arrangement. The acquisition completed on 16 June 2008.

The acquisition of Dyno Nobel has significantly increased the size of the operations of the Consolidated entity and given it exposure to a new industry and a wider geographical presence. The financial complexity of the Consolidated entity has increased as a result of the acquisition, with foreign currency denominated operations being accounted for in the consolidated financial report and higher debt levels.

Events subsequent to balance date

Since the end of the financial year, the directors have declared a final dividend for the Company of 19.5 cents per share. The dividend is fully franked at the 30% corporate tax rate and is payable on 2 December 2008 (Refer Note 27).

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2008 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

Incitec Pivot will continue to execute on its strategy of growing close to its core nitrogen chemistry manufacturing competence. This will require further investment in areas such as increasing manufacturing capacity and performance, which are approved subject to a targeted return on net assets, and business efficiencies under the Velocity program.

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

Directors' Report

Environmental regulations

Manufacturing licences and consents are in place at each Group site, determined in consultation with local environmental regulatory authorities. The measurement of compliance with conditions of licences and consents involves numerous tests which are conducted regularly. The individual sites record their compliance and report that there is continued high compliance. When breaches occur they are reported to the authorities as required and actions taken to prevent recurrences.

Indemnification and insurance of officers

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

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

Auditor

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

Non-audit services

KPMG has provided non-audit services to the amount of \$5,000 during the year ended 30 September 2008 (Refer Note 7).

Lead Auditor's Independence Declaration

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

The lead auditor's independence declaration is set out on page 32 of the financial report.

Rounding

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

Directors' Report

Remuneration Report

The directors of Incitec Pivot Limited (the Company or Incitec Pivot) present the remuneration report prepared in accordance with section 300A of the Corporations Act 2001 (Cth) for the Company and its controlled entities for the year ended 30 September 2008. This remuneration report is audited.

This remuneration report is prepared in respect of the Key Management Personnel of the Company, being those persons who have authority and responsibility for planning, directing and controlling the activities of the Company. The Board has determined that the Key Management Personnel of the Consolidated entity are the non-executive directors listed in the table in section A, and the executive directors and the direct reports to the Managing Director & CEO listed in table D.4, which includes the five most highly remunerated Company executives.

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

This remuneration report forms part of the directors' report.

This report describes the remuneration arrangements established by the Company for non-executive directors and executives as well as the performance-based remuneration for the executives as well as senior employees.

Incitec Pivot aims to generate competitive returns for its shareholders through its business strategy. In recent years, the Company's execution of its strategy has seen it substantially increase its business and operations, most recently with the acquisition of Dyno Nobel, which has expanded the Company's business, internationally positioning it as a leading chemicals company specialising in the manufacture and distribution of fertilisers, industrial explosives and related products and services. The realisation of value from this strategy will only be delivered by successful employees that are capable, committed and motivated. Accordingly, the Company's remuneration strategy is designed to:

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

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

Details of the Company's remuneration strategy and arrangements for the 2007/08 financial year are set out in this remuneration report.

A. Non-executive directors

Non-executive directors' fees are determined by the Board subject to the aggregate limit of \$1,400,000 approved by shareholders at the 2007 Annual General Meeting.

Non-executive directors receive a fee for being a director of the Board and additional fees for either chairing or being a member of a Committee. The level of fees paid to non-executive directors reflects their time commitments and responsibilities. In order to maintain independence and impartiality, non-executive directors are not entitled to any form of incentive payments and the level of their fees is not set with reference to measures of Company performance.

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

Fees are reviewed annually and for the 2008/09 financial year, the Board has recently engaged Godfrey Remuneration Group to undertake a review of non-executive remuneration taking into account fees paid by comparable companies and the level of fees considered necessary to attract and retain directors of the appropriate calibre having regard to Incitec Pivot's market capitalisation, the increase in its business complexity and international presence following the acquisition of Dyno Nobel and the Company's admission to the S&P/ASX 50 index.

Directors' Report

Remuneration Report

Non-executive directors' remuneration

Details of the non-executive directors' remuneration for the financial year ended 30 September 2008 are set out in the following table:

For the year ended 30 September 2008

		Short-term benefits		Post-employment benefits	Other long term benefits (A)	
		Fees	Non-monetary	Superannuation		Total
	Year	\$000	benefits (B)	benefits		\$000
			\$000	\$000	\$000	
Non-executive directors						
- Current						
J C Watson, Chairman (1)	2008	330	26	33	81	470
	2007	254	14	27	44	339
B Healey	2008	150	-	-	-	150
	2007	126	-	-	-	126
A C Larkin	2008	150	-	15	-	165
	2007	111	-	11	-	122
J Marlay (2)	2008	131	-	4	-	135
	2007	79	-	-	-	79
A D McCallum (1)	2008	150	-	15	29	194
	2007	118	-	12	15	145
Total non-executive directors	2008	911	26	67	110	1,114
	2007	688	14	50	59	811

(A) Consistent with best practice, with the exception of the contractual entitlements for Mr Watson and Mr McCallum who were appointed to the Board before 1 June 2003, the Company does not pay additional benefits to non-executive directors.

(B) Non-monetary benefits include the taxable value of fringe benefits attributable to the FBT year (2008: 1 April 2007 to 31 March 2008) (2007: 1 April 2006 to 31 March 2007). In the case of Mr Watson, this relates to travel expenses.

(1) If Mr Watson or Mr McCallum had ceased to be a director on 30 September 2008, the following benefits would have been payable under their respective contracts: Mr Watson \$513,000, Mr McCallum \$225,000.

(2) On 20 December 2006, Mr Marlay was appointed to the Board by the directors as a non-executive director. For the period 1 October 2007 to 31 May 2008, fees of \$90,000 (2007: \$79,000) were paid to Alumina Limited, Mr Marlay's then employer.

Directors' Report

Remuneration Report

B. Executive remuneration

The remuneration of the executives is set by the Board.

Executive remuneration is set at levels to properly reflect the duties and responsibilities of the executives and comprises both a fixed component and an "at risk" component, which is intended to remunerate executives for increasing shareholder value and for achieving financial targets and successfully implementing business strategies.

The mix between fixed remuneration and "at risk" or performance-related remuneration varies according to the duties and responsibilities of executives, and supports the Company's remuneration strategy.

Remuneration arrangements are reviewed annually by the Board after receiving advice from an appropriately qualified external consultant, taking into account survey data on remuneration packages for comparable companies, and the duties and responsibilities of the executives. Mercer Human Resource Consulting Pty Ltd (Mercer) was engaged to assist in the review for the 2007/08 financial year. As part of this review, and following the recommendations of Mercer, in setting the remuneration arrangements for the 2007/08 financial year, the Board adopted the following in support of its remuneration strategy:

- the fixed component, fixed annual remuneration, to be referenced to that paid by companies in the S&P/ASX 26-100; and
- the "at risk" component and the total remuneration package for executives, to be referenced to the top 25 performing companies within the S&P/ASX 26-100 and NPAT targets to be used as the performance measure for short term incentives and total shareholder return (TSR) to be used as the performance measure for long term incentives, thereby linking executive reward with the creation of shareholder value.

Components of remuneration

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

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

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

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

Table B.1, Remuneration structure by level

	% of Total Remuneration (annualised)		
	Fixed Remuneration	Performance-based Remuneration	
	FAR	STI	LTI
CEO	29%	29%	42%
CFO	33%	33%	34%
Executives (1)	36%	29%	35%

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

(1) For the purpose of the above table, Executives does not include General Manager - Explosives. For the General Manager - Explosives, the relative proportions are as follows: fixed remuneration - 36%, STI - 35% and LTI - 29%.

Fixed Remuneration

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

Directors' Report

Remuneration Report

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

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

The criteria for awarding the STI are set annually with both target and stretch conditions. The STI and the performance conditions under the STI have been designed to motivate and reward high performance. If performance exceeds the already challenging targets, the STI will deliver higher rewards to executives. The principal performance condition for the STI is Net Profit After Tax (NPAT) (before individually material items). NPAT (before individually material items) is considered the appropriate financial measure as, in the absence of capital initiatives, it equates to earnings per share growth, which is the key driver of shareholder value (driving both dividends and share price growth). Additional conditions may be applied and, if so, include the performance and execution of business plans in the functional areas.

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

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

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

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

During 2008, the Board engaged Mercer to review and advise on the design of the Company's long term incentive scheme to ensure that its long term incentive arrangements continued to achieve the Company's remuneration strategy. Mercer's review involved an analysis of the structure of long term incentive arrangements adopted by companies in the S&P/ASX 50 index as well as governance practice. Accordingly, following Mercer's recommendations, it is proposed that the form of the long term incentive plan for the three year period 2008/11 will be a performance rights long term incentive plan using TSR as the principal performance measure. Performance rights are considered to be an effective mechanism to retain and motivate senior employees and using TSR, as the key performance measure, aligns executives' performance with the creation of shareholder value.

The performance rights long term incentive plan will be in place for 2008/11 and currently, the Company has in place the following LTIs:

- 1 October 2006 to 30 September 2008 (LTI interim performance plan 2006/08);
- 1 October 2006 to 30 September 2009 (LTI performance plan 2006/09); and
- 1 October 2007 to 30 September 2010 (LTI performance plan 2007/10).

Key features of the current LTIs:

- **Loan backed plan:** At the commencement of relevant performance periods (typically 3 years) the Company, through its wholly owned subsidiary, Incitec Pivot LTI Plan Company Pty Ltd, provides to participants limited recourse loans bearing interest at the fringe benefits tax benchmark rate (currently 9.00%) for the sole purpose of acquiring shares in Incitec Pivot.
- **Shares acquired on market and held under restriction:** The loans are applied to acquire shares on market which avoids dilution of other shareholdings. Australian Securities Exchange Listing Rule 10.14 provides that no shareholder approval is required. Participants may not deal in the shares while the loan remains outstanding. Net cash dividends after personal income tax obligations are applied to reduce the loan balance throughout the term of the loan.
- **Loan forgiveness:** If, at the end of the performance period, the performance of the Company and the participant meets or exceeds the performance criteria which were set by the Board at the commencement of the performance period, part of the loan may be forgiven. The amount of the loan forgiven will be determined according to the performance achieved and will be net of fringe benefits tax. The balance of the loan must be repaid prior to any dealing

Directors' Report

Remuneration Report

in the shares, on cessation of employment, or at the latest, a sunset date which is 3 months after the expiry of the performance period, unless extended by the Company.

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

Relationship between Company performance and remuneration

Indices

In considering Incitec Pivot's performance and benefits for shareholders, the Board, through its Remuneration and Appointments Committee, has regard to financial and non-financial indices, including the following indices in respect of the current financial year and the preceding four financial years.

Table B.2

	2004(2)	2005(1)(2)	2006(1)(2)	2007(1)(2)	2008(1)
Net Profit After Tax (before individually material items) (\$m)	80.9	47.9	82.8	202.5	657.2
Dividends - paid - per share (cents)	1.5	6.1	3.6	7.5	21.8
Dividends - declared - per share (cents)	6.5	3.6	5.2	15.0	29.7
Share price (\$) (Year End)	0.94	0.79	1.29	4.28	5.07
TSR (Annual) - IPL (%)	28	(12)	70	242	25
Earnings per share (including individually material items) (cents)	6.4	1.2	4.1	20.4	57.4

(1) Stated on an AIFRS basis.

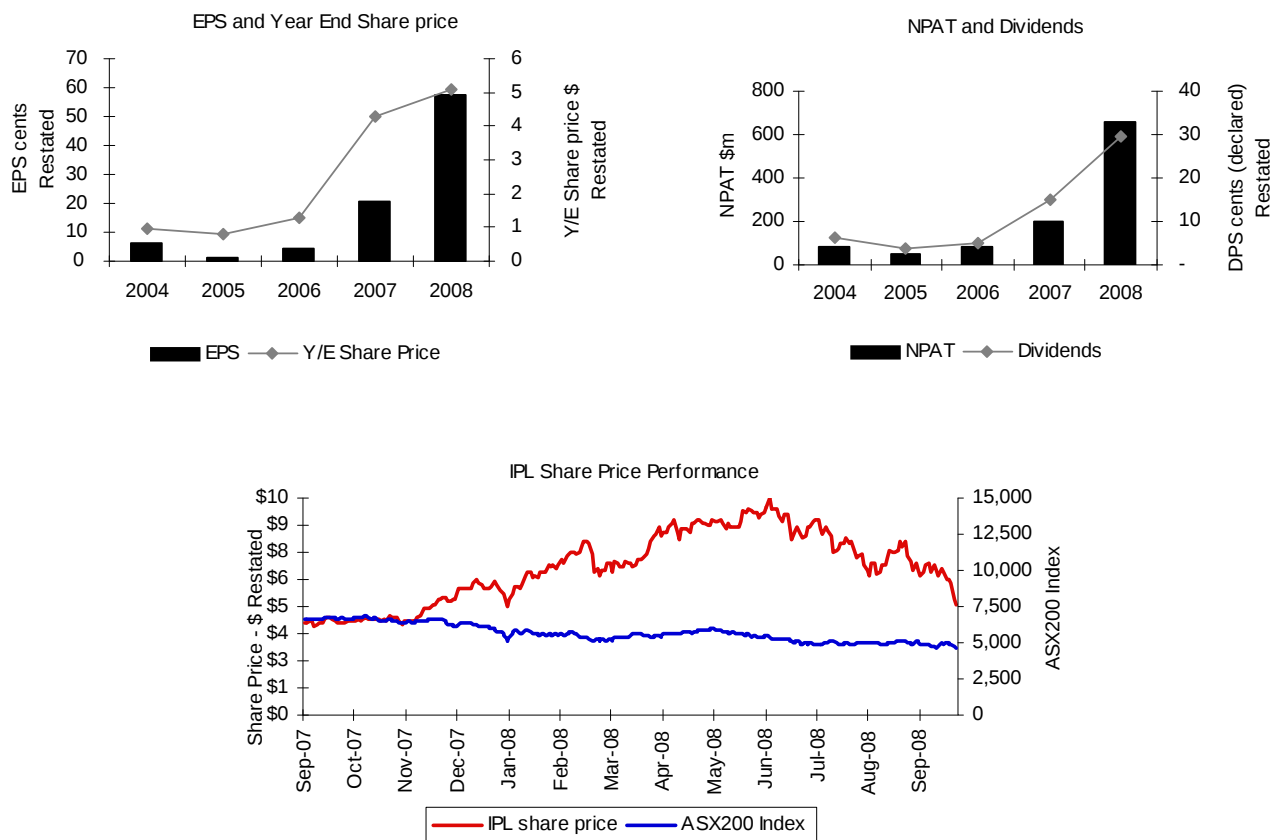
(2) All indices except for Net Profit After Tax (before individually material items) and TSR (Annual) – IPL (%) have been restated as a result of the 20:1 share split approved by shareholders in September 2008.

Directors' Report

Remuneration Report

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

Charts B.2



Current LTIs

The LTI performance plan 2006/09 and the LTI performance plan 2007/10 are for three year periods. The performance criteria for the LTI performance plan 2006/09 and the LTI performance plan 2007/10 will not be tested until 30 September 2009 and 30 September 2010 respectively.

Under the LTI interim performance plan 2006/08, the performance measure is based on cumulative NPAT for the two years ended 30 September 2008. The LTI award has been made on the basis that the cumulative NPAT target (excluding individually material items) was equal to or above \$227.5m. Each of Mr Fazzino, Mrs Gleeson, Mr Grace, Mr Roe, Mr Rintel, Mr Walsh and Mr Whiteside received awards by way of loan forgiveness in respect of the two year performance period ended 30 September 2008.

Directors' Report

Remuneration Report

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

Managing Director & CEO – Mr J Segal

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

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

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

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

The details of his remuneration are as follows:

- **Fixed Annual Remuneration**

Mr Segal's fixed annual remuneration is \$1,700,000, reviewed annually each January having regard to Incitec Pivot's executive remuneration policy.

- **Short Term Incentive**

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

Mr Segal's STI opportunity is 25% of fixed annual remuneration up to a maximum of 100% of fixed annual remuneration for over performance against specified measures. Given NPAT (before individually material items) for the 2007/08 financial year is \$657.2m, up 224.5% or \$454.7m on the 2006/07 result, Mr Segal was awarded a STI payment of \$1,700,000 being 100% of the maximum STI opportunity for the period 1 October 2007 to 30 September 2008.

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

- **Long Term Incentive**

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

Directors' Report

Remuneration Report

D. Executives' employment arrangements and remuneration

D.1 Service Contracts and Termination Provisions

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

Fixed remuneration	Fixed remuneration comprising salary paid in cash and mandatory employer superannuation contributions. This is subject to an annual review.																																														
STI Plan	Participation is at the Board's discretion. For all executives other than Mr Fazzino and Mr Brinker, the STI opportunity is 40% of fixed annual remuneration up to a maximum of 80% of fixed annual remuneration for over performance against specified measures. For Mr Fazzino, the STI opportunity is 50% of fixed annual remuneration up to a maximum of 100% of fixed annual remuneration for over performance against specified measures. For Mr Brinker, commencing from the 2008/09 financial year, the STI opportunity is 50% of fixed annual remuneration up to a maximum of 100% of fixed annual remuneration for over performance against specified measures.																																														
LTI Plan	Participation is at the Board's discretion. For all executives other than Mr Brinker, the LTI opportunity is 50% of fixed annual remuneration up to a maximum of 100% of fixed annual remuneration for over performance against specified measures. For Mr Brinker, the LTI opportunity is 40% of fixed annual remuneration, up to a maximum of 80% of fixed annual remuneration for over performance against specified measures.																																														
Termination by Incitec Pivot	Incitec Pivot may terminate the service agreements: - immediately for cause, without payment of any separation sum, save as to accrued fixed annual remuneration, accrued annual leave and long service leave; - on notice in the case of incapacity, and the Company must pay a separation payment plus accrued annual leave and long service leave; - otherwise, without cause, with or without notice and the Company must pay a separation payment plus accrued annual leave and long service leave. The amount of a separation payment is calculated on a 'capped' number of weeks, where the number of weeks is determined having regard to the length of any prior service with the Orica group (where applicable), and is as follows for each executive (excluding Mr Segal): <table> <tr> <th></th><th>Current Fixed Annual Remuneration \$'000</th><th>Number of Weeks</th><th>Separation Payment \$'000</th></tr> <tr> <td>Mr Paul Barber</td><td>375</td><td>26.0 weeks</td><td>187.5</td></tr> <tr> <td>Mr Don Brinker</td><td>898 (1)</td><td>52.0 weeks</td><td>898</td></tr> <tr> <td>Mr James Fazzino</td><td>950</td><td>51.6 weeks</td><td>943</td></tr> <tr> <td>Mrs Kerry Gleeson</td><td>550</td><td>26.0 weeks</td><td>275</td></tr> <tr> <td>Mr Alan Grace</td><td>450</td><td>26.0 weeks</td><td>225</td></tr> <tr> <td>Mr Kevin Lynch</td><td>550</td><td>26.0 weeks</td><td>275</td></tr> <tr> <td>Mr James Rintel</td><td>350</td><td>26.0 weeks</td><td>175</td></tr> <tr> <td>Mr Daryl Roe</td><td>400</td><td>70.48 weeks</td><td>542</td></tr> <tr> <td>Mr Bernard Walsh</td><td>600</td><td>61.81 weeks</td><td>713</td></tr> <tr> <td>Mr James Whiteside</td><td>450</td><td>45.41 weeks</td><td>393</td></tr> </table>				Current Fixed Annual Remuneration \$'000	Number of Weeks	Separation Payment \$'000	Mr Paul Barber	375	26.0 weeks	187.5	Mr Don Brinker	898 (1)	52.0 weeks	898	Mr James Fazzino	950	51.6 weeks	943	Mrs Kerry Gleeson	550	26.0 weeks	275	Mr Alan Grace	450	26.0 weeks	225	Mr Kevin Lynch	550	26.0 weeks	275	Mr James Rintel	350	26.0 weeks	175	Mr Daryl Roe	400	70.48 weeks	542	Mr Bernard Walsh	600	61.81 weeks	713	Mr James Whiteside	450	45.41 weeks	393
	Current Fixed Annual Remuneration \$'000	Number of Weeks	Separation Payment \$'000																																												
Mr Paul Barber	375	26.0 weeks	187.5																																												
Mr Don Brinker	898 (1)	52.0 weeks	898																																												
Mr James Fazzino	950	51.6 weeks	943																																												
Mrs Kerry Gleeson	550	26.0 weeks	275																																												
Mr Alan Grace	450	26.0 weeks	225																																												
Mr Kevin Lynch	550	26.0 weeks	275																																												
Mr James Rintel	350	26.0 weeks	175																																												
Mr Daryl Roe	400	70.48 weeks	542																																												
Mr Bernard Walsh	600	61.81 weeks	713																																												
Mr James Whiteside	450	45.41 weeks	393																																												
Termination by executive	An executive may terminate his/her employment on 13 weeks' notice (save for Mr Grace and Mr Lynch, who may terminate on 8 weeks' notice and Mr Brinker who may terminate without notice) and the Company may require the executive to serve out the notice period or may make payment in lieu.																																														

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

(1) US\$ converted to A\$ at an exchange rate of 0.8015 (closing rate 30 September 2008).

Directors' Report

Remuneration Report

D.2 Grants of STI payments

For the 2007/08 STI, the principal measure used in order to determine whether STI payments were to be made was NPAT (before individually material items). In addition, for each of Mr Barber, Mr Grace, Mr Rintel, Mr Roe, Mr Walsh and Mr Whiteside, 40% of their available STI opportunity was based on specific objectives in their respective functional areas. For Mr Brinker, 100% of his available STI opportunity was based on specific objectives relating to the successful integration of the Dyno Nobel business which is now complete, where his available STI opportunity was based on a proportion of his fixed annual remuneration. In 2008, NPAT (before individually material items) is \$657.2m, an increase of 224.5% on the 2007 NPAT (before individually material items) of \$202.5m. Mr Fazzino, Mrs Gleeson, Mr Grace, Mr Lynch, Mr Rintel, Mr Roe and Mr Whiteside, were awarded STI payments at 100% of their respective maximum STI opportunities. Mr Walsh was awarded a STI payment at 90% of his maximum STI opportunity, and Mr Barber was awarded a STI payment at 98.4% of his maximum STI opportunity. Mr Brinker was awarded a STI payment at 75% of his maximum STI opportunity pro rata for the period from commencement of his service contract to 30 September 2008.

D.3 Grants of LTI Plan awards

For the year ended 30 September 2008, each of Mr Fazzino, Mrs Gleeson, Mr Grace, Mr Rintel, Mr Roe, Mr Walsh and Mr Whiteside were granted awards at 100% of their respective maximum LTI opportunities under the LTI interim performance plan 2006/08.

Directors' Report

Remuneration Report

D.4 Executives' remuneration

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

For the year ended 30 September 2008

	Year	Short-term benefits			Post-employment benefits	Other long term benefits	Termination benefits	Share-based payments	Total	Proportion of remuneration performance related (4)	Value of shares treated as options as proportion of remuneration (4)
		Salary & Fees	Short Term Incentive & other bonuses (A)	Non-monetary benefits (B)	Super-annuation benefits			Value of shares treated as Options (C)		%	%
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000		
Executive											
- Current											
J Segal	2008	1,512	1,700	9	13	138	-	786	4,158	60%	19%
Managing Director & CEO	2007	962	1,000	60	13	31	-	552	2,618	59%	21%
J E Fazzino	2008	842	950	-	13	137	-	268	2,210	55%	12%
Finance Director & Chief Financial Officer	2007	557	570	8	13	10	-	179	1,337	56%	13%
K J Gleeson	2008	489	440	-	13	-	-	169	1,111	55%	15%
General Counsel & Company Secretary	2007	347	288	-	13	-	-	113	761	53%	15%
D A Roe (5)	2008	367	320	-	13	20	-	150	870	54%	17%
General Manager - Business Development	2007	307	382	6	13	6	-	100	814	59%	12%
B C Walsh	2008	537	432	2	13	86	-	188	1,258	49%	15%
General Manager - Global Manufacturing	2007	387	314	6	13	7	-	126	853	52%	15%
A Grace	2008	394	360	5	13	32	-	126	930	52%	14%
General Manager - Health, Safety & Environment & Major Projects	2007	258	218	8	13	5	-	82	584	51%	14%
J Whiteside	2008	394	360	20	13	55	-	132	974	50%	14%
General Manager - Supply Chain & Trading	2007	267	220	6	13	5	-	88	599	51%	15%
P Barber (1)	2008	355	295	147	13	-	-	55	865	40%	6%
General Manager - Australian Fertilisers	2007	19	-	-	1	-	-	-	20	0%	0%
K Lynch (2)	2008	333	440	-	9	-	-	21	803	57%	3%
General Manager - Human Resources	2007	-	-	-	-	-	-	-	-	0%	0%
J Rintel (3)	2008	112	280	-	5	-	-	10	407	71%	2%
General Manager - Strategy	2007	-	-	-	-	-	-	-	-	0%	0%
D Brinker (4)	2008	248	701	49	7	-	-	14	1,018	24%	4%
General Manager - Explosives	2007	-	-	-	-	-	-	-	-	0%	0%
- Former											
M Drew (6)	2008	-	-	-	-	-	-	-	-	0%	0%
General Manager - Sales & Customer Service	2007	251	224	-	12	-	385	82	954	32%	9%
Total Executive	2008	5,583	6,278	232	125	468	-	1,919	14,605	54%	14%
	2007	3,355	3,216	94	104	64	385	1,322	8,540	53%	15%

Directors' Report

Remuneration Report

- (A) Mr Segal, Mr Fazzino, Mrs Gleeson, Mr Grace, Mr Lynch, Mr Rintel, Mr Roe and Mr Whiteside were each awarded their maximum available STIs. Accordingly, Mr Segal and Mr Fazzino received 100% of their respective fixed annual remuneration as STIs. Mrs Gleeson, Mr Grace, Mr Lynch, Mr Rintel, Mr Roe and Mr Whiteside received 80% of their respective fixed annual remuneration as STIs, Mr Walsh received 72% of his fixed annual remuneration as a STI and Mr Barber received 78.7% of his fixed annual remuneration as a STI. Mr Brinker received 9% of his fixed annual remuneration as a STI, referable to his period of employment. In addition, Mr Brinker's employment arrangements include a sign-on payment of A\$956,000, of which A\$620,000 was paid during the financial year.
- (B) Non-monetary benefits include the taxable value of fringe benefits paid attributable to the FBT year (2008: 1 April 2007 to 1 March 2008) (2007: 1 April 2006 to 31 March 2007), rent and mortgage interest subsidy, relocation allowances and other allowances. Additionally, all executives are eligible to participate in an annual health assessment program designed to ensure executives have their health status reviewed on a regular basis.
- (C) For Mr Segal this relates to a Retention Award (refer to section C) and his participation in the LTI performance plan 2007/10 and the LTI performance plan 2006/09 (refer to sections B and C), and for the other executives this relates to the LTI performance plan 2007/10, the LTI performance plan 2006/09 and the LTI interim performance plan 2006/08. The benefits received as a result of Mr Segal's Retention Award and the executives' participation in the LTI plans have been treated as options. External valuation advice from PricewaterhouseCoopers has been used to determine the fair value of these shares treated as options at grant date. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the share treated as an option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the share treated as an option. The fair value has been allocated evenly over the period from grant date to the date when an entitlement to an award arises. The value disclosed in this table represents the portion of fair value allocated to this reporting period.

Refer to sections B and C of this remuneration report for further details of the LTI performance plan 2007/10, the LTI performance plan 2006/09, the LTI interim performance plan 2006/08 and LTIs generally.

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

	Grant date	Expiry date	Fair Value per share treated as option at grant date(ii)	Date exercisable	Exercise Price(ii)
LTI interim performance plan 2006/08	17/11/2006	30/09/2008	\$0.22	From 1/10/2008 (i)	\$1.25
LTI performance plan 2006/09	1/12/2006	30/09/2009	\$0.83	From 1/10/2009 (i)	\$1.21
LTI performance plan 2007/10	12/11/2007	30/09/2010	\$1.94	From 1/10/2010 (i)	\$4.41

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

- (i) Shares restricted until such time as the loan is repaid. Under the LTI interim performance plan 2006/08, the loan must be repaid by a "sunset date" which has been determined as 31 March 2009. Under the LTI performance plan 2006/09, the loan must be repaid by 31 December 2009. Under the LTI performance plan 2007/10, the loan must be repaid by 31 December 2010.
- (ii) Amounts have been restated as a result of the 20:1 share split approved by shareholders in September 2008.
- (1) Mr Barber was appointed as an executive during the 2007 financial year. The 2007 disclosures are from his appointment date, 10 September 2007.
- (2) Mr Lynch was appointed as an executive during the financial year. These disclosures are from his appointment date, 18 February 2008.
- (3) Mr Rintel was appointed as an executive during the financial year. These disclosures are from his appointment date, 1 June 2008.
- (4) Mr Brinker was appointed as an executive during the financial year. These disclosures are from his appointment date, 1 June 2008. For the period 1 June 2008 to 30 September 2008, US\$ converted to A\$ at an average exchange rate of 0.9046. For the purpose of calculating the proportion of remuneration that is performance related and, the value of shares, treated as options, as a proportion of remuneration, Mr Brinker's sign on payment of A\$620,000 has been excluded.
- (5) The 2007 disclosures include the sum of \$126,000 which was paid to Mr Roe in satisfaction of the agreement between him and Incitec Pivot relating to his continued entitlement to a long term incentive on his transfer from Orica Limited to Incitec Pivot and the cessation of his participation in Orica Limited's LTI plans.
- (6) On 7 September 2007, Mr Drew ceased to be employed by the Company. These disclosures are from 1 October 2006 to that date.

Directors' Report

Remuneration Report

D.5 Analysis of incentive compensation included in remuneration

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

		Short term incentive		
		Included in remuneration (A) \$000	% vested in year (B)	% forfeited in year
Executive directors				
- Current				
J Segal	- STI	1,700	100%	0%
J E Fazzino	- STI	950	100%	0%
Executives				
- Current				
K J Gleeson	- STI	440	100%	0%
DA Roe	- STI	320	100%	0%
B C Walsh	- STI	432	90%	10%
A Grace	- STI	360	100%	0%
J Whiteside	- STI	360	100%	0%
P Barber	- STI	295	98.4%	1.6%
K Lynch	- STI	440	100%	0%
J Rintel	- STI	280	100%	0%
D Brinker (1)	- STI	81	75%	25%

- (A) In relation to the STI, the amounts included in remuneration for the financial year represent the amounts that vest in the financial year based on achievement of individual and Company targets and satisfaction of relevant performance measures under the STI.
- (B) Mr Segal, Mr Fazzino, Mrs Gleeson, Mr Grace, Mr Lynch, Mr Rintel, Mr Roe and Mr Whiteside were each awarded their maximum available STIs. Mr Walsh was awarded 90% of his maximum STI opportunity and Mr Barber was awarded 98.4% of his maximum STI opportunity. On that basis, Mr Segal and Mr Fazzino received 100% of their respective fixed annual remuneration as STIs. Mrs Gleeson, Mr Grace, Mr Lynch, Mr Rintel, Mr Roe and Mr Whiteside received 80% of their respective fixed annual remuneration as STIs, Mr Walsh received 72% of his fixed annual remuneration as a STI, Mr Barber received 78.7% of his fixed annual remuneration as a STI and Mr Brinker received 9% of his fixed annual remuneration as a STI.
- (1) Mr Brinker's STI is pro rata for the period from commencement of Mr Brinker's service contract to 30 September 2008.

Directors' Report

Remuneration Report

E. Equity instruments

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

For the purposes of determining Key Management Personnel remuneration, shares granted under the LTI performance plan 2007/10, the LTI performance plan 2006/09 and the LTI interim performance plan 2006/08 are treated as options.

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

For the year ended 30 September 2008

			Number of shares treated as options		
			Granted during 2008 as remuneration (A)	Vested during 2008 (B)	Status at end of year (C)
Key Management Personnel					
Executive Directors					
- Current					
J Segal	Performance Plan 2007/10	12 November 2007	361,200	-	Restricted
J E Fazzino	Performance Plan 2007/10	12 November 2007	137,240	-	Restricted
	Performance Plan 2006/08	17 November 2006	-	449,700	Unrestricted
Executives					
- Current					
K J Gleeson	Performance Plan 2007/10	12 November 2007	86,680	-	Restricted
	Performance Plan 2006/08	17 November 2006	-	284,020	Unrestricted
D A Roe	Performance Plan 2007/10	12 November 2007	77,040	-	Restricted
	Performance Plan 2006/08	17 November 2006	-	252,460	Unrestricted
B C Walsh	Performance Plan 2007/10	12 November 2007	96,320	-	Restricted
	Performance Plan 2006/08	17 November 2006	-	315,560	Unrestricted
A Grace	Performance Plan 2007/10	12 November 2007	67,420	-	Restricted
	Performance Plan 2006/08	17 November 2006	-	206,700	Unrestricted
J Whiteside	Performance Plan 2007/10	12 November 2007	67,420	-	Restricted
	Performance Plan 2006/08	17 November 2006	-	220,900	Unrestricted
P Barber (1)	Performance Plan 2007/10	12 November 2007	84,280	-	Restricted
	Performance Plan 2006/08	17 November 2006	-	-	-
K Lynch (2)	Performance Plan 2007/10	12 November 2007	53,240	-	Restricted
	Performance Plan 2006/08	17 November 2006	-	-	-
J Rintel (3)	Performance Plan 2007/10	12 November 2007	15,160	-	Restricted
	Performance Plan 2006/08	17 November 2006	-	49,700	Unrestricted
D Brinker (2)	Performance Plan 2007/10	12 November 2007	66,680	-	Restricted
	Performance Plan 2006/08	17 November 2006	-	-	-

(A) Refers to the number of shares allocated to the participating executive or participating executive director during the financial year. These shares are treated as options.

(B) Refers to the number of shares that vested during the reporting period.

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

"Unrestricted" refers to shares that are subject to a limited recourse loan, however the participant may sell these shares and repay the loan on or before 31 March 2009.

(1) Mr Barber was appointed as an executive during the 2007 financial year and he is not a participant in either the LTI performance plan 2006/09 or the LTI interim performance plan 2006/08.

(2) Mr Lynch and Mr Brinker were appointed as executives during the financial year and they are not participants in either the LTI performance plan 2006/09 or the LTI interim performance plan 2006/08.

(3) For Mr Rintel, shares (treated as options) were granted under the LTI interim performance plan 2006/08, the LTI performance plan 2006/09 and the LTI performance plan 2007/10 prior to his appointment as an executive.

The number of shares treated as options has been restated as a result of the 20:1 share split approved by shareholders in September 2008.

Directors' Report

Remuneration Report

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

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

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

Other than the extension of the sunset date (being the loan repayment date) from 31 December 2008 to 31 March 2009 under the LTI interim performance plan 2006/08, no terms of equity-settled share-based payment transactions (including shares which are treated as options) granted to a Key Management Person have been altered or modified by the issuing entity during the reporting period or the prior period.

Directors' Report

Remuneration Report

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

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

							Value yet to Vest	
		Grant date	Number of shares treated as options granted	% Vested in year	% Forfeited in year (A)	Financial year in which grant vests	Min (B) \$	Max (C) \$
Key Management Personnel								
Executive Directors								
- Current								
J Segal	Retention Award	5 July 2006	651,940	-	-	2009	-	-
	Performance Plan 2006/09	1 December 2006	1,120,020	-	-	2009	-	-
	Performance Plan 2007/10	12 November 2007	361,200	-	-	2010	-	-
J E Fazzino	Performance Plan 2006/08	17 November 2006	449,700	100%	-	2008	-	-
	Performance Plan 2006/09	1 December 2006	472,880	-	-	2009	-	-
	Performance Plan 2007/10	12 November 2007	137,240	-	-	2010	-	-
Executives								
- Current								
K J Gleeson	Performance Plan 2006/08	17 November 2006	284,020	100%	-	2008	-	-
	Performance Plan 2006/09	1 December 2006	298,660	-	-	2009	-	-
	Performance Plan 2007/10	12 November 2007	86,680	-	-	2010	-	-
D A Roe	Performance Plan 2006/08	17 November 2006	252,460	100%	-	2008	-	-
	Performance Plan 2006/09	1 December 2006	265,480	-	-	2009	-	-
	Performance Plan 2007/10	12 November 2007	77,040	-	-	2010	-	-
B C Walsh	Performance Plan 2006/08	17 November 2006	315,560	100%	-	2008	-	-
	Performance Plan 2006/09	1 December 2006	331,840	-	-	2009	-	-
	Performance Plan 2007/10	12 November 2007	96,320	-	-	2010	-	-
A Grace	Performance Plan 2006/08	17 November 2006	206,700	100%	-	2008	-	-
	Performance Plan 2006/09	1 December 2006	217,360	-	-	2009	-	-
	Performance Plan 2007/10	12 November 2007	67,420	-	-	2010	-	-
J Whiteside	Performance Plan 2006/08	17 November 2006	220,900	100%	-	2008	-	-
	Performance Plan 2006/09	1 December 2006	232,300	-	-	2009	-	-
	Performance Plan 2007/10	12 November 2007	67,420	-	-	2010	-	-
P Barber (1)	Performance Plan 2006/08	17 November 2006	-	-	-	-	-	-
	Performance Plan 2006/09	1 December 2006	-	-	-	-	-	-
	Performance Plan 2007/10	12 November 2007	84,280	-	-	2010	-	-
K Lynch (2)	Performance Plan 2006/08	17 November 2006	-	-	-	-	-	-
	Performance Plan 2006/09	1 December 2006	-	-	-	-	-	-
	Performance Plan 2007/10	12 November 2007	53,240	-	-	2010	-	-
J Rintel (3)	Performance Plan 2006/08	17 November 2006	49,700	100%	-	2008	-	-
	Performance Plan 2006/09	1 December 2006	52,260	-	-	2009	-	-
	Performance Plan 2007/10	12 November 2007	15,160	-	-	2010	-	-
D Brinker (4)	Performance Plan 2006/08	17 November 2006	-	-	-	-	-	-
	Performance Plan 2006/09	1 December 2006	-	-	-	-	-	-
	Performance Plan 2007/10	12 November 2007	66,680	-	-	2010	-	-

- (A) The percentage forfeited in the year represents the reduction from the maximum number of shares treated as options available to vest, that is, in respect of which awards (in the form of loan waivers) could be made, due to the performance criteria not being achieved.
- (B) The minimum value of shares which are treated as options yet to vest is \$nil as the performance criteria may not be met and, in such circumstances, there would be no vesting. This does not apply to shares, which are treated as options, that vested during the reporting period.
- (C) The maximum value of shares which are treated as options yet to vest is not determinable as it depends on the market price of shares of the Company on the Australian Securities Exchange at the date of exercise. This does not apply to shares, which are treated as options, that vested during the reporting period.

Directors' Report

Remuneration Report

- (1) Mr Barber's employment commenced on 10 September 2007 and he is not a participant in either the LTI performance plan 2006/09 or the LTI interim performance plan 2006/08.
- (2) Mr Lynch's employment commenced on 18 February 2008 and he is not a participant in either the LTI performance plan 2006/09 or the LTI interim performance plan 2006/08.
- (3) Mr Rintel's shares (treated as options) were granted under the LTI performance plan 2007/10, the LTI performance plan 2006/09 and the LTI interim performance plan 2006/08 prior to his appointment as an executive.
- (4) Mr Brinker's employment commenced on 1 June 2008 and he is not a participant in either the LTI performance plan 2006/09 or the LTI interim performance plan 2006/08.

The number of shares treated as options have been restated as a result of the 20:1 share split approved by shareholders in September 2008.

Directors' Report

Remuneration Report

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

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

For the year ended 30 September 2008

			Value of shares treated as options		
			Granted during 2008 as remuneration (A) \$000	Vested in year (B) \$000	Forfeited in year (C) \$000
Key Management Personnel					
Executive Directors					
- Current					
J Segal	Performance Plan 2007/10	12 November 2007	701	-	-
J E Fazzino	Performance Plan 2006/08	17 November 2006	-	305	-
	Performance Plan 2007/10	12 November 2007	266	-	-
Executives					
- Current					
K J Gleeson	Performance Plan 2006/08	17 November 2006	-	193	-
	Performance Plan 2007/10	12 November 2007	168	-	-
D A Roe	Performance Plan 2006/08	17 November 2006	-	171	-
	Performance Plan 2007/10	12 November 2007	149	-	-
B C Walsh	Performance Plan 2006/08	17 November 2006	-	214	-
	Performance Plan 2007/10	12 November 2007	187	-	-
A Grace	Performance Plan 2006/08	17 November 2006	-	140	-
	Performance Plan 2007/10	12 November 2007	131	-	-
J Whiteside	Performance Plan 2006/08	17 November 2006	-	150	-
	Performance Plan 2007/10	12 November 2007	131	-	-
P Barber (1)	Performance Plan 2006/08	17 November 2006	-	-	-
	Performance Plan 2007/10	12 November 2007	164	-	-
K Lynch (2)	Performance Plan 2006/08	17 November 2006	-	-	-
	Performance Plan 2007/10	12 November 2007	103	-	-
J Rintel (3)	Performance Plan 2006/08	17 November 2006	-	34	-
	Performance Plan 2007/10	12 November 2007	29	-	-
D Brinker (4)	Performance Plan 2006/08	17 November 2006	-	-	-
	Performance Plan 2007/10	12 November 2007	129	-	-

- (A) The value of shares which are treated as options granted in the year is the fair value of those shares calculated at grant date using a binominal option-pricing model. The value of these shares is included in the table above. This amount is allocated to the remuneration of the applicable executive over the vesting period (i.e. in years 2006 to 2008 for the LTI interim performance plan 2006/08 and in years 2007 to 2010 for the LTI performance plan 2007/10).
- (B) The value of shares which are treated as options that vested during the year represents awards (in the form of waivers of loans) granted to the applicable executives who satisfied the criteria under the LTI interim performance plan 2006/08.
- (C) The value of the shares which are treated as options that lapsed during the year represents the benefit foregone and is calculated at the date they lapsed.
- (1) Mr Barber's employment commenced on 10 September 2007 and he is not a participant in the LTI interim performance plan 2006/08.
- (2) Mr Lynch's employment commenced on 18 February 2008 and he is not a participant in the LTI interim performance plan 2006/08.
- (3) Mr Rintel's shares (treated as options) were granted under the LTI performance plan 2007/10 and the LTI interim performance plan 2006/08 prior to his appointment as an executive.
- (4) Mr Brinker's employment commenced on 1 June 2008 and he is not a participant in the LTI interim performance plan 2006/08.

Directors' Report

Corporate Governance Statement

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

The Board continues to review its corporate governance framework and practices to ensure they meet the interests of shareholders.

This corporate governance statement outlines the key aspects of the Company's corporate governance framework. The Board considers that Incitec Pivot has been compliant with the ASX Recommendations throughout the year ended 30 September 2008. The Company is currently undertaking a further review of its policies and procedures in light of the ASX Corporate Governance Principles and Recommendations (2nd edition) which apply to the Company from 1 October 2008 and which will be reported against in the Annual Report for the 2008/09 financial year.

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

Disclosure required by ASX Recommendations	Reference
Functions reserved to the Board and those delegated to management	Board of Directors on page 25
Skills, experience and expertise relevant to the position of director	Information on Directors on page 2
Details of directors considered by Incitec Pivot as independent and the criteria/thresholds applied	Composition of the Board on pages 25 to 26
Procedure for independent professional advice	Access to information and independent advice on page 28
Directors' terms of office	Information on Directors on page 2
Names of the Remuneration and Appointments Committee members and attendance at meetings	Remuneration and Appointments Committee and Board meetings of directors on page 3
Composition of Board, Chairman, role of Chairman and Managing Director & CEO	Composition of the Board on pages 25 to 26
Code of conduct for directors, executives and employees	Codes of conduct on page 31
Share trading policy	Share ownership and dealing on page 30
Risk oversight	Audit and Risk Management Committee on pages 28 to 29
Audit and Risk Management Committee members and qualifications	Information on directors on page 2
Audit and Risk Management Committee meetings and attendance	Directors' meetings on page 3
Risk management and internal controls	Internal control and risk management on page 28
Financial statements sign off and structure of Audit and Risk Management Committee	Audit and Risk Management Committee on pages 28 to 29
Procedures for ASX disclosures	Procedures for ASX disclosure requirements on page 30
Shareholder communications strategy	Procedures for ASX disclosure requirements on page 30 and the Incitec Pivot website (www.incitecpivot.com.au)
Attendance of auditor	External auditor on page 30
Performance review	Performance evaluations on page 26
Company's remuneration policies and disclosure	The remuneration report and also in Note 34, Key Management Personnel disclosures
Retirement benefits for non-executive directors	Section A of the remuneration report
Codes of conduct to guide compliance with legal and other obligations	Codes of conduct on page 31

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

Directors' Report

Corporate Governance Statement

Board of directors

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

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

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

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

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

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

Composition of the Board

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

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

The Board collectively has significant commercial, business, operational and financial experience in a range of industries. The directors all bring skills and expertise which, in aggregate, combine to form a Board which is equipped to discharge its responsibilities. The directors' biographies along with their term of office and information about their skills, expertise and experience are set out on page 2 of this report.

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

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

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

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

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

Directors' Report

Corporate Governance Statement

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

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

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

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

Performance evaluations

Incitec Pivot recognises the importance of regular performance evaluations of its directors. Assessment of individual directors' performance and the Board as a whole is a process determined by the Chairman and the Remuneration and Appointments Committee. In the 2007/08 financial year, after the acquisition of Dyno Nobel, to assist the Board in maintaining its effectiveness having regard to the significant expansion of its activities and markets, the Board engaged Egon Zehnder to undertake an operational board review on the functioning and effectiveness of the Board. The outcomes of the review are included in the 2008/09 objectives for the Board and will be implemented by the Board throughout the 2008/09 financial year. In addition, individual director performance will be reviewed throughout the 2008/09 financial year and will include one-on-one interviews between each director and the Chairman, as well as discussions on succession planning.

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

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

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

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

Directors' Report

Corporate Governance Statement

Directors' remuneration

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

Under the Company's Constitution, the maximum remuneration payable by the Company for the services of non-executive directors in total must not exceed the amount approved by shareholders in general meeting, which is \$1,400,000 as approved at the Annual General Meeting held in December 2007. The total remuneration paid to the non-executive directors during the financial year ended 30 September 2008 was within the maximum amount approved by shareholders.

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

Board processes

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

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

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

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

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

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

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

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

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

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

Directors' Report

Corporate Governance Statement

Board meetings

Details of the Board meetings held during the 2007/08 financial year are set out on page 3 of this report.

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

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

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

Access to information and independent advice

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

Audit and Risk Management Committee

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

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

The qualifications of those directors appointed to the Audit and Risk Management Committee are set out on page 2 of this report.

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

The attendance of the members of the Audit and Risk Management Committee at each meeting held during the financial year to 30 September 2008 is set out on page 3 of this report.

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

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

Financial reporting

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

Internal control and risk management

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

Directors' Report

Corporate Governance Statement

External audit

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

Internal audit

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

Remuneration and Appointments Committee

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

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

The Committee, which formerly comprised all non-executive directors, was reconstituted on 5 September 2008 to comprise three non-executive directors, being John Watson, Allan McCallum and John Marlay, and is chaired by the Chairman, John Watson.

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

The attendance of the members of the Remuneration and Appointments Committee at each meeting held during the financial year to 30 September 2008 is set out on page 3 of this report.

Health, Safety, Environment and Community Committee

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

The Committee is to meet as frequently as required but not less than four times a year. The attendance of the members of the Health, Safety, Environment and Community Committee at each meeting held during the financial year to 30 September 2008 is set out on page 3 of this report.

Directors' Report

Corporate Governance Statement

External auditor

KPMG is the Company's external auditor.

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

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

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

For the next Annual General Meeting to be held on 19 December 2008, the lead audit partner will attend. Shareholders have the right under the Corporations Act 2001 (Cth) to submit written questions on certain topics to the auditor and the auditor may table answers to such questions at the Annual General Meeting.

Procedures for ASX disclosure requirements

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

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

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

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

Share ownership and dealing

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

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

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

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

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

Directors' Report

Corporate Governance Statement

Codes of conduct

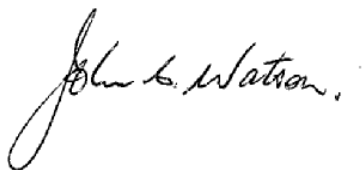
Incitec Pivot is committed to operating to the highest standards of ethical behaviour and honesty with full regard for the safety and health of its employees, customers, the wider community and the environment.

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

Health, Safety, Environment and Community policy

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

Signed on behalf of the Board.



John C Watson, AM
Chairman

Dated at Melbourne this 12th day of November 2008



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

To: the directors of Incitec Pivot Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 September 2008 there have been:

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

KPMG

KPMG

S Bell

S Bell
Partner

Melbourne
12 November 2008

Income Statements

For the year ended 30 September 2008

		Consolidated		Company	
		2008	2007	2008	2007
	Notes	\$mill	\$mill	\$mill	\$mill
Revenue	(4)	2,918.2	1,373.2	1,200.1	890.5
Other and financial income	(4)	17.5	34.6	219.6	217.2
Operating expenses					
Changes in inventories of finished goods and work in progress		243.7	(59.7)	246.5	(42.8)
Raw materials and consumables used and finished goods purchased for resale		(1,478.1)	(575.2)	(1,092.2)	(639.1)
Employee expenses		(259.8)	(119.3)	(101.9)	(83.4)
Costs recovered from subsidiaries under agency agreement	(33)	-	-	71.5	55.2
Depreciation and amortisation expense	(5)	(70.3)	(36.1)	(22.3)	(16.3)
Financial expenses	(5)	(95.2)	(34.1)	(67.6)	(33.5)
Purchased services		(165.9)	(78.0)	(84.2)	(38.0)
Repairs and maintenance		(67.7)	(49.7)	(28.0)	(25.8)
Outgoing freight		(140.6)	(123.6)	(122.3)	(52.7)
Lease payments - operating leases	(5)	(36.2)	(29.4)	(19.3)	(16.1)
Profit on share equity accounted investments	(16)	6.7	-	-	-
Asset write-downs, clean-up and environmental provisions	(5)	(5.0)	(4.2)	(4.8)	(4.2)
Other expenses		(17.0)	(10.8)	(0.1)	(6.8)
		(2,085.4)	(1,120.1)	(1,224.7)	(903.5)
Profit before income tax		850.3	287.7	195.0	204.2
Income tax expense	(8)	(236.0)	(82.4)	(1.4)	(0.8)
Profit for the financial year		614.3	205.3	193.6	203.4
		cents	cents		
Earnings per share					
Basic earnings per share from continuing operations ⁽¹⁾	(9)	57.4	20.4		
Diluted earnings per share from continuing operations ⁽¹⁾	(9)	57.4	20.4		

⁽¹⁾ Earnings per share in the comparative period have been restated following the 20 for 1 share split as approved by shareholders in September 2008.

The above Income Statements are to be read in conjunction with the Notes to the Financial Statements set out on pages 39 to 108.

Statements of Comprehensive Income

For the year ended 30 September 2008

	Consolidated		Company	
	2008	2007	2008	2007
	\$mill	\$mill	\$mill	\$mill
Profit for the financial year	614.3	205.3	193.6	203.4
Other comprehensive income				
Cash flow hedging reserve				
Changes in fair value of cash-flow hedges	(15.8)	3.4	(13.9)	3.4
Profit in cash-flow hedges transferred to income statement	(1.5)	(2.9)	(1.5)	(2.9)
Income tax on movements in the cash-flow hedging reserve	5.2	(0.1)	4.6	(0.1)
	(12.1)	0.4	(10.8)	0.4
Fair value reserve				
Change in fair value of assets held as available for sale	(16.9)	35.1	(16.9)	35.1
Income tax on change in fair value of assets held as available for sale	5.1	(10.5)	5.1	(10.5)
	(11.8)	24.6	(11.8)	24.6
Foreign currency translation reserve				
Exchange differences on translation of foreign operations	355.1	-	-	-
Exchange differences on non-repayable inter-company loans	7.7	-	-	-
	362.8	-	-	-
Actuarial (losses)/gains on defined benefit plans (net of income tax)	(26.1)	1.1	(3.6)	1.1
Total other comprehensive income/(expense)	312.8	26.1	(26.2)	26.1
Total comprehensive income for the financial year	927.1	231.4	167.4	229.5

The above Statements of Comprehensive Income are to be read in conjunction with the Notes to the Financial Statements set out on pages 39 to 108.

Statements of Financial Position

As at 30 September 2008

		Consolidated		Company	
	Notes	2008 \$mill	2007 \$mill	2008 \$mill	2007 \$mill
Current assets					
Cash and cash equivalents	(10)	479.7	218.3	400.4	208.0
Trade and other receivables	(11)	625.3	167.4	357.0	263.5
Other financial assets	(14)	30.3	292.1	30.3	292.1
Inventories	(12)	676.6	221.7	468.5	225.6
Other assets	(13)	51.7	4.5	37.9	3.1
Fixed assets classified as held for sale	(15)	4.8	5.0	2.0	2.1
Total current assets		1,868.4	909.0	1,296.1	994.4
Non-current assets					
Trade and other receivables	(11)	2.3	0.4	0.2	0.4
Investments accounted for using the equity method	(16)	311.2	-	-	-
Other financial assets	(14)	0.6	1.6	2,897.3	696.1
Property, plant and equipment	(17)	1,689.2	502.1	214.3	178.5
Intangible assets	(18)	3,856.2	193.7	6.6	9.9
Deferred tax assets	(19)	311.6	28.6	33.9	0.9
Retirement benefit surplus	(25)	-	2.7	-	2.7
Other assets	(13)	0.1	1.2	0.1	1.2
Total non-current assets		6,171.2	730.3	3,152.4	889.7
Total assets		8,039.6	1,639.3	4,448.5	1,884.1
Current liabilities					
Trade and other payables	(20)	1,132.0	281.4	1,169.3	551.1
Interest bearing liabilities	(21)	2,238.8	-	180.5	-
Other financial liabilities	(22)	16.2	9.1	13.8	9.1
Current tax liabilities		180.4	35.1	211.7	35.1
Provisions	(23)	88.6	31.2	47.7	31.2
Total current liabilities		3,656.0	356.8	1,623.0	626.5
Non-current liabilities					
Trade and other payables	(20)	474.5	52.8	337.7	-
Interest bearing liabilities	(21)	271.2	630.0	-	630.0
Deferred tax liabilities	(24)	333.4	-	-	-
Retirement benefit obligation	(25)	66.8	-	2.4	-
Provisions	(23)	90.8	64.7	46.3	43.5
Total non-current liabilities		1,236.7	747.5	386.4	673.5
Total liabilities		4,892.7	1,104.3	2,009.4	1,300.0
Net assets		3,146.9	535.0	2,439.1	584.1
Equity					
Issued capital	(26)	2,267.7	360.8	2,267.7	360.8
Reserves		353.8	17.7	3.1	25.7
Retained earnings		525.4	156.5	168.3	197.6
Total equity		3,146.9	535.0	2,439.1	584.1

The above Statements of Financial Position are to be read in conjunction with the Notes to the Financial Statements set out on pages 39 to 108

Statements of Cash Flows

For the year ended 30 September 2008

		Consolidated		Company	
	Notes	2008 \$mill	2007 \$mill	2008 \$mill	2007 \$mill
		Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities					
Receipts from customers		2,911.1	1,332.1	1,107.0	935.9
Payments to suppliers and employees		(1,957.7)	(1,015.2)	(569.2)	(698.3)
Interest received		14.9	4.5	9.5	4.5
Financial expenses paid		(77.1)	(30.4)	(57.5)	(30.4)
Dividends received from wholly-owned controlled entities	(33)	-	-	190.3	79.7
Other revenue received		7.7	6.0	6.8	3.9
Income taxes paid		(76.3)	(37.8)	(68.0)	(37.8)
Net cash flows from operating activities	(29)	822.6	259.2	618.9	257.5
Cash flows from investing activities					
Payments for property, plant and equipment and intangibles		(227.4)	(91.6)	(55.2)	(67.3)
Payments for purchase of subsidiaries, net of cash acquired	(28)	(526.4)	-	-	-
Payments for purchase of share in joint ventures and associates		(11.6)	-	-	-
Payments for purchase of investments		(48.4)	(257.0)	(48.4)	(267.0)
Proceeds from sale of property, plant and equipment		9.8	28.7	10.2	6.2
Net cash flows from investing activities		(804.0)	(319.9)	(93.4)	(328.1)
Cash flows from financing activities					
Repayments of borrowings		(1,569.0)	(182.1)	(759.0)	(182.1)
Proceeds from borrowings		2,395.3	375.0	647.2	375.0
Payment of borrowing cost		(7.7)	-	-	-
Repayments of step-up preference shares		(345.0)	-	-	-
Payment of distributions to step-up preference shareholders		(13.8)	-	-	-
Share issuance cost paid		(2.0)	-	(2.0)	-
Dividends paid		(219.3)	(75.6)	(219.3)	(75.6)
Net cash flows from financing activities		238.5	117.3	(333.1)	117.3
Net increase in cash and cash equivalents held		257.1	56.6	192.4	46.7
Cash and cash equivalents at the beginning of the financial year		218.3	161.7	208.0	161.3
Effect of exchange rate fluctuation on cash and cash equivalents held		4.3	-	-	-
Cash and cash equivalents at the end of the financial year	(29)	479.7	218.3	400.4	208.0

The above Statements of Cash Flows are to be read in conjunction with the Notes to the Financial Statements set out on pages 39 to 108.

Statements of Changes in Equity

For the year ended 30 September 2008

Consolidated	Issued capital	Cash flow hedging Reserve	Share-based payments Reserve	Foreign Currency Translation Reserve	Fair Value Reserve	Retained earnings	Total
	\$mill	\$mill	\$mill	\$mill	\$mill	\$mill	\$mill
Balance at 1 October 2006	360.8	0.7	(6.5)	-	-	25.0	380.0
Total comprehensive income for the period	-	0.4	-	-	24.6	206.4	231.4
Dividends paid	-	-	-	-	-	(75.6)	(75.6)
Share based payment transactions							
Dividends received as loan repayment	-	-	-	-	-	0.7	0.7
Option expense	-	-	1.8	-	-	-	1.8
Loan repayments	-	-	2.2	-	-	-	2.2
Employee shareholder loans	-	-	(5.5)	-	-	-	(5.5)
Balance at 30 September 2007	360.8	1.1	(8.0)	-	24.6	156.5	535.0
Balance at 1 October 2007	360.8	1.1	(8.0)	-	24.6	156.5	535.0
Total comprehensive income for the period	-	(12.1)	-	362.8	(11.8)	588.2	927.1
Dividends paid	-	-	-	-	-	(219.3)	(219.3)
Shares issued during the period	1,908.9	-	-	-	-	-	1,908.9
Transaction cost on issuing shares	(2.0)	-	-	-	-	-	(2.0)
Share based payment transactions							
Dividends received as loan repayment	-	-	1.8	-	-	-	1.8
Option expense	-	-	2.8	-	-	-	2.8
Deferred tax on share based payments	-	-	0.8	-	-	-	0.8
Loan repayments	-	-	0.4	-	-	-	0.4
Employee shareholder loans	-	-	(8.6)	-	-	-	(8.6)
Balance at 30 September 2008	2,267.7	(11.0)	(10.8)	362.8	12.8	525.4	3,146.9

The Statement of Changes in Equity should be read in conjunction with the notes to the Financial Statements set out on pages 39 to 108.

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

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

Foreign currency translation reserve: Exchange differences arising on translation of foreign controlled operations are taken to the foreign currency translation reserve, as described in note 1(xviii). The relevant position of the reserve is recognised in the income statement when the foreign operation is disposed of.

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

Statements of Changes in Equity

For the year ended 30 September 2008

Company	Issued capital	Cash flow hedging Reserve	Share-based payments Reserve	Foreign Currency Translation Reserve	Fair Value Reserve	Retained earnings	Total
	\$mill	\$mill	\$mill	\$mill	\$mill	\$mill	\$mill
Balance at 1 October 2006	360.8	0.7	-	-	-	68.0	429.5
Total comprehensive income for the period	-	0.4	-	-	24.6	204.5	229.5
Dividends paid	-	-	-	-	-	(75.6)	(75.6)
Share based payment transactions							
Dividends received as loan repayment	-	-	-	-	-	0.7	0.7
Option expense	-	-	-	-	-	-	-
Loan repayments	-	-	-	-	-	-	-
Employee shareholder loans	-	-	-	-	-	-	-
Balance at 30 September 2007	360.8	1.1	-	-	24.6	197.6	584.1
Balance at 1 October 2007	360.8	1.1	-	-	24.6	197.6	584.1
Total comprehensive income for the period	-	(10.8)	-	-	(11.8)	190.0	167.4
Dividends paid	-	-	-	-	-	(219.3)	(219.3)
Shares issued during the period	1,908.9	-	-	-	-	-	1,908.9
Transaction cost on issuing shares	(2.0)	-	-	-	-	-	(2.0)
Share based payment transactions							
Dividends received as loan repayment	-	-	-	-	-	-	-
Option expense	-	-	-	-	-	-	-
Deferred tax on share based payments	-	-	-	-	-	-	-
Loan repayments	-	-	-	-	-	-	-
Employee shareholder loans	-	-	-	-	-	-	-
Balance at 30 September 2008	2,267.7	(9.7)	-	-	12.8	168.3	2,439.1

The Statement of Changes in Equity should be read in conjunction with the notes to the Financial Statements set out on pages 39 to 108.

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

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

Foreign currency translation reserve: Exchange differences arising on translation of foreign controlled operations are taken to the foreign currency translation reserve, as described in note 1(xviii). The relevant position of the reserve is recognised in the income statement when the foreign operation is disposed of.

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

Notes to the Financial Statements

For the year ended 30 September 2008

1	Significant accounting policies	40
2	Critical accounting estimates and judgements	46
3	Segment report	47
4	Revenue and other income	49
5	Expenses	49
6	Individually material items	50
7	Auditor's remuneration	52
8	Income tax expense	53
9	Earnings per share (EPS)	54
10	Cash and cash equivalents	55
11	Trade and other receivables	56
12	Inventories	56
13	Other assets	56
14	Other financial assets	56
15	Fixed assets classified as held for sale	57
16	Investments accounted for using the equity method	57
17	Property, plant and equipment	60
18	Intangible assets	62
19	Deferred tax assets	64
20	Trade and other payables	65
21	Interest bearing liabilities	66
22	Other financial liabilities	67
23	Provisions	67
24	Deferred tax liabilities	70
25	Retirement benefit obligations	71
26	Issued capital	73
27	Dividends	74
28	Business combination	75
29	Reconciliation of profit after income tax to net cash inflow from operating activities	77
30	Commitments	78
31	Contingent liabilities	79
32	Financial risk management	80
33	Related party disclosures	93
34	Key management personnel disclosures	95
35	Share based payments	100
36	Investments in controlled entities	104
37	Deed of Cross Guarantee	107
38	Events subsequent to balance date	108

Notes to the Financial Statements

For the year ended 30 September 2008

1. Significant accounting policies

Incitec Pivot Limited is a company domiciled in Australia. The consolidated financial statements were authorised for issue by the directors on 12 November 2008.

The significant accounting policies adopted in preparing the financial report of Incitec Pivot Limited ('the Company' or 'Incitec Pivot') and of its controlled entities (collectively 'the Consolidated entity') are stated below to assist in a general understanding of this financial report.

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

(i) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Current net asset deficiency

As at 30 September 2008, the Company and Consolidated entity's current liabilities exceeded their current assets by \$327.6 million and \$1,787.6 million respectively. The Consolidated entity's current liabilities exceeded its current assets as the bridge facility, which was specifically negotiated for the purchase of Dyno Nobel Limited, is due and payable in May 2009. As at balance date, the Consolidated entity has established a 3 year syndicated bank facility of \$1.68 billion, which was available to pay down against the bridge facility. The balance of the bridge will be paid down by other facilities/funding to be secured before the due date.

In addition, cashflows from operations will be available to meet current liabilities as and when they fall due.

The Company's current liabilities exceeded its current assets due to the fact that the majority of its trade payables are owed to wholly owned controlled entities as several controlled entities cash receipts on sales are collected within the Company. The Company's current liabilities will decrease as these wholly owned controlled entities declare dividends on its profits for the period to the Company. The wholly owned controlled entities have declared dividends to the Company since 30 September 2008 which decreases the amount due to wholly owned controlled entities by \$414.4 million.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). The consolidated financial report of the Consolidated entity and the financial report of the Company comply with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

Historical cost convention

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

The financial report is presented in Australian dollars.

Critical accounting estimates

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

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

Early adoption of standards

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

- AASB 101 *Presentation of Financial Statements*
- AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*
- AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101*
- AASB 123 *Borrowing Costs*
- AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123*
- AASB 1048 *Interpretation and Application of Standards* (September 2007)
- AASB 2008-1 *Amendment to Australian Accounting Standard- Share-based payments: Vesting Conditions and Cancellations* (February 2008)

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

Issued Standards not early adopted

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

- AASB 8 *Operating segments* (February 2007) replacing the existing AASB 114 *Segment Reporting* and requiring more qualitative disclosure and also applying to single segment entities. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009.
- AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* is applicable for annual reporting periods beginning on or after 1 January 2009.
- AASB 3 *Business Combinations* (March 2008) requires an acquirer of a business to recognise the assets acquired and liabilities assumed at their acquisition-date fair values and disclose information that enables users to evaluate the nature and financial effects of the acquisition. AASB 3 is applicable for annual reporting periods beginning on or after 1 July 2009.

The Consolidated entity plans to adopt AASB 8 and AASB 3 in the 2010 financial year. The initial application of AASB 8 and AASB 3 are not expected to have a material impact on the financial results of the Company and the Consolidated entity.

(ii) Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Incitec Pivot Limited as at 30 September 2008 and the results of all subsidiaries for the year then ended. Subsidiaries are all those entities (including special purpose entities) over which the Consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated entity controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated entity. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Consolidated entity (refer to Note 1(xiv)). Inter-company transactions, balances and unrealised gains on transactions between consolidated companies are eliminated. Unrealised losses are also eliminated unless the transaction provides

Notes to the Financial Statements

For the year ended 30 September 2008

1. Significant accounting policies (continued)

(ii) Consolidation (continued)

evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated entity. Investments in subsidiaries are accounted for at cost in the individual financial statements of Incitec Pivot Limited.

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

(iii) Associates and jointly controlled entities

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

(iii) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties.

Revenue is recognised for the major business activities as follows:

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

Interest income is recognised as it accrues.

Dividend receivables are recognised in the Income Statement when declared.

(iv) Borrowing costs

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

(v) Share based payments

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

The value received by the employees as a result of participation in

the LTI plan are treated as options. The fair value of the shares treated as options is recognised as an employee expense over the relevant vesting period with a corresponding increase in equity. The Black Scholes option pricing model is used to derive a fair value at grant date. Loan forgiveness and other terms and conditions are incorporated into the option valuation.

The fair value is allocated to the Income Statement evenly over the period from grant date to the date when an entitlement to an award, in the form of a loan waiver, arises. The amount recognised as an expense is adjusted to reflect the actual number of shares treated as options that vest except where forfeiture occurs.

(vi) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustments to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for; initial recognition of goodwill, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date. A deferred tax asset will be recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

Tax Consolidation

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

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

(vii) Inventories

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

Notes to the Financial Statements

For the year ended 30 September 2008

1. Significant accounting policies (continued)

(viii) Trade and other receivables

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

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

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

Where substantially all risks and rewards relating to receivables have been transferred to a financial institution, the receivable is derecognised. Where this has not occurred, the receivable and the equivalent interest bearing liability have been recognised in the statement of financial position.

(ix) Other financial assets

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

Purchases and sales are recognised on trade date – the date on which the Consolidated entity commits to purchase or sell assets. Investment income includes dividends which are recognised in the Income Statement when declared.

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

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

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

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position.

(xi) Property, plant and equipment and depreciation

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

and the cost of the item can be measured reliably.

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

Estimated useful lives of each class of asset are as follows:

Buildings and improvements	20 to 40 years
Machinery, plant and equipment	3 to 30 years

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

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

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

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

(xii) Leased assets

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

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

(xiii) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Consolidated entity's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Research and development

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

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

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

(iii) Other intangible assets

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

Notes to the Financial Statements

For the year ended 30 September 2008

1. Significant accounting policies (continued)

(xiii) Intangible assets (continued)

(iv) Subsequent expenditure

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

(v) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each annual balance sheet date. Other intangible assets are amortised from the date that they are available for use or when received. The estimated useful lives in the current and comparative periods are as follows:

- | | |
|----------------|-------------|
| • Software | 3 – 7 years |
| • Asset Rights | 1 – 2 years |

(xiv) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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

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

(xv) Interest-bearing borrowings

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

(xvi) Provisions

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

(i) Environmental

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

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

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

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised in borrowing costs.

(ii) Decommissioning

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

(iii) Employee entitlements

Annual leave and sick leave

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

Long Service leave

Liabilities for employee entitlements which are not expected to be settled within twelve months of balance date, such as long service leave, are accrued at the present value of future amounts expected to be paid. The present value is determined using interest rates applicable to government guaranteed securities with maturities approximating to the terms of the Consolidated entity's obligations.

Profit sharing and bonus plans

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

Notes to the Financial Statements

For the year ended 30 September 2008

1. Significant accounting policies (continued)

(xvi) Provisions (continued)

(iv) Retirement Benefit Obligation

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

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

(v) Dividends

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

(vi) Restructuring and employee termination benefits

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

(vii) Onerous contracts

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

(xvii) Trade and other payables

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

(xviii) Foreign currency transactions

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Incitec Pivot Limited's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign operations

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

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

(xix) Derivative financial instruments

The Consolidated entity uses derivative financial instruments to hedge its exposure to foreign exchange, commodity price and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Consolidated entity does not hold or issue derivative financial instruments for trading purposes. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Income Statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Hedging

On entering into a hedging relationship, the Consolidated entity formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Cash flow hedges

Changes in fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

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

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

Hedge of monetary assets and liabilities

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in the income statement as part of foreign currency gains and losses.

(xx) Cash and cash equivalents

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

Notes to the Financial Statements

For the year ended 30 September 2008

1. Significant accounting policies (continued)

(xxi) Share capital

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

(xxii) Fair value estimation

The fair value of financial assets and financial liabilities is estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Consolidated entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future cash flows at the current market interest rate that is available to the Consolidated entity for similar financial instruments.

(xxiii) Impairment of assets

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

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

A cash generating unit is the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets with each cash generating unit being no larger than a segment. In calculating recoverable amount, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or cash generating unit. Cash flows are estimated for the asset in its present condition and therefore do not include cash inflows or outflows that improve or enhance the assets performance or that may arise from future restructuring.

An impairment loss is recognised whenever the carrying amount of

an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

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

(xxiv) Goods and services tax

Revenues, expenses, assets and liabilities other than receivables and payables, are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the relevant taxation authorities. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

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

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

(xxv) Rounding of amounts

The Company is of a kind referred to in Class order 98/0100 (updated by Class Order 05/641 and Class Order 06/51), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest one hundred thousand dollars, or in certain cases, the nearest one thousand dollars.

Notes to the Financial Statements

For the year ended 30 September 2008

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the Consolidated entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

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

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

- the testing for impairment of assets;
- the testing for impairment of goodwill;
- income tax related assumptions and estimates;
- provision for environmental and restructuring liabilities;
- the calculation of annual superannuation costs and related assets and liabilities;
- valuation of assets and liabilities acquired in a business combination.

(i) Impairment of assets

The determination of impairment for property, plant and equipment, goodwill and other intangible assets involves the use of estimates that include, but is not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in competitive positions, expectations of growth, increased cost of capital, current replacement costs, increases in cost of inputs, and other factors which may indicate impairment. An asset is considered impaired when the recoverable amount is less than the carrying value. Recoverable amount is determined as the higher of fair value less costs to sell and value-in-use. In calculating value-in-use, the cash flows include projections of cash inflows and outflows from continuing use of the asset and cash flows associated with disposal of the asset. The cash flows are estimated for the asset in its current condition. In assessing value-in-use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or Cash Generating Unit (CGU). The identification of impairment indicators, the estimation of future cash flows and the determination of fair values of assets (or groups of assets) requires management to make significant estimates and judgements concerning the identification of impairment indicators, earnings before interest and tax, growth rates, applicable discount rates, useful lives and residual values. Refer Note 1 (xxiii) for further details regarding the accounting policy regarding 'Impairment of assets'.

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

(ii) Impairment of goodwill

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

The assumptions are management's best estimates based on current and forecast market conditions. Changes in economic and operating

conditions impacting these assumptions could result in additional impairment charges in future periods. Management believes that this policy is critical to the financial statements, particularly when evaluating the Consolidated entity's goodwill for impairment. Varying results from this analysis are possible due to the significant estimates and judgements involved in the Company's evaluations.

(iii) Income taxes

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

(iv) Environmental and Restructuring provisions

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

(v) Retirement Benefit obligations

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

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

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

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

(vi) Business Combinations

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

Notes to the Financial Statements

For the year ended 30 September 2008

3. Segment report

(a) Description of segments

30 September 2007

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

30 September 2008

The acquisition of Dyno Nobel Limited resulted in the Consolidated entity operating with two distinct businesses with distinct reporting structures. As a result, the Consolidated entity adopted business segments as its primary segment reporting format.

Business segments

The Consolidated entity comprises the following main business segments:

- Fertilisers: the manufacture, trading and distribution of fertilisers and chemicals.
- Explosives: the manufacturing and sale of industrial explosives and related products and services to mining, quarrying and construction industries.

(b) Primary reporting format – business segments

	Fertilisers \$mill	Explosives \$mill	Consolidation adjustments \$mill	Consolidated \$mill
External sales	2,347.5	570.9	(0.2)	2,918.2
Segment result- Gross margin	1,257.2	271.2	-	1,528.4
Profit before depreciation, amortisation, interest, related income tax expense and individually material items	940.9	109.5	(11.0)	1,039.4
Depreciation and amortisation	(40.3)	(30.0)	-	(70.3)
Profit from ordinary activities before interest, related income tax expense and individually material items	900.6	79.5	(11.0)	969.1
Individually material items before related income tax expense	(17.2)	(21.0)	-	(38.2)
Profit before interest and related income tax expense	883.4	58.5	(11.0)	930.9
Interest income				8.8
Financial expenses (excluding individually material items)				(89.4)
Profit before income tax				850.3
Income tax expense				(236.0)
Profit for the financial year				614.3

Notes to the Financial Statements

For the year ended 30 September 2008

3. Segment report (continued)

	Fertilisers \$mill	Explosives \$mill	Consolidation adjustments \$mill	Consolidated \$mill
Segment assets	2,175.1	5,737.2	(183.9)	7,728.4
Investment in associates accounted for using the equity method	-	311.2	-	311.2
Total assets	2,175.1	6,048.4	(183.9)	8,039.6
Segment liabilities	1,578.7	3,497.9	(183.9)	4,892.7
Total liabilities	1,578.7	3,497.9	(183.9)	4,892.7
Share of profits in associates	-	6.7	-	6.7
Acquisition of property, plant and equipment, intangible and other non-current assets	80.6	146.8	-	227.4
Impairment losses - inventories	3.1	(1.2)	-	1.9
Impairment losses - trade receivables	1.6	0.3	-	1.9

(c) Geographical segments – secondary reporting segments

The fertiliser and explosives segments are managed on a worldwide basis, but operate in two principal geographical areas, Australia/Asia and the Americas (including USA, Mexico and Canada).

In presenting information on the basis of geographical segments, segment revenue is based on geographical locations of customers. Segment assets are based on the geographical location of the assets.

	Australia/Asia \$mill	Americas \$mill	Consolidation adjustments \$mill	Consolidated \$mill
Revenue from external customers	2,468.0	450.4	(0.2)	2,918.2
Segment assets	2,994.9	4,917.4	(183.9)	7,728.4
Acquisition of property, plant and equipment, intangibles and other non-current assets	196.0	31.4	-	227.4

Notes to the Financial Statements

For the year ended 30 September 2008

		Consolidated		Company	
	Notes	2008 \$mill	2007 \$mill	2008 \$mill	2007 \$mill
4. Revenue and other income					
Revenue					
External sales		2,918.2	1,373.2	1,158.9	868.0
Sales to wholly-owned controlled entities	(33)	-	-	41.2	22.5
Total revenue		2,918.2	1,373.2	1,200.1	890.5
Other income					
Dividend income					
external parties		-	3.0	-	3.0
wholly-owned controlled entities	(33)	-	-	190.3	198.3
Net foreign exchange gains		2.2	-	11.0	-
Other income		3.6	3.2	5.4	3.4
Gain from Sale & Leaseback of Big N® Assets	(6)	-	13.5	-	-
Gain on write back of acquisition provisions	(6)	-	2.4	-	-
Net gain on sale of property, plant and equipment		2.9	7.2	3.0	7.2
Other income		8.7	29.3	209.7	211.9
Financial income					
Interest income from wholly-owned controlled entities		-	-	2.2	-
Interest income on bank deposits		7.3	5.3	6.2	5.3
Profit in cash-flow hedges transferred from equity		1.5	-	1.5	-
Total financial income		8.8	5.3	9.9	5.3
Total other and financial income		17.5	34.6	219.6	217.2

5. Expenses

Profit before income tax includes the following specific expenses:

Depreciation & Amortisation					
depreciation	(17)	60.8	34.1	19.9	14.3
amortisation		9.5	2.0	2.4	2.0
		70.3	36.1	22.3	16.3
Recoverable amount write-down					
property, plant and equipment	(17)	0.4	0.2	-	-
		0.4	0.2	-	-
Amounts set aside to provide for					
impairment loss on trade and other receivables		1.9	0.3	1.6	0.3
employee entitlements		11.2	7.2	10.5	7.2
environmental liabilities	(23)	5.0	4.2	4.8	4.2
inventory losses and obsolescence		1.9	0.3	3.1	0.3
other provisions	(23)	21.1	-	20.8	-
restructuring	(23)	17.7	3.4	5.3	3.4
Lease payments – operating leases		36.2	29.4	19.3	16.1
Net foreign exchange losses		-	0.4	-	0.1
Research and development		3.4	0.3	0.7	0.3
Defined contribution superannuation expense		7.1	2.3	5.3	2.3
Defined benefit superannuation expense	(25)	2.1	1.9	1.3	1.9
Financial expenses					
Write off of borrowing costs	(6)	5.8	-	5.8	-
Unwinding of discount on provisions and other payables	(29)	16.2	1.5	1.4	0.9
Interest expenses on financial liabilities		73.2	32.6	55.0	32.6
Interest expenses on financial liabilities with wholly-owned controlled entities		-	-	5.4	-
Total financial expenses		95.2	34.1	67.6	33.5

Notes to the Financial Statements

For the year ended 30 September 2008

	2008			2007		
	Gross \$mill	Tax \$mill	Net \$mill	Gross \$mill	Tax \$mill	Net \$mill
6. Individually material items						
Profit includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:						
Consolidated						
Business restructuring costs ⁽¹⁾						
employee redundancies and allowances	-	-	-	(2.2)	0.7	(1.5)
restructuring and other direct costs	(0.8)	0.2	(0.6)	(0.8)	0.2	(0.6)
Total business restructuring	(0.8)	0.2	(0.6)	(3.0)	0.9	(2.1)
Business restructuring costs - Separation and Integration ⁽²⁾						
restructuring and other direct costs	(3.7)	1.1	(2.6)	(6.3)	1.9	(4.4)
Total business restructuring	(3.7)	1.1	(2.6)	(6.3)	1.9	(4.4)
Business restructuring costs - Dyno Nobel Integration ⁽³⁾						
restructuring and other direct costs	(16.3)	3.5	(12.8)	-	-	-
employee redundancies and allowances	(11.6)	1.8	(9.8)	-	-	-
Total business restructuring	(27.9)	5.3	(22.6)	-	-	-
Clean-up and closure costs ⁽⁴⁾						
environmental clean-up	-	-	-	(2.7)	0.8	(1.9)
Total Clean-up and closure costs	-	-	-	(2.7)	0.8	(1.9)
Other						
write-off of borrowing costs ⁽⁵⁾	(5.8)	1.7	(4.1)	-	-	-
gain from Sale and Leaseback of Big N [®] Assets ⁽⁶⁾	-	-	-	13.5	(4.0)	9.5
gain on write back of acquisition provisions ⁽⁷⁾	-	-	-	2.4	(0.7)	1.7
tax on gain of sale of subsidiary ⁽⁸⁾	-	(13.0)	(13.0)	-	-	-
Total Other	(5.8)	(11.3)	(17.1)	15.9	(4.7)	11.2
Individually material items	(38.2)	(4.7)	(42.9)	3.9	(1.1)	2.8

(1) 2005 saw a significant rationalisation of the fertiliser industry, following which the Consolidated entity incurred significant expenditure in reacting to the changed industry dynamics including developing and implementing a new business model and embarking on a major restructuring of the business. During the financial year additional expenditure was recognised in relation to further business efficiency projects.

(2) Additional expenditure was incurred during the financial year in relation to the separation from Orica Limited and integration of Southern Cross Fertilisers Pty Limited, including the development of a Standard Operating Environment (IT Platform).

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

(4) An extra provision was recognised during 2007 in relation to the costs associated with soil and groundwater remediation and demolition works at the Wallaroo site.

(5) Direct transaction costs in relation to the Bridge loan Facility negotiated in order to acquire the remaining shares in Dyno Nobel Limited during the year. As the Bridge loan Facility is replaced with new borrowings, its transactions costs are required to be written off.

(6) As part of a restructuring of the Big N[®] business during 2007, a sale and leaseback transaction was completed on the Big N[®] mobile fleet.

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

(8) Tax on the sale of Dyno Nobel Nitrogen Inc by Dyno Nobel Holdings USA II to Dyno Nobel Holding ASA. This tax gain is a result of the integration and tax restructuring activities following the acquisition of Dyno Nobel Limited during the period.

Notes to the Financial Statements

For the year ended 30 September 2008

	2008			2007		
	Gross \$mill	Tax \$mill	Net \$mill	Gross \$mill	Tax \$mill	Net \$mill
6. Individually material items (continued)						
Profit includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:						
Company						
Business restructuring costs ⁽¹⁾						
employee redundancies and allowances	-	-	-	(2.2)	0.7	(1.5)
restructuring and other direct costs	(0.8)	0.2	(0.6)	(0.8)	0.2	(0.6)
Total business restructuring	(0.8)	0.2	(0.6)	(3.0)	0.9	(2.1)
Business restructuring costs - Separation and Integration ⁽²⁾						
restructuring and other direct costs	(3.7)	1.1	(2.6)	(6.3)	1.9	(4.4)
Total business restructuring	(3.7)	1.1	(2.6)	(6.3)	1.9	(4.4)
Business restructuring costs - Dyno Nobel Integration ⁽³⁾						
restructuring and other direct costs	(7.0)	2.1	(4.9)	-	-	-
Total business restructuring	(7.0)	2.1	(4.9)	-	-	-
Clean-up and closure costs ⁽⁴⁾						
environmental clean-up	-	-	-	(2.7)	0.8	(1.9)
Total Clean-up and closure costs	-	-	-	(2.7)	0.8	(1.9)
Other						
write-off of borrowing costs ⁽⁵⁾	(5.8)	1.7	(4.1)	-	-	-
Total Other	(5.8)	1.7	(4.1)	-	-	-
Individually material items	(17.3)	5.1	(12.2)	(12.0)	3.6	(8.4)

(1) 2005 saw a significant rationalisation of the fertiliser industry, following which the Company incurred significant expenditure in reacting to the changed industry dynamics including developing and implementing a new business model and embarking on a major restructuring of the business. During the financial year additional expenditure was recognised in relation to further business efficiency projects.

(2) Additional expenditure was incurred during the financial year in relation to the separation from Orica Limited and integration of Southern Cross Fertilisers Pty Limited, including the development of a Standard Operating Environment (IT Platform).

(3) Following the acquisition of Dyno Nobel Limited, integration expenditure has been incurred including IT costs in creating common networks and collaboration between sites.

(4) An extra provision was recognised during 2007 in relation to the costs associated with soil and groundwater remediation and demolition works at the Wallaroo site.

(5) Direct transaction costs in relation to the Bridge loan Facility negotiated in order to acquire the remaining shares in Dyno Nobel Limited during the financial year. As the Bridge loan Facility is replaced with new borrowings, its transactions costs are required to be written off.

Notes to the Financial Statements

For the year ended 30 September 2008

	Consolidated		Company	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
7. Auditor's remuneration				
Total remuneration received, or due and receivable, by the auditors for:				
Audit services				
Auditors of the Consolidated entity - KPMG Australia	997.8	487.0	997.8	487.0
Auditors of the Consolidated entity - KPMG Overseas	1,248.0	-	-	-
	2,245.8	487.0	997.8	487.0
Non audit services				
Auditors of the Consolidated entity - KPMG Australia				
taxation services	-	40.0	-	21.0
other services	5.0	-	5.0	-
	5.0	40.0	5.0	21.0
	2,250.8	527.0	1,002.8	508.0

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

Notes to the Financial Statements

For the year ended 30 September 2008

	Consolidated		Company	
	2008	2007	2008	2007
	\$mill	\$mill	\$mill	\$mill

8. Income tax expense

(a) Income tax expense/(benefit)

Current tax

Current year	230.6	54.9	23.8	(20.5)
Over provision in prior years	(8.6)	(3.4)	(0.6)	(1.8)
	222.0	51.5	23.2	(22.3)

Deferred tax

Origination and reversal of temporary differences	14.0	30.9	(21.8)	23.1
Total income tax expense	236.0	82.4	1.4	0.8

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Profit before income tax	850.3	287.7	195.0	204.2
Income tax expense attributable to profit before income tax				
Tax at the Australian tax rate of 30% (2007 at 30%) on profit before income tax	255.1	86.3	58.5	61.3
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Depreciation and amortisation	0.8	0.3	0.1	0.1
Profit on sale of property, plant and equipment	-	0.1	0.2	0.1
Research and development incentive	(3.0)	(1.9)	(0.7)	(0.7)
Dividends from wholly-owned entities	-	-	(57.1)	(59.5)
Debt forgiveness within wholly-owned group	-	-	-	0.3
Interest deductible in domestic and foreign tax jurisdictions	(4.9)	-	-	-
Share-based payments	0.2	0.6	0.8	0.6
Lease payments (net)	(6.1)	-	-	-
Capital gains	11.8	-	-	-
Capital losses not previously recognised brought to account	(2.9)	-	-	-
Valuation allowances	(2.7)	-	-	-
Sundry items	(2.8)	0.4	0.2	0.4
	245.5	85.8	2.0	2.6
Difference in overseas tax rates	(0.9)	-	-	-
Over provision in prior years	(8.6)	(3.4)	(0.6)	(1.8)
Income tax expense attributable to profit	236.0	82.4	1.4	0.8

(c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity

Net deferred tax - debited/(credited) directly to equity	(22.2)	8.8	(11.1)	8.8
	(22.2)	8.8	(11.1)	8.8

Notes to the Financial Statements

For the year ended 30 September 2008

	Notes	Consolidated 2008 Cents per share	2007 Cents per share ⁽²⁾
9. Earnings per share (EPS)			
Basic earnings per share			
including individually material items		57.4	20.4
excluding individually material items		61.4	20.1
Diluted earnings per share			
including individually material items		57.4	20.4
excluding individually material items		61.4	20.1
		Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share ^{(1) (2) (3)}		1,069,506,540	1,008,477,700
		\$mill	\$mill
Earnings used in the calculation of basic and diluted earnings per share including individually material items		614.3	205.3
Reconciliation of earnings used in the calculation of basic and diluted earnings per share excluding individually material items			
Profit for the financial year		614.3	205.3
(Deduct)/Add back individually material items after income tax	(6)	42.9	(2.8)
Earnings used in calculation of basic and diluted EPS excluding individually material items		657.2	202.5

- (1) 10,437,643 shares were issued to the shareholders of Dyno Nobel Limited on 16 June 2008 as part of the purchase consideration under the schemes' of arrangement under which Incitec Pivot US Holdings Pty Limited acquired all the shares in Dyno Nobel Limited that the Incitec Pivot group did not already own.
- (2) In September 2008 shareholders approved a share split whereby every fully paid ordinary share was split into 20 fully paid ordinary shares. Share numbers in the comparative period have been restated following the share split undertaken.
- (3) There are no potential ordinary shares.

Notes to the Financial Statements

For the year ended 30 September 2008

	Notes	Consolidated 2008 \$mill	2007 \$mill	Company 2008 \$mill	2007 \$mill
10. Cash and cash equivalents					
Cash at bank and on hand		114.6	14.4	35.3	4.1
Deposits at call external		365.1	203.9	365.1	203.9
	(29)	479.7	218.3	400.4	208.0

Bank Facilities

Committed bank overdraft facilities available	42.6	10.0	10.0	10.0
Amount of facilities unused	31.6	10.0	10.0	10.0
Committed standby and loan facilities available	2,480.5	835.0	2,147.1	835.0
Amount of facilities unused	-	205.0	-	205.0

Committed bank overdraft facilities are provided to the Consolidated entity both in Australia and internationally. These facilities are used as a contingency and interest is payable at a Base Rate plus a margin.

During the year the Company entered into a Bridge Facility to finance the acquisition of Dyno Nobel Limited. The Company is entitled to draw down against the facility up to the amount unused within the Consolidated entity. The \$2.4 billion facility matures in May 2009. It is a multicurrency facility with a portion being revolving which is available to fund the seasonal trade working capital requirements of the Consolidated entity. Interest is payable at BBSY/LIBOR plus a margin.

In addition, the Company executed a long term unsecured syndicated facility on 18 September 2008 of \$1.68 billion, which will be used to repay a portion of the Bridge Facility. This is a multicurrency facility and matures in September 2011. The facility does not result in additional borrowing capacity as all amounts drawn must be used to repay the Bridge Facility. Interest is payable at BBSY/LIBOR plus a margin. The facility is revolving whereby repayments can be redrawn at the Company's discretion.

Notes to the Financial Statements

For the year ended 30 September 2008

		Consolidated		Company	
	Notes	2008 \$mill	2007 \$mill	2008 \$mill	2007 \$mill
11. Trade and other receivables					
Current					
Trade debtors					
external		455.9	148.9	161.3	69.8
receivables from jointly controlled entities		47.9	-	0.3	-
Less impairment losses					
external	(32)	(13.3)	(0.5)	(1.8)	(0.5)
	(32)	490.5	148.4	159.8	69.3
Sundry debtors/loans					
external		132.2	19.0	30.7	17.7
receivables from jointly controlled entities		2.6	-	-	-
wholly-owned controlled entities	(33)	-	-	166.5	176.5
Less impairment losses					
external		-	-	-	-
	(32)	134.8	19.0	197.2	194.2
		625.3	167.4	357.0	263.5
Non-current					
Sundry debtors/loans					
external		2.4	0.6	0.3	0.6
Less impairment losses					
external		(0.1)	(0.2)	(0.1)	(0.2)
		2.3	0.4	0.2	0.4

12. Inventories

Raw materials and stores at cost	89.1	15.3	8.5	12.1
Work in progress at cost	60.8	-	-	-
Finished goods				
At cost	539.2	208.5	463.0	215.6
Less provision for inventory losses and obsolescence	(12.5)	(2.1)	(3.0)	(2.1)
Finished goods	526.7	206.4	460.0	213.5
	676.6	221.7	468.5	225.6

13. Other assets

Current				
Prepayments	51.7	4.5	37.9	3.1
	51.7	4.5	37.9	3.1
Non-current				
Prepayments	0.1	1.2	0.1	1.2
	0.1	1.2	0.1	1.2

14. Other financial assets

Current					
Investments available for sale - listed shares		30.3	292.1	30.3	292.1
		30.3	292.1	30.3	292.1
Non-current					
Investments in controlled entities	(36)	-	-	2,896.7	694.5
Unlisted shares at cost		-	-	-	-
Derivative financial instruments - cash flow hedges					
Interest rate swaps	(32)	-	1.6	-	1.6
Forward exchange contracts	(32)	0.6	-	0.6	-
		0.6	1.6	2,897.3	696.1

Sensitivity analysis – equity price risk

Consolidated / Company

All of the equity investments are listed on the Australian Securities Exchange. A 5% increase in the share prices of these stocks at the reporting date would have increased equity (pre-tax) by \$1.5m (2007 - \$14.6m); an equal decrease would have decreased equity (pre-tax) by \$1.5m (2007 - \$14.6m).

Notes to the Financial Statements

For the year ended 30 September 2008

	Consolidated 2008 \$mill	2007 \$mill	Company 2008 \$mill	2007 \$mill
15. Fixed assets classified as held for sale				
Land and buildings held for sale	4.8	5.0	2.0	2.1

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

16. Investments accounted for using the equity method

Name of Entity	Principal Activity	Ownership interest	Country of incorporation	
Company				
Incitec Pivot Limited			Australia	
Jointly Controlled Entities				
Alpha Dyno Nobel	Delivery of explosives and related products	50%	USA	
Boren Explosives Co. Inc.	Delivery of explosives and related products	50%	USA	
Buckley Powder Company	Delivery of explosives and related products	51%	USA	1
IRECO Midwest Inc.	Delivery of explosives and related products	50%	USA	
Wampum Hardware Company	Delivery of explosives and related products	50%	USA	
Pepin-IRECO, Inc	Delivery of explosives and related products	50%	USA	
Midland Powder Company	Delivery of explosives and related products	50%	USA	
Mine Equipment & Mill Supply Co.	Delivery of explosives and related products	50%	USA	
Controlled Explosives Inc.	Delivery of explosives and related products	50%	USA	
Western Explosives Systems Company	Delivery of explosives and related products	50%	USA	
DetNet Detonadores Electronico Limitada	Delivery of explosives and related products	50%	Chile	
Polar Explosives Ltd	Delivery of explosives and related products	84%	Canada	1
Newfoundland Hard-Rok Inc.	Delivery of explosives and related products	50%	Canada	
Dyno Labrador Inc.	Delivery of explosives and related products	50%	Canada	
JASA Distribution Companies	Distribution of explosives and related products	50%	Mexico	
Denesoline Western Explosives Inc.	Delivery of explosives and related products	49%	Canada	2
DetNet South Africa (Pty) Ltd	Development, manufacture and supply of electronic detonators	50%	South Africa	
DNEX Mexico	Mexican investment holding company	51%	Mexico	1

1) Refer to footnote description on next page.

2) Refer to footnote description on next page.

Notes to the Financial Statements

For the year ended 30 September 2008

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

Name of Entity	Principal Activity	Ownership interest	Country of incorporation	
Queensland Nitrates Pty Ltd	Production of ammonium nitrate	50%	Australia	3,7
Queensland Nitrates Management Pty Ltd	Management services	50%	Australia	3
DetNet International Limited	Distribution of electronic detonators	50%	Ireland	
Explosivos De La Region Lagunera	Distribution of explosives and related products	49%	Mexico	
Explosivos De La Region Central	Distribution of explosives and related products	49%	Mexico	
Nitroexplosivos	Distribution of explosives and related products	49%	Mexico	
Explosivos Y Servicios Para La Construcción	Distribution of explosives and related products	49%	Mexico	
Sasol Dyno Nobel (Pty) Ltd	Distribution of detonators	50%	South Africa	3
Nitro Mak Makine Kimya – Nitro Nobel Sanayi Anonim Sirketi	Delivery of explosives and related products	50%	Turkey	5
Tenaga Kimia Ensign-Bickford Sdn Bhd	Manufacture of explosive accessories	50%	Malaysia	
Associates				
Fabchem China Ltd	Manufacture of commercial explosives	30%	Singapore	4,6
Valley Hydraulics Ltd	Delivery of explosives and related products	25%	Canada	
Apex Construction Specialities Ltd	Delivery of explosives and related products	25%	Canada	
Warex Corporation	Delivery of explosives and related products	25%	USA	
Warex LLC	Delivery of explosives and related products	25%	USA	
St Lawrence Explosives Inc.	Delivery of explosives and related products	33%	Canada	

- 1) Due to the contractual and decision making arrangement between the shareholders of the entities, despite the legal ownership exceeding 50%, these entities are not considered to be subsidiaries.
- 2) Due to legal requirements in the Canadian Northwest Territories, the Group cannot own more than 49% of the shares in Denesoline West Explosives Inc. However, under the joint agreement, the Group is entitled to 95% of the assets and profit of Denesoline Western Explosives Inc.
- 3) These jointly controlled entities have a 30 June year end. For the purpose of applying the equity method of accounting, the financial information through to 30 September 2008 has been used.
- 4) Fabchem China Ltd has a 31 March year end. For the purpose of applying the equity method of accounting, the financial information through to 30 September 2008 has been used.
- 5) During 2008 an interest in this entity was acquired. Refer to note 28.
- 6) Fair value of the Company's/Consolidated entity's share at 30 September 2008 was A\$17,386,754.
- 7) No dividend was received from Queensland Nitrates Pty Limited (QNP) during the period to 30 September 2008. This is a consequence of QNP's desire to repay interest on shareholder loans as priority, and the nature of loan covenants within the existing external debt facilities. The original external debt facility was entered in February 1998 to support the construction of QNP's ammonia nitrate plant. This debt facility includes covenants that require considerable cash to be retained at all times (via a debt service reserve account) and do not fully contemplate the impact of planned maintenance shutdowns. These covenants temporarily limit QNP's ability to pay dividends to shareholders. The debt facility expires in May 2010 and earlier re-financing may be considered subject to market conditions.

Notes to the Financial Statements

For the year ended 30 September 2008

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

Summarised financial information of jointly controlled entities and associates:

	Notes	Consolidated 2008 \$mill	2007 \$mill
Current assets		340.3	-
Non-current assets		296.9	-
Total Assets		637.2	-
Current liabilities		238.3	-
Non-current liabilities		121.3	-
Total Liabilities		359.6	-
Net Assets		277.6	-
Revenue		283.2	-
Net Profit		20.0	-
Share of jointly controlled entities and associates' profit and loss:			
Share of jointly controlled entities profit before tax		9.6	-
Share of jointly controlled entities income tax expense		(2.9)	-
Share of jointly controlled entities and associates' profit	(29)	6.7	-
Carrying amount of investments in jointly controlled entities and associates			
Carrying amount at the beginning of the year		-	-
Share of Joint ventures acquired during the year		227.5	-
Addition of new investments		46.2	-
		273.7	-
Share of net profit from jointly controlled entities and associates		6.7	-
Less: dividends received/receivable		(0.3)	-
Movement in foreign currency translation reserve of jointly controlled entities and associates		31.1	-
Carrying amount at end of the year		311.2	-

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

Notes to the Financial Statements

For the year ended 30 September 2008

17. Property, plant and equipment

Consolidated	Notes	Freehold land and buildings \$mill	Machinery, plant and equipment \$mill	Total \$mill
At 1 October 2006				
Cost		242.8	557.4	800.2
Accumulated depreciation		(104.5)	(278.1)	(382.6)
Construction in progress		0.6	22.9	23.5
Net book amount		138.9	302.2	441.1
Year ended 30 September 2007				
Opening net book amount		138.9	302.2	441.1
Reclassification (to)/from fixed assets classified as held for sale		(2.2)	0.1	(2.1)
Additions		14.0	93.9	107.9
Disposals		(0.7)	(9.8)	(10.5)
Depreciation charge	(5)	(6.4)	(27.7)	(34.1)
Impairment of assets		-	(0.2)	(0.2)
Reclassification		(0.1)	0.1	-
Closing net book amount		143.5	358.6	502.1
At 1 October 2007				
Cost		251.0	620.5	871.5
Accumulated depreciation		(107.5)	(287.3)	(394.8)
Construction in progress		-	25.4	25.4
Net book amount		143.5	358.6	502.1
Year ended 30 September 2008				
Opening net book amount		143.5	358.6	502.1
Acquisition of business		174.0	740.4	914.4
Reclassification from fixed assets classified as held for sale		0.2	-	0.2
Additions		12.6	212.7	225.3
Disposals		(4.3)	(6.8)	(11.1)
Depreciation charge	(5)	(8.4)	(52.4)	(60.8)
Impairment of assets	(5)	(0.3)	(0.1)	(0.4)
Reclassification		(7.7)	7.7	-
Foreign exchange movement		20.9	98.6	119.5
Closing net book amount		330.5	1,358.7	1,689.2
At 30 September 2008				
Cost		438.9	1,304.0	1,742.9
Accumulated depreciation		(113.5)	(302.2)	(415.7)
Construction in progress		5.1	356.9	362.0
Net book amount		330.5	1,358.7	1,689.2

Notes to the Financial Statements

For the year ended 30 September 2008

17. Property, plant and equipment (continued)

Company	Notes	Freehold land and buildings \$mill	Machinery, plant and equipment \$mill	Total \$mill
At 1 October 2006				
Cost		71.9	135.2	207.1
Accumulated depreciation		(32.6)	(74.9)	(107.5)
Construction in progress		-	27.3	27.3
Net book amount		39.3	87.6	126.9
Year ended 30 September 2007				
Opening net book amount		39.3	87.6	126.9
Reclassifications to fixed assets classified as held for sale		(2.1)	-	(2.1)
Additions		2.0	62.5	64.5
Disposals		(0.7)	(0.6)	(1.3)
Depreciation charge	(5)	(2.2)	(12.1)	(14.3)
Movement in allocated assets - transfer to related party		0.8	4.0	4.8
Closing net book amount		37.1	141.4	178.5
At 1 October 2007				
Cost		71.5	206.7	278.2
Accumulated depreciation		(34.4)	(80.5)	(114.9)
Construction in progress		-	15.2	15.2
Net book amount		37.1	141.4	178.5
Year ended 30 September 2008				
Opening net book amount		37.1	141.4	178.5
Reclassifications from fixed assets classified as held for sale		0.2	-	0.2
Additions		6.7	46.5	53.2
Disposals		(1.0)	(0.5)	(1.5)
Depreciation charge	(5)	(2.9)	(17.0)	(19.9)
Movement in allocated assets - transfer to related party		0.6	3.2	3.8
Closing net book amount		40.7	173.6	214.3
At 30 September 2008				
Cost		76.1	237.1	313.2
Accumulated depreciation		(36.6)	(90.1)	(126.7)
Construction in progress		1.2	26.6	27.8
Net book amount		40.7	173.6	214.3

Non-current assets impairments

During the year ended 30 September 2008, minor impairment of assets occurred to the value of \$0.4 million as a result of the Consolidated entity's fixed asset verification procedures.

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

Change in estimates

During the 2008 financial year, the asset lives of the Consolidated entity's manufacturing assets were reviewed. From this review, the asset life of the Phosphate Hill and Mt Isa sites was increased from 2030 to 2050. This amounted to a reduction in the depreciation expense of \$1.5 million in the current financial year and a reduction of \$3.0 million per year in future financial years.

During the 2007 financial year, the asset lives of the Consolidated entity's manufacturing assets were reviewed. From this review, the asset life of the Gibson Island site was increased from 2017 to 2027. This amounted to a reduction in the depreciation expense of \$1.6 million in the previous financial year and a reduction of \$3.2 million per annum in current and future financial years.

Capitalised interest

During the period interest of \$2.1 million was capitalised relating to interest bearing liabilities used specifically to fund expansion projects.

Notes to the Financial Statements

For the year ended 30 September 2008

18. Intangible assets

Consolidated	Software	Goodwill	Patents, Trademarks & Customer Contracts	Brand Name	Other	Total
	\$mill	\$mill	\$mill	\$mill	\$mill	\$mill
At 1 October 2006						
Cost	13.2	183.8	-	-	5.9	202.9
Accumulated amortisation	(6.6)	-	-	-	(0.1)	(6.7)
Net book amount	6.6	183.8	-	-	5.8	196.2
Year ended 30 September 2007						
Opening net book amount	6.6	183.8	-	-	5.8	196.2
Additions	2.3	-	-	-	-	2.3
Amortisation charge	(2.0)	-	-	-	(2.8)	(4.8)
Closing net book amount	6.9	183.8	-	-	3.0	193.7
At 1 October 2007						
Cost	15.5	183.8	-	-	5.9	205.2
Accumulated amortisation	(8.6)	-	-	-	(2.9)	(11.5)
Net book amount	6.9	183.8	-	-	3.0	193.7
Year ended 30 September 2008						
Opening net book amount	6.9	183.8	-	-	3.0	193.7
Acquisition of business	27.6	2,663.0	225.0	241.5	-	3,157.1
Additions	2.1	-	-	-	-	2.1
Amortisation charge	(4.2)	-	(5.3)	-	(3.0)	(12.5)
Foreign exchange movement	3.7	454.6	24.0	33.5	-	515.8
Closing net book amount	36.1	3,301.4	243.7	275.0	-	3,856.2
At 30 September 2008						
Cost	49.1	3,301.4	250.1	275.0	5.9	3,881.5
Accumulated amortisation	(13.0)	-	(6.4)	-	(5.9)	(25.3)
Net book amount	36.1	3,301.4	243.7	275.0	-	3,856.2

Notes to the Financial Statements

For the year ended 30 September 2008

18. Intangible assets (continued)

Company	Software	Goodwill	Patents, Trademarks & Customer Contracts	Brand Name	Other	Total
	\$mill	\$mill	\$mill	\$mill	\$mill	\$mill
At 1 October 2006						
Cost	13.1	-	-	-	5.6	18.7
Accumulated amortisation	(6.6)	-	-	-	-	(6.6)
Net book amount	6.5	-	-	-	5.6	12.1
Year ended 30 September 2007						
Opening net book amount	6.5	-	-	-	5.6	12.1
Additions	2.5	-	-	-	-	2.5
Amortisation charge	(2.0)	-	-	-	(2.7)	(4.7)
Closing net book amount	7.0	-	-	-	2.9	9.9
At 1 October 2007						
Cost	15.6	-	-	-	5.6	21.2
Accumulated amortisation	(8.6)	-	-	-	(2.7)	(11.3)
Net book amount	7.0	-	-	-	2.9	9.9
Year ended 30 September 2008						
Opening net book amount	7.0	-	-	-	2.9	9.9
Additions	2.0	-	-	-	-	2.0
Amortisation charge	(2.4)	-	-	-	(2.9)	(5.3)
Closing net book amount	6.6	-	-	-	-	6.6
At 30 September 2008						
Cost	17.6	-	-	-	5.6	23.2
Accumulated amortisation	(11.0)	-	-	-	(5.6)	(16.6)
Net book amount	6.6	-	-	-	-	6.6

(a) Allocation of goodwill

The Consolidated entity's business segments as identified in Note 3 forms the basis of allocating goodwill. The goodwill resulting from the Dyno Nobel Limited acquisition (\$2,663.0 million) was provisionally allocated to the Explosives business unit and provisionally tested for impairment at 30 September 2008. Previously recognised goodwill (\$183.8 million) is allocated to the Fertilisers business unit.

(b) Impairment testing

The carrying amount of intangible assets with indefinite lives are tested for impairment annually at 30 September and all other assets are tested when there is an indicator that an asset may be impaired. If an asset is deemed to be impaired it is written down to its recoverable amount. The recoverable amount is based on a value in use calculation using cash flow projections based on financial forecasts for a period of at least three years as approved by management.

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

Key assumptions used to test for impairment, include:

- discount rate of 8.5% - 10.2% representing a market based weighted average cost of capital;
- growth rate of 2% - 5% up to 5 years and 2% thereafter; and
- growth in budgeted gross margin rate of 2% - 5% for up to 5 years and 2% thereafter.

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

Notes to the Financial Statements

For the year ended 30 September 2008

		Consolidated		Company	
	Notes	2008 \$mill	2007 \$mill	2008 \$mill	2007 \$mill
19. Deferred tax assets					
The balance comprises temporary differences attributable to:					
Impairment of trade and other receivables		3.8	0.2	0.6	0.2
Employee entitlements provision		17.4	6.5	7.3	6.4
Retirement benefit obligations		18.7	-	0.7	-
Restructuring and rationalisation provision		5.2	5.8	4.8	5.8
Environmental provision		22.7	16.5	10.0	10.1
Other provisions		20.1	-	6.2	-
Inventories		5.1	0.6	0.9	0.6
Property, plant and equipment		25.1	18.7	-	0.1
Foreign exchange losses		13.1	-	13.1	-
Share buy-back expenses		1.1	1.7	1.1	1.7
Share issue expenses		2.0	-	2.0	-
Cash flow hedges		4.2	2.7	4.2	2.7
Unfavourable supplier contracts		178.5	19.4	-	-
Tax losses		14.0	-	-	-
Other		26.5	3.3	4.0	3.3
Deferred tax assets		357.5	75.4	54.9	30.9
Set-off of deferred tax liabilities pursuant to set-off provisions	(24)	(45.9)	(46.8)	(21.0)	(30.0)
Net deferred tax assets		311.6	28.6	33.9	0.9
Movements:					
Opening balance at 1 October		75.4	93.8	30.9	36.3
Credited/(charged) to the income statements		1.8	(20.3)	19.1	(7.5)
Credited to equity		16.5	2.1	4.9	2.1
Acquisition of subsidiaries		247.9	-	-	-
Foreign exchange movement		15.2	-	-	-
Adjustments in respect of prior years		0.7	(0.2)	-	-
Closing balance at 30 September		357.5	75.4	54.9	30.9

Notes to the Financial Statements

For the year ended 30 September 2008

		Consolidated		Company	
	Notes	2008	2007	2008	2007
		\$mill	\$mill	\$mill	\$mill
20. Trade and other payables					
Current					
Trade creditors					
external		785.6	248.9	369.6	215.8
wholly-owned controlled entity	(33)	-	-	623.0	313.6
		785.6	248.9	992.6	529.4
Sundry creditors and accrued charges					
external		249.7	20.5	176.7	21.7
unfavourable sales / supplier contracts		96.7	12.0	-	-
		346.4	32.5	176.7	21.7
		1,132.0	281.4	1,169.3	551.1
Non-current					
Sundry creditors and accrued charges					
wholly-owned controlled entity		-	-	337.7	-
unfavourable sales / supplier contracts		474.5	52.8	-	-
		474.5	52.8	337.7	-

Unfavourable contracts

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

Significant terms and conditions

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

Net fair values

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

Notes to the Financial Statements

For the year ended 30 September 2008

	Notes	Consolidated		Company	
		2008 \$mill	2007 \$mill	2008 \$mill	2007 \$mill
21. Interest bearing liabilities					
Current					
Secured					
bank loans		3.8	-	-	-
bank overdrafts		11.0	-	-	-
other loans					
external- participation facility		66.2	-	-	-
Unsecured					
bank loans- bridge facility		2,147.1	-	170.0	-
other loans					
wholly-owned controlled entity		-	-	10.5	-
joint ventures and associates ⁽¹⁾		10.7	-	-	-
	(32)	2,238.8	-	180.5	-
Non-current					
Secured					
bank loans		4.0	-	-	-
other loans					
external - participation facility		267.2	-	-	-
Unsecured					
other loans					
external - term facility		-	630.0	-	630.0
	(32)	271.2	630.0	-	630.0

Significant terms and conditions

Interest expense is recognised as interest accrues.

Bank Facilities

Full details of bank facilities are set in note 10.

Bridge Facility

The Bridge Facility of \$2.4 billion matures in May 2009 and is fully repayable at the maturity date. Drawings can be made in both AUD and USD at the discretion of the Company/Consolidated entity. Interest is payable on a floating rate basis and is calculated using the base rate for the currency borrowed plus a margin. Margins increase after 6 and 9 months to a maximum margin payable of 0.75% per annum. The majority of the facility is non-revolving in nature, with any repayments resulting in an equivalent cancellation of the facility limit.

Refinancing of the Bridge Facility

- Syndicated Facility

The Company entered into a long term unsecured syndicated facility of \$1.68 billion on 18 September 2008, which will be used to repay a portion of the Bridge Facility. This is a multicurrency facility and matures in September 2011. The facility does not result in additional borrowing capacity, as all amounts drawn must be used to repay the Bridge Facility. Interest is payable at BBSY/LIBOR plus a margin. The facility is revolving whereby repayments can be redrawn at the Company's/Consolidated entity's discretion.

- Participation Facility

During the period the Company/Consolidated entity entered into a Participation Facility which matures in August 2013. The carrying amount of the the facility is \$333.4m and is secured against certain assets operated by Southern Cross Fertilisers Pty Ltd . The facility is denominated in AUD and has a fixed nominal interest rate of 8.93% for the term of the facility.

- The balance of the Bridge Facility will be paid down by other facilities/funding to be obtained before the due date.

(1) Loans from joint ventures and associates relate to unsecured loans from joint ventures in Wampum Hardware Co and Alpha Dyno Nobel Inc.

Notes to the Financial Statements

For the year ended 30 September 2008

		Consolidated 2008	2007	Company 2008	2007
	Notes	\$mill	\$mill	\$mill	\$mill
22. Other financial liabilities					
Current					
Derivative financial instruments					
forward exchange contract	(32)	-	9.1	-	9.1
option contracts	(32)	13.8	-	13.8	-
forward commodity contracts		2.4	-	-	-
		16.2	9.1	13.8	9.1
23. Provisions					
Current					
Employee entitlements		24.5	11.3	12.5	11.3
Restructuring and rationalisation		13.6	9.2	5.7	9.2
Environmental		31.5	10.7	15.5	10.7
Asset retirement obligation		3.1	-	-	-
Other (including onerous contracts)		15.9	-	14.0	-
		88.6	31.2	47.7	31.2
Non-current					
Employee entitlements		13.3	10.2	11.9	10.2
Restructuring and rationalisation		10.1	10.2	10.1	10.2
Environmental		46.2	44.3	17.7	23.1
Asset retirement obligation		5.2	-	-	-
Other (including onerous contracts)		16.0	-	6.6	-
		90.8	64.7	46.3	43.5
Aggregate employee entitlements					
Current		24.5	11.3	12.5	11.3
Non-current		13.3	10.2	11.9	10.2
		37.8	21.5	24.4	21.5

The present value of Company 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	4.25% + age based scale			
Average discount rate (risk free rate)	6.08%			
Settlement term	10 years			
	2008	2007	2008	2007
Employees at year end	Number	Number	Number	Number
Full time equivalent	5,134	964	1,062	964

Notes to the Financial Statements

For the year ended 30 September 2008

23. Provisions (continued)

Reconciliations

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

	Notes	Consolidated \$mill	Company \$mill
Current Provision - Dividends			
Carrying amount at the beginning of the financial year		-	-
Provisions made during the year		219.3	219.3
Payments made during the year	(27)	(219.3)	(219.3)
Carrying amount at the end of the financial year		-	-
Current Provision - Restructuring and rationalisation			
Carrying amount at the beginning of the financial year		9.2	9.2
Additions through acquisition of entities		7.0	-
Provisions made during the year	(5)	17.7	5.3
Transfers		(0.3)	(0.3)
Payments made during the year		(21.7)	(8.4)
Provisions written back during the year		(0.1)	(0.1)
Foreign currency exchange differences		1.8	-
Carrying amount at the end of the financial year		13.6	5.7
Current Provision - Environmental			
Carrying amount at the beginning of the financial year		10.7	10.7
Additions through acquisition of entities		13.1	-
Provisions made during the year	(5)	3.0	3.0
Provisions written back during the year		(0.6)	(0.6)
Transfers		9.4	8.1
Payments made during the year		(6.3)	(5.7)
Foreign currency exchange differences		2.2	-
Carrying amount at the end of the financial year		31.5	15.5
Current Provision - Asset retirement obligations			
Carrying amount at the beginning of the financial year		-	-
Additions through acquisition of entities		2.7	-
Foreign currency exchange differences		0.4	-
Carrying amount at the end of the financial year		3.1	-
Current Provision - Other			
Carrying amount at the beginning of the financial year		-	-
Additions through acquisition of entities		1.4	-
Provisions made during the year	(5)	14.4	14.2
Payments made during the year		(0.2)	(0.2)
Foreign currency exchange differences		0.3	-
Carrying amount at the end of the financial year		15.9	14.0

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

Notes to the Financial Statements

For the year ended 30 September 2008

23. Provisions (continued)

Reconciliations (continued)	Notes	Consolidated \$mill	Company \$mill
Non-Current Provision - Restructuring and rationalisation			
Carrying amount at the beginning of the financial year		10.2	10.2
Unwinding of discount		(0.1)	(0.1)
Carrying amount at the end of the financial year		10.1	10.1
Non-Current Provision - Environmental			
Carrying amount at the beginning of the financial year		44.3	23.1
Additions through acquisition of entities		20.7	-
Provisions made during the year	(5)	2.0	1.8
Provisions written back during the year		(12.2)	(0.2)
Transfers		(9.1)	(7.8)
Unwinding of discount		(3.1)	0.8
Foreign currency exchange differences		3.6	-
Carrying amount at the end of the financial year		46.2	17.7
Non-Current Provision - Asset retirement obligations			
Carrying amount at the beginning of the financial year		-	-
Additions through acquisition of entities		4.2	-
Unwinding of discount		0.2	-
Foreign currency exchange differences		0.8	-
Carrying amount at the end of the financial year		5.2	-
Non-Current Provision - Other			
Carrying amount at the beginning of the financial year		-	-
Additions through acquisition of entities		7.8	-
Provisions made during the year	(5)	6.7	6.6
Foreign currency exchange differences		1.5	-
Carrying amount at the end of the financial year		16.0	6.6

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

Notes to the Financial Statements

For the year ended 30 September 2008

		Consolidated		Company	
	Notes	2008 \$mill	2007 \$mill	2008 \$mill	2007 \$mill
24. Deferred tax liabilities					
The balance comprises temporary differences attributable to:					
Inventories		1.2	1.5	0.6	1.5
Property, plant and equipment		209.9	27.9	13.1	11.1
Intangible assets		134.0	1.4	1.0	1.4
Financial assets at fair value		5.8	10.8	5.8	10.8
Cash flow hedges		5.5	0.5	0.2	0.5
Foreign exchange (losses) / gains		(2.6)	2.7	-	2.7
Retirement benefit obligations		-	0.8	-	0.8
Other		25.5	1.2	0.3	1.2
Deferred tax liabilities		379.3	46.8	21.0	30.0
Set-off of deferred tax liabilities pursuant to set-off provisions	(19)	(45.9)	(46.8)	(21.0)	(30.0)
Net deferred tax liabilities		333.4	-	-	-
Movements:					
Opening balance at 1 October		46.8	25.2	30.0	3.6
Charged/(credited) to the income statements		15.8	10.6	(2.7)	15.6
Charged/(credited) to equity		(6.4)	10.9	(6.3)	10.9
Acquisition of subsidiaries		271.7	-	-	-
Foreign exchange movement		51.4	-	-	-
Adjustments in respect of prior years		-	0.1	-	(0.1)
Closing balance at 30 September		379.3	46.8	21.0	30.0

Notes to the Financial Statements

For the year ended 30 September 2008

25. Retirement Benefit Obligations

(a) Information on Plans

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

The Company is the sponsoring employer of the Incitec Pivot Employees Superannuation Fund, a defined benefit superannuation fund which consists of a defined contribution section of membership as well as a defined benefit section. The Fund also pays pensions to a number of pensioners. The key assumptions and amounts recognised in the income statements and balance sheets are set out below.

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

	Consolidated		Company	
	2008	2007	2008	2007
	\$mill	\$mill	\$mill	\$mill
Present value of defined benefit obligations at beginning of the year	77.5	75.1	77.5	75.1
Present value of defined benefit obligations acquired	186.3	-	-	-
Current service cost	3.9	2.3	2.1	2.3
Interest cost	9.4	4.5	4.9	4.5
Actuarial (gains)/losses	(5.9)	3.3	(5.9)	3.3
Contributions by plan participants	1.0	2.0	1.0	2.0
Benefits paid	(20.1)	(9.7)	(15.1)	(9.7)
Foreign exchange differences on foreign plans	35.2	-	-	-
Present value of defined benefit obligations at end of the year	287.3	77.5	64.5	77.5

(c) Reconciliation of the fair value of plan assets

Fair value of plan assets at beginning of the year	79.9	72.2	79.9	72.2
Fair value of plan assets acquired	163.6	-	-	-
Expected return on plan assets	11.2	4.9	5.7	4.9
Actuarial gains/(losses)	(43.9)	4.1	(10.8)	4.1
Employer contributions	4.4	6.4	1.2	6.4
Contributions by plan participants	1.6	2.0	1.6	2.0
Benefits paid	(20.0)	(9.7)	(15.1)	(9.7)
Foreign exchange differences on foreign plans	24.1	-	-	-
Fair value of plan assets at end of the year	220.9	79.9	62.5	79.9

(d) Reconciliation of assets and liabilities recognised in the balance sheet

Present value of funded defined benefit obligations at end of year	287.3	77.5	64.5	77.5
Fair value of plan assets at end of year	(220.9)	(79.9)	(62.5)	(79.9)
(Surplus)/deficit in plan	66.4	(2.4)	2.0	(2.4)
Tax provision	0.4	(0.3)	0.4	(0.3)
Net (Asset) / Liability recognised in balance sheets at end of year	66.8	(2.7)	2.4	(2.7)

(e) Expense recognised in income statements

Current service cost	3.9	2.3	2.1	2.3
Interest cost	9.4	4.5	4.9	4.5
Expected return on plan assets	(11.2)	(4.9)	(5.7)	(4.9)
Expense recognised in income statements	2.1	1.9	1.3	1.9

Notes to the Financial Statements

For the year ended 30 September 2008

25. Retirement Benefit Obligations (continued)

	Consolidated		Company	
	2008	2007	2008	2007
	\$mill	\$mill	\$mill	\$mill
(f) Amounts recognised in the statements of comprehensive income				
Actuarial (gains)/losses (before income tax)	38.0	(1.6)	4.9	(1.6)
(g) Cumulative amount recognised in the statements of comprehensive income				
Cumulative amount of actuarial (gains)/losses	35.4	(2.6)	2.4	(2.6)
(h) Plan Assets				
The percentage invested in each asset class at the reporting date:				
Equities	55%	48%	49%	48%
Fixed Interest Securities	30%	16%	14%	16%
Property	8%	12%	13%	12%
Cash and Net Current Assets	5%	15%	15%	15%
Other	2%	9%	9%	9%
(i) Fair value of plan assets				
The fair value of plan assets includes no amounts relating to:				
- any of the Company's/Consolidated entity's own financial instruments				
- any property occupied by, or other assets used by, the Company/Consolidated entity.				
(j) Expected rate of return on plan assets				
The overall expected rate of return on assets assumption is determined by weighting the expected long-term rate of return for each asset class by the target allocation of assets to each class. The rates of return used for each class are net of investment tax and investment fees.				
(k) Actual return on plan assets				
Actual return on plan assets	(32.7)	8.6	(5.1)	8.6
(l) Principal actuarial assumptions at the reporting date				
Discount rate (net of tax)	4.5% - 8.2%	5.2%	4.5%	5.2%
Expected rate of return on plan assets	7.0% - 8.5%	7.5%	7.5%	7.5%
Future salary increases	2.0% - 5.6%	4%	4.3%	4%
Future inflation	2.5%	2.5%	2.5%	2.5%
(m) Historical Information				
	2008	2007	2006	2005
Present value of defined benefit obligation	287.7	77.2	75.1	75.3
Fair value of plan assets	(220.9)	(79.9)	(72.2)	(72.0)
(Surplus)/Deficit in plan	66.8	(2.7)	2.9	3.3
Experience adjustment - plan liabilities	7.9	(4.4)	(2.9)	(4.2)
Experience adjustment - plan assets	(10.9)	3.7	3.3	4.6
(n) Expected Contributions				
Expected contributions in year ending 30 September 2009:				
Expected employer contributions	15.4			
Expected contribution by plan participants	0.8			

Notes to the Financial Statements

For the year ended 30 September 2008

Consolidated/Company
2008 2007
\$mill \$mill

26. Issued Capital

Share Capital

Ordinary shares authorised and issued - 1,217,230,560 (2007 - 1,008,477,700) ^{(1) (2)}	2,267.7	360.8
	2,267.7	360.8

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

Date	Details	Number of Shares	\$mill
30 September 2007	Balance at the end of the previous financial year	50,423,885	360.8
16 June 2008	Shares issued during the period	10,437,643	1,908.9
	Transaction cost of issued shares	-	(2.0)
	Subtotal prior to 20 for 1 share split	60,861,528	2,267.7
30 September 2008	Balance at the end of the financial year after share split	1,217,230,560	2,267.7

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

(2) The number of shares in the comparative period has been restated following the 20 for 1 share split as approved by shareholders in September 2008.

Terms and conditions

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

Shares issued – Dyno Nobel Limited acquisition

On 16 June 2008 10,437,643 shares were issued to the shareholders of Dyno Nobel Limited as part of the purchase consideration under the schemes of arrangement under which Incitec Pivot US Holdings Pty Limited acquired all the shares in Dyno Nobel Limited that the Consolidated entity did not already own.

Share split – 20 for 1

In September 2008 the shareholders approved a share split whereby every fully paid ordinary share was split into 20 fully paid ordinary shares. Share numbers in the comparative period have been restated following the share split undertaken.

Notes to the Financial Statements

For the year ended 30 September 2008

	Company	
	2008	2007
	\$mill	\$mill
27. Dividends		
Dividends paid or declared in respect of the year ended 30 September were:		
Ordinary Shares		
Final dividend of 4.05 cents per share ⁽¹⁾ , fully franked at 30%, paid 13 December 2006	-	40.8
Interim dividend of 3.45 cents per share ⁽¹⁾ , fully franked at 30%, paid 5 July 2007	-	34.8
Final dividend comprising:		
- normal dividend of 9.55 cents per share ⁽¹⁾ , fully franked at 30%, paid 13 December 2007	96.3	-
- special dividend of 2 cents per share ⁽¹⁾ , fully franked at 30%, paid 13 December 2007	20.2	-
Interim dividend of 10.2 cents per share ⁽¹⁾ , fully franked at 30%, paid 2 July 2008	102.8	-
Total ordinary share dividends paid in cash	219.3	75.6

Subsequent event

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

- Final dividend of 19.5 cents per share, fully franked at 30% to be paid on 2 December 2008 **237.4**

Ordinary shares

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

- (1) Dividends per share in the comparative period have been restated following the 20 for 1 share split as approved by shareholders in September 2008.

Franking credits

Franking credits available to shareholders of the Company amounts to \$195.1m (2007 - \$45.6m) at the 30% (2007 at 30%) corporate tax rate after allowing for tax payable in respect of the current year's profit. The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

Future profits earned by the Company will be a mixture of Australian and offshore income. Consequently some tax will be paid in foreign jurisdictions, and will not be available as franking credits.

Notes to the Financial Statements

For the year ended 30 September 2008

28. Business combination

A. Acquisition of Dyno Nobel Limited

(a) Summary of acquisition

On 16 June 2008, the Consolidated entity acquired the remaining shares it did not already own (86.8%) in Dyno Nobel Limited for \$2,460.8 million, including \$37.1 million of transaction costs. During 2007 the Company acquired 13.2% of the shares in Dyno Nobel Limited for \$256.2 million. Dyno Nobel Limited manufactures and sells industrial explosives and related products and services to mining, quarrying and construction industries.

(b) Purchase consideration

	Notes	Consolidated		Company	
		2008 \$mill	2007 \$mill	2008 \$mill	2007 \$mill
Consideration paid, satisfied in cash		551.9	-	-	-
Less cash acquired		(25.5)	-	-	-
Net cash outflow		526.4	-	-	-
Add back cash acquired		25.5	-	-	-
Shares issued	(26)	1,908.9	-	-	-
Original investment (13.2%)		256.2	-	-	-
Purchase consideration		2,717.0	-	-	-

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Dyno Nobel pre acquisition carrying amounts \$mill	Fair value adjustments \$mill	Fair Value \$mill
Acquiree's net assets at the acquisition date			
Cash and cash equivalents	25.2	0.3	25.5
Trade and other receivables	356.4	1.3	357.7
Inventories	169.6	8.1	177.7
Equity accounted investments	123.9	103.6	227.5
Property, plant and equipment	624.1	290.3	914.4
Intangibles			
- Goodwill	179.6	(179.6)	-
- Software	-	27.6	27.6
- Non compete	2.0	(2.0)	-
- Patents	22.4	1.7	24.1
- Customer contracts	-	159.9	159.9
- Trademarks	-	41.0	41.0
- Dyno brand name	-	241.5	241.5
Deferred tax assets	152.3	95.6	247.9
Trade payables	(67.9)	(2.6)	(70.5)
Other assets / (liabilities)	365.5	(1,069.5)	(704.0)
Step-up Preference Shares	(345.0)	-	(345.0)
Tax liabilities	3.7	(88.4)	(84.7)
Deferred tax liabilities	(274.0)	2.3	(271.7)
Provisions	(41.5)	(15.4)	(56.9)
Interest bearing liabilities	(852.4)	(5.6)	(858.0)
Net identifiable assets and liabilities	443.9	(389.9)	54.0
Less consideration			2,717.0
Goodwill on acquisition recognised			2,663.0

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

Notes to the Financial Statements

For the year ended 30 September 2008

28. Business combination (continued)

(d) Contribution of Dyno Nobel Limited

Dyno Nobel Limited contributed revenues of \$563.6 million and net profit after tax of \$23.8 million for the period from 16 June to 30 September 2008. If the acquisition had occurred on 1 October 2007, consolidated revenue and consolidated profit/(loss) for the year ended 30 September 2008 would have been \$4,064.4 million and \$601.2 million respectively. The table below summarises the pro forma consolidated revenue and profit for the period if the acquisition had occurred on 1 October 2007.

	PRO FORMA			
	Fertilisers \$mill	Dyno Nobel Limited \$mill	Consolidation Adjustments \$mill	Consolidated \$mill
Total sales revenue	2,347.5	1,717.1	(0.2)	4,064.4
Profit before depreciation, amortisation, interest, related income tax expense and individually material items	940.9	307.4	(11.0)	1,237.3
Depreciation & amortisation	(40.3)	(114.9)	-	(155.2)
Profit from ordinary activities before interest, related income tax expense and individually material items	900.6	192.5	(11.0)	1,082.1
Individually material items before income tax expense	(17.2)	(65.8)	-	(83.0)
Profit before interest and related income tax expense	883.4	126.7	(11.0)	999.1
Financial expenses (net)				(164.4)
Profit before income tax				834.7
Income tax expense				(233.5)
Profit for the financial year				601.2

Fertilisers' column represents the actual financial performance of the Incitec Pivot base business for the year ended 30 September 2008, as disclosed in Note 3- Segment Report.

Dyno Nobel Limited pro forma results were determined as follows:

- (1) Results for the period ended 30 September 2008 were taken from Dyno Nobel Limited's unaudited management accounts and translated from US dollars to Australian Dollars at the average exchange rate for the year.
- (2) Certain individually material items were excluded from the pro forma accounts for the period prior to acquisition (16 June 2008), including costs related to acquisition defence (\$39.9m) and fair market value adjustments (\$408.1m). Fair market value adjustments booked prior to the acquisition included the write down of capital expenditure on the Moranbah project to its realisable value (\$293.5m) after it was abandoned by Dyno Nobel Limited in 2007, fixed asset impairment (\$38.8m) and revaluation of investments to their market value (\$16.5m).
- (3) The impact of fair value adjustments booked on acquisition were then applied to the result, to reflect the impact this would have had if the acquisition had occurred on 1 October 2007. This resulted in the following adjustments;
 - An increase in Profit before depreciation, amortisation, interest, related income tax expense and individually material items due to the offset of losses incurred on unfavourable contracts; and
 - An increase in Depreciation & amortisation to reflect re-valued Property, plant and equipment and Intangibles recognised on acquisition.
- (4) Net financial expenses were increased to reflect the higher interest expense that the business would have incurred if the funding arrangement that was in place during the period since acquisition had been in place for the entire year.
- (5) Income tax expense was calculated on the revised results pro forma for Dyno Nobel Limited's full year contribution, using an estimated effective tax rate of 35% for the period.

Consolidation entries reflect the elimination of transactions that occurred between the businesses since the acquisition date. There were no inter-company transactions between the parties prior to acquisition that required elimination.

Notes to the Financial Statements

For the year ended 30 September 2008

28. Business combination (continued)

B. Other changes in the composition of the Consolidated entity

On 28 August 2008 Incitec Pivot Explosives Holdings Pty Limited acquired 50% of the share capital of Nitro Mak Makine Kimya – Nitro Nobel Sanayi Anonim Sirketi (Nitromak) for consideration of US\$40 million (A\$46.2 million). Prior to 30 September 2008, \$4.6m had been paid. Nitromak's principal activity is the delivery of explosives and related products in Turkey.

		Consolidated		Company	
	Notes	2008 \$mill	2007 \$mill	2008 \$mill	2007 \$mill

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

Reconciliation of cash

Cash at the end of the financial year as shown in the Cash Flow Statements is reconciled to the related items in the Statements of Financial Position as follows:

Cash	(10)	479.7	218.3	400.4	208.0
Bank overdraft	(21)	(11.0)	-	-	-
		468.7	218.3	400.4	208.0

Reconciliation of profit for the financial year to net cash flows from operating activities

Profit for the financial year		614.3	205.3	193.6	203.4
Depreciation and amortisation	(5)	70.3	36.1	22.3	16.3
Depreciation of capital spares		1.0	-	1.0	-
Write-down of property, plant and equipment	(5)	0.4	0.2	-	-
Profit on share equity accounted associates	(16)	(6.7)	-	-	-
Net profit on sale of property, plant and equipment		(2.9)	(20.7)	(3.0)	(7.2)
Gain on transactional contracts		(9.1)	-	(9.6)	-
Foreign exchange difference on loans with foreign controlled entities		-	-	7.7	-
Non-cash share based payment transactions		3.0	2.3	-	2.3
Right to receive rock		2.9	2.7	2.9	2.7
Amortisation of unfavourable contracts		(35.9)	-	-	-
Unwinding of discount on provisions	(5)	16.2	1.5	1.4	0.9
Changes in assets and liabilities					
(increase)/decrease in receivables and other assets		(63.3)	(41.2)	(135.5)	(71.5)
(increase)/decrease in inventories		(249.9)	63.4	(245.9)	42.1
increase/(decrease) in deferred tax assets		(19.1)	28.2	(22.5)	-
(increase)/decrease in deferred tax liabilities		135.8	-	0.7	(53.3)
increase/(decrease) in net interest payable		1.4	0.8	2.4	1.7
increase/(decrease) in financial instruments		-	(7.6)	-	(7.6)
increase/(decrease) in payables and provisions		317.2	(27.7)	848.2	111.8
increase/(decrease) in income taxes payable		47.0	15.9	(44.8)	15.9
Net cash flows from operating activities		822.6	259.2	618.9	257.5

Notes to the Financial Statements

For the year ended 30 September 2008

	Consolidated		Company	
	2008	2007	2008	2007
	\$mill	\$mill	\$mill	\$mill

30. Commitments

a) Capital expenditure commitments

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

no later than one year	26.4	3.9	0.3	2.1
	26.4	3.9	0.3	2.1

Share of capital expenditure commitments of the joint venture operation:

no later than one year	18.3	-	-	-
	18.3	-	-	-
	44.7	3.9	0.3	2.1

b) Lease commitments

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

no later than one year	43.1	28.0	17.6	16.5
later than one, no later than five years	96.3	75.8	39.0	36.9
later than five years	62.8	56.7	34.1	31.1
	202.2	160.5	90.7	84.5

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

no later than one year	3.6	-	-	-
later than one, no later than five years	5.4	-	-	-
	9.0	-	-	-
Less future finance charges	(0.9)	-	-	-
Present value of minimum lease payments provided for as a liability	8.1	-	-	-

c) Other expenditure commitments

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

no later than one year	98.9	31.7	-	-
later than one, no later than five years	115.5	110.3	-	-
later than five years	175.5	198.7	-	-
	389.9	340.7	-	-

Notes to the Financial Statements

For the year ended 30 September 2008

31. Contingent liabilities

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

Contracts, claims, guarantees and warranties

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

Environmental

I *General*

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

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

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

Taxation

Consistent with other companies of the size of Incitec Pivot Limited, the Consolidated entity 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 2008

32. Financial risk management

Overview

The Consolidated entity has exposure to the following variety of financial risks:

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

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

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

The Consolidated entity's financial risk management policies are established to identify and analyse the financial risks faced by the Consolidated entity, to set appropriate financial risk limits and controls, and to monitor financial risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated entity's activities.

The BARMC oversees how management monitors compliance with the Consolidated entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Consolidated entity. The BARMC is assisted in its oversight role by the Consolidated entity's internal auditors, Deloitte. The Internal Auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the BARMC.

A. Market risk

Market risk is the risk that changes in commodity prices, foreign exchange rates and interest rates will affect the Consolidated entity's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Consolidated entity transacts in derivative instruments in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board. Generally the Consolidated entity seeks to apply hedge accounting in order to manage volatility in profit and loss except where foreign exchange risk is mitigated with the existence of a natural hedge.

i. Foreign exchange risk

The Consolidated entity is exposed to foreign exchange movements on sales and purchases denominated, either directly or indirectly, in foreign currencies (primarily in US Dollars). 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 for short-term committed exposures, forward contracts.

Notes to the Financial Statements

For the year ended 30 September 2008

32. Financial risk management (continued)

A. Market risk (continued)

i. Foreign exchange risk (continued)

The Consolidated entity has foreign operations with non-AUD functional currencies and therefore is exposed to translation risk resulting from foreign exchange rate movements which impacts on the AUD equivalent value of the self-sustaining foreign operations.

The Consolidated entity manages the impact of the translation risk by borrowing in the same currency as the net foreign assets. These borrowings are generally held within the foreign subsidiaries resulting in a reduction in the overall net assets that are translated. The translation movement of the Consolidated entity's net assets are recognised within the foreign currency translation reserve.

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

Term	Weighted average rate		Forward FX Contract	
	2008	2007	2008	2007
	\$	\$	A\$mill	A\$mill
Buy US dollars / sell Australian dollars				
Not later than one year	0.7941	0.8040	286.4	108.4
Buy EUR / sell Australian dollars				
Not later than one year	0.5688	-	31.7	-

The profitability of the principal ammonium phosphate manufacturing facility of Southern Cross Fertilisers Pty Limited is impacted by foreign exchange movements due to the manufacturing inputs (gas, electricity, labour) being Australian dollar linked, whilst the manufactured outputs (fertiliser products i.e. MAP and DAP) are sold in American dollars.

The Company has bought a series of AUD Call/USD Put vanilla European options. The amount of the exposure hedged progressively reduces in future periods in line with policies established by the Board of Directors. The premiums paid along with any unrealised gains are carried forward in the Balance Sheet and will be recognised in the Income Statement at the time the underlying transactions occur. All costs associated with these contracts have been incurred. Favourable outcomes on the hedge 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 on the underlying exposures resulting from decreases in the AUD/USD exchange rate, but limit the unfavourable outcomes resulting from AUD/USD exchange rate increases.

These contracts are timed to mature at monthly intervals to match anticipated sales of product manufactured at this facility over the coming year 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 month are designated as being hedged until all hedge contracts are fully utilised.

The table below summarises the vanilla option⁽¹⁾ contracts taken out to hedge sales of the output of Southern Cross Fertilisers Pty Ltd.

Term	Weighted average		Contract amounts	
	AUD/USD strike rate		2008	2007
	2008	2007	2008	2007
	\$	\$	US\$mill	US\$mill
Not later than one year	0.8434	-	567.2	-

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

Notes to the Financial Statements

For the year ended 30 September 2008

32. Financial risk management (continued)

A. Market risk (continued)

i. Foreign exchange risk (continued)

Exposure to currency risk

The Consolidated entity's exposure to foreign currency risk was as follows based on notional amounts;

Consolidated	30 September 2008				30 September 2007			
	USD \$mill	CAD \$mill	Peso mill	EUR mill	USD \$mill	CAD \$mill	Peso mill	EUR mill
Trade receivables	137.8	75.3	24.2	-	49.8	-	-	-
Trade payables	(318.8)	(16.6)	(15.4)	(18.6)	(110.1)	-	-	-
Interest bearing liabilities	(1,581.1)	-	-	-	-	-	-	-
Gross balance sheet exposure	(1,762.1)	58.7	8.8	(18.6)	(60.3)	-	-	-
Forward exchange contracts	(227.4)	-	-	-	(87.1)	-	-	-
Net exposure	(1,989.5)	58.7	8.8	(18.6)	(147.4)	-	-	-

Company	30 September 2008				30 September 2007			
	USD \$mill	CAD \$mill	Peso mill	EUR mill	USD \$mill	CAD \$mill	Peso mill	EUR mill
Trade receivables	-	-	-	-	0.8	-	-	-
Trade payables	(265.1)	-	-	(18.0)	(110.1)	-	-	-
Interest bearing liabilities	(1,581.1)	-	-	-	-	-	-	-
Gross balance sheet exposure	(1,846.2)	-	-	(18.0)	(109.3)	-	-	-
Forward exchange contracts	(227.4)	-	-	-	(87.1)	-	-	-
Net exposure	(2,073.6)	-	-	(18.0)	(196.4)	-	-	-

Notes to the Financial Statements

For the year ended 30 September 2008

32. Financial risk management (continued)

A. Market risk (continued)

i. Foreign exchange risk (continued)

The following significant exchange rates applied during the year:

	Average rate 2008	Balance date spot rate 2008	Average rate 2007	Balance date spot rate 2007
US\$ 1	0.9082	0.8015	0.7718	0.8829

Sensitivity analysis- Forward exchange contracts

A 10 cent strengthening in the AUD against the USD at 30 September 2008 would have decreased net assets by \$39.7m.

A 10 cent weakening in the AUD against the USD at 30 September 2008 would have increased net assets by \$30.9m.

Sensitivity analysis- Investment in foreign entity's net assets

A 10 cent strengthening in the AUD against the USD at 30 September 2008 would have decreased net assets by \$156.9m.

A 10 cent weakening in the AUD against the USD at 30 September 2008 would have increased net assets by \$201.6m.

ii. Interest rate risk

The Consolidated entity adopts a policy of ensuring that a maximum of up to 75% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps.

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

The Consolidated entity's interest rate risk arises from long term borrowings. Out of the \$271.2m of long term borrowings existing at the reporting date, \$267.2m had a fixed interest rate. During the period, \$150.0m of interest rate swaps were closed out.

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

	Consolidated 2008 \$mill	2007 \$mill	Company 2008 \$mill	2007 \$mill
Not later than one year	-	-	-	-
Later than one year but no later than five years	-	150.0	-	150.0
Fixed interest rate range p.a.	-	6.37% - 6.45%	-	6.37% - 6.45%
Floating interest rate p.a.	-	7.00%	-	7.00%

Notes to the Financial Statements

For the year ended 30 September 2008

32. Financial risk management (continued)

A. Market Risk (continued)

ii. Interest rate risk (continued)

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

			Fixed interest rates				
	Notes	Floating Interest rate \$mill	1 year or Less \$mill	1 to 5 years \$mill	5 years or more \$mill	Non- Interest bearing \$mill	Total \$mill
30 September 2008							
Cash and cash equivalents	(10)	479.7	-	-	-	-	479.7
Trade and other receivables	(11)	-	-	-	-	627.6	627.6
Total financial assets		479.7	-	-	-	627.6	1,107.3
Weighted average effective interest rate ⁽¹⁾		5.51%	-	-	-	-	-
Trade and other payables	(20)	-	-	-	-	(1,606.5)	(1,606.5)
Interest bearing liabilities	(21)	(2,176.6)	(66.2)	(267.2)	-	-	(2,510.0)
Total financial liabilities		(2,176.6)	(66.2)	(267.2)	-	(1,606.5)	(4,116.5)
Net hedging activity ⁽²⁾		-	-	-	-	-	-
Net financial liabilities including hedging activities		(2,176.6)	(66.2)	(267.2)	-	(1,606.5)	(4,116.5)
Weighted average effective interest rate (after hedging activities)		3.71%	4.49%	8.92%	-	-	-
Net financial assets/(liabilities)		(1,696.9)	(66.2)	(267.2)	-	(978.9)	(3,009.2)
30 September 2007							
Cash and cash equivalents	(10)	218.3	-	-	-	-	218.3
Trade and other receivables	(11)	-	-	-	-	167.8	167.8
Total financial assets		218.3	-	-	-	167.8	386.1
Weighted average effective interest rate ⁽¹⁾		6.30%	-	-	-	-	-
Trade and other payables	(20)	-	-	-	-	(334.2)	(334.2)
Interest bearing liabilities	(21)	(630.0)	-	-	-	-	(630.0)
Total financial liabilities		(630.0)	-	-	-	(334.2)	(964.2)
Net hedging activity ⁽²⁾		150.0	-	(150.0) ⁽³⁾	-	-	-
Net financial liabilities including hedging activities		(480.0)	-	(150.0) ⁽³⁾	-	(334.2)	(964.2)
Weighted average effective interest rate (after hedging activities)		7.43%	-	6.41%	-	-	-
Net financial assets/(liabilities)		(261.7)	-	(150.0)	-	(166.4)	(578.1)

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

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

(3) Interest rate swaps held as at 30 September 2007 matured during August 2008.

Notes to the Financial Statements

For the year ended 30 September 2008

32. Financial risk management (continued)

A. Market Risk (continued)

ii. Interest rate risk (continued)

At the reporting date the interest rate profile of the Consolidated entity interest bearing financial instruments was:

	Consolidated 2008 \$mill	2007 \$mill	Company 2008 \$mill	2007 \$mill
Variable rate instruments				
- Financial liabilities	2,176.6	630.0	180.5	630.0
Fixed rate instruments				
- Financial liabilities	333.4	-	-	-

Cash flow sensitivities for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit and loss by \$21.7m. This analysis assumes all other variables, in particular foreign exchange rates, remain constant.

iii. Equity price risk

Equity price risk arises from available-for-sale equity securities being subjected to market volatility. Refer to note 14 for more information.

B. Liquidity risk

Liquidity risk is the risk that the Consolidated entity will not be able to meet its financial obligations as they fall due. The Consolidated entity's approach to managing liquidity is to ensure that there are sufficient committed funding facilities available to meet Incitec Pivot Limited's financial commitments in a timely manner. Refer to note 21 for the status on refinancing the bridge facility.

Typically the Consolidated entity holds a minimum liquidity buffer of \$200m in cash forecasts at all times to meet any unforeseen cashflow requirements including unplanned reduction in revenue, business disruption and unplanned capital expenditure. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Consolidated entity maintains the following lines of credit:

- Unsecured bank overdraft facilities denominated in AUD and foreign currencies. Interest is payable at a Base Rate plus a margin.
- A short term \$2.4 billion Bridge facility maturing in May 2009. This is a multicurrency facility drawable in AUD and USD with interest payable at BBSY/LIBOR plus a margin.
- An unsecured syndicated facility agreement of \$1.68 billion for 3 years, maturing September 2011. This is a multicurrency facility and is revolving whereby repayment can be redrawn at the Company's discretion. Interest is payable at BBSY/LIBOR plus a margin. Proceeds from this facility are required to be used to pay down and cancel an equivalent amount under the Bridge facility.

In addition the Consolidated entity manages liquidity risk by continually forecasting capital requirements and taking appropriate steps to ensure sufficient funding is in place to meet forecasted liquidity requirements.

Notes to the Financial Statements

For the year ended 30 September 2008

32. Financial risk management (continued)

B. Liquidity risk (continued)

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

Consolidated	Carrying amount \$mill	Contractual cash flows ⁽¹⁾ \$mill	6 months or less ⁽¹⁾ \$mill	6 - 12 months ⁽¹⁾ \$mill	1 - 2 years ⁽¹⁾ \$mill	2 - 5 years ⁽¹⁾ \$mill	more than 5 years ⁽¹⁾ \$mill
30 September 2008							
Non-derivative financial liabilities							
Interest bearing liabilities	2,510.0	3,019.9	85.3	2,258.9	160.1	515.6	-
Derivative financial liabilities							
Option contracts used for hedging	13.8	-	-	-	-	-	-
Forward commodity contracts used for hedging	2.4	2.4	1.6	0.8	-	-	-
Total	2,526.2	3,022.3	86.9	2,259.7	160.1	515.6	-
30 September 2007							
Non-derivative financial liabilities							
Interest bearing liabilities	630.0	870.0	15.3	25.0	49.9	779.8	-
Derivative financial liabilities							
Forward exchange contracts used for hedging	9.1	9.7	5.2	4.5	-	-	-
Total	639.1	879.7	20.5	29.5	49.9	779.8	-
Company							
30 September 2008							
Non-derivative financial liabilities							
Interest bearing liabilities	180.5	183.2	6.6	176.6	-	-	-
Derivative financial liabilities							
Option contracts used for hedging	13.8	-	-	-	-	-	-
Total	194.3	183.2	6.6	176.6	-	-	-
30 September 2007							
Non-derivative financial liabilities							
Interest bearing liabilities	630.0	870.0	15.3	25.0	49.9	779.8	-
Derivative financial liabilities							
Forward exchange contracts used for hedging	9.1	9.7	5.2	4.5	-	-	-
Total	639.1	879.7	20.5	29.5	49.9	779.8	-

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

Notes to the Financial Statements

For the year ended 30 September 2008

32. Financial risk management (continued)

C. Credit risk

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

Trade and other receivables

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

The Consolidated entity has a credit policy under which each new customer is analysed individually for creditworthiness before the entity enters into any sales transaction on an open credit account with standard payment, delivery terms and conditions of sale. The creditworthiness review includes analysing the financial information provided by the customer on application, reports from external ratings agencies, where available, and in some cases bank references. Based on this financial analysis, credit limits are established for each customer, which represents the projected highest level of exposure, at any one point in time, which a customer may reach. These limits are reviewed annually for all customers. Customers that fail to meet the Consolidated Entity's benchmark creditworthiness or who are in breach of their credit limits, may transact only on a "Cash Before Delivery" basis.

Furthermore the Consolidated entity reduces its credit risk exposure in relation to extended trading terms by selling, on a non or limited-recourse basis, the trade receivables of specifically approved customers to financial institutions prepared to carry the risk.

A substantial amount (> 80%) of the Consolidated entity's customers have been transacting with the Consolidated entity for over 4 years, and losses occur infrequently. In monitoring customer credit, customers are grouped into risk categories based on factors including the output of risk evaluation, trading terms, credit limits and customer group.

Goods are generally sold without any retention to title clauses except where as part of the creditworthiness reviews, it is recommended to retain security to protect either in full or part the level of debt it will be exposed to at any one time.

The Consolidated entity establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

Financial Instruments

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

The credit risk exposure arising from derivative financial instruments is the sum of all contracts with a positive replacement cost. As at 30 September 2008, the sum of all contracts with a positive replacement cost was \$2.7m (2007 nil).

Exposure to credit risk

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

	Consolidated		Company	
	2008	2007	2008	2007
	\$mill	\$mill	\$mill	\$mill
Trade receivables	490.5	148.4	159.8	69.3
Other receivables	137.1	19.4	30.9	18.1
Cash and cash equivalents	479.7	218.3	400.4	208.0
Interest rate swaps used for hedging liabilities	-	1.6	-	1.6
Limited recourse receivables sold	3.0	0.5	3.0	0.5
Forward exchange contracts	0.6	-	0.6	-
	1,110.9	388.2	594.7	297.5

Notes to the Financial Statements

For the year ended 30 September 2008

32. Financial risk management (continued)

C. Credit risk (continued)

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

	Consolidated		Company	
	2008	2007	2008	2007
	\$mill	\$mill	\$mill	\$mill
Australia	232.1	96.0	159.8	69.3
Pakistan	-	22.6	-	-
New Zealand	-	7.2	-	-
Europe	1.0	22.6	-	-
USA	153.7	-	-	-
Canada	92.9	-	-	-
Asia	10.2	-	-	-
Other	0.6	-	-	-
	490.5	148.4	159.8	69.3

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

	2008	2007	2008	2007
	\$mill	\$mill	\$mill	\$mill
Wholesale customer	167.6	102.4	139.3	60.4
End user customer	322.9	46.0	20.5	8.9
	490.5	148.4	159.8	69.3

As at the end of September 2008, the Consolidated entity and the Company had no individual debtor's balance outstanding in excess of 10% of the total of the Trade Receivable balance.

As at the end of September 2007, the Consolidated entity had two wholesale customers whose individual outstanding balance were in excess of 10% of the total of the Trade Receivable balance. These two balances made up 27% of the total Trade Receivable balance as at the end of September 2007. As at the end of September 2007, the Company had no individual debtor's balance outstanding in excess of 10% of the total of the Trade Receivable balance.

Impairment losses

The aging of trade receivables at the reporting date was:

Consolidated	Gross	Impairment	Gross	Impairment
	2008	2008	2007	2007
	\$mill	\$mill	\$mill	\$mill
Current	359.3	-	140.2	-
Past due 0 - 30 days	96.3	2.0	8.6	0.4
Past due 31 - 120 days	48.2	11.3	0.1	0.1
Total	503.8	13.3	148.9	0.5

Company

	2008	2008	2007	2007
	\$mill	\$mill	\$mill	\$mill
Current	142.7	-	62.7	-
Past due 0 - 30 days	17.8	1.4	6.9	0.4
Past due 31 - 120 days	1.1	0.4	0.2	0.1
Total	161.6	1.8	69.8	0.5

Notes to the Financial Statements

For the year ended 30 September 2008

32. Financial risk management (continued)

C. Credit risk (continued)

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

Notes	Consolidated	2007	Company	2007
	2008 \$mill	\$mill	2008 \$mill	\$mill
Balance at 1 October	0.5	0.4	0.5	0.2
Impairment losses recognised	12.8	0.1	1.3	0.3
Write-offs recognised during the year	-	-	-	-
Balance at 30 Sept	(11)	0.5	1.8	0.5

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

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

D. Cash-flow hedges

Cash flow hedges are mainly used to mitigate the entities exposure to commodity price risk, foreign currency risk and interest rate risk. Forward commodity contracts are entered into to manage the price risk associated with the purchase of natural gas which is a key raw material input to the production of ammonia and ammonia nitrate.

Forward currency risk associated with sales and purchases denominated in foreign currency is managed by entering into forward contracts and options. Interest rate risk is managed by entering into interest rate swaps in order to limit the exposure to interest rate fluctuations.

The following table indicates the periods in which the cash-flows associated with derivatives that are cash flow hedges are expected to occur and expected to impact profit & loss:

Consolidated	Carrying amount \$mill	Expected cash flows \$mill	6 months or less \$mill	6 - 12 months \$mill	1 - 2 years \$mill	2 - 5 years \$mill	more than 5 years \$mill
30 September 2008							
Option and forward commodity contracts							
- Assets	-	-	-	-	-	-	-
- Liabilities	16.2	2.4	1.6	0.8	-	-	-
Total	16.2	2.4	1.6	0.8	-	-	-
30 September 2007							
Interest rate swaps							
- Assets	1.6	1.6	0.2	0.2	1.2	-	-
- Liabilities	-	-	-	-	-	-	-
Total	1.6	1.6	0.2	0.2	1.2	-	-

Notes to the Financial Statements

For the year ended 30 September 2008

32. Financial risk management (continued)

D. Cash-flow hedges (continued)

Company	Carrying amount \$mill	Expected cash flows \$mill	6 months or less \$mill	6 - 12 months \$mill	1 - 2 years \$mill	2 - 5 years \$mill	more than 5 years \$mill
30 September 2008							
Option contracts							
- Assets	-	-	-	-	-	-	-
- Liabilities	13.8	-	-	-	-	-	-
Total	13.8	-	-	-	-	-	-
30 September 2007							
Interest rate swaps							
- Assets	1.6	1.6	0.2	0.2	1.2	-	-
- Liabilities	-	-	-	-	-	-	-
Total	1.6	1.6	0.2	0.2	1.2	-	-

E. Fair values

Fair values versus carrying amounts

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

Consolidated	Carrying amount 2008 \$mill	Fair value 2008 \$mill	Carrying amount 2007 \$mill	Fair value 2007 \$mill
Available for sale financial assets	30.3	30.3	292.1	292.1
Loans and receivables	627.6	627.6	167.8	167.8
Cash and cash equivalents	479.7	479.7	218.3	218.3
Interest rates swaps	-	-	1.6	1.6
Option and commodity contracts	(16.2)	(16.2)	-	-
Other forward exchange contracts	0.6	0.6	(9.1)	(9.1)
Trade and other payables	(1,608.9)	(1,608.9)	(334.2)	(334.2)
Financial liabilities	(2,510.0)	(2,510.0)	(630.0)	(630.0)
Total	(2,996.9)	(2,996.9)	(293.5)	(293.5)

Notes to the Financial Statements

For the year ended 30 September 2008

32. Financial risk management (continued)

E. Fair values (continued)

Company	Carrying amount	Fair value	Carrying amount	Fair value
	2008	2008	2007	2007
	\$mill	\$mill	\$mill	\$mill
Available for sale financial assets	30.3	30.3	292.1	292.1
Loans and receivables	357.2	357.2	263.9	263.9
Cash and cash equivalents	400.4	400.4	208.0	208.0
Interest rates swaps	-	-	1.6	1.6
Investments in controlled entities	2,896.7	2,896.7	694.5	694.5
Option contracts	(13.8)	(13.8)	-	-
Other forward exchange contracts	0.6	0.6	(9.1)	(9.1)
Trade and other payables	(1,507.0)	(1,507.0)	(551.1)	(551.1)
Financial liabilities	(180.5)	(180.5)	(630.0)	(630.0)
Total	1,983.9	1,983.9	269.9	269.9

Basis for determining fair value

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

Investments in equity securities

The fair value of financial assets classified as available for sale is determined by reference to their quoted bid price at the reporting date.

Derivatives

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

The fair value of interest rate swaps is calculated as the present value of the estimated future cash-flows.

Trade and other receivables & Trade and other payables

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

Financial liabilities designated at Fair value through profit and loss

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

Method of discounting

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

Notes to the Financial Statements

For the year ended 30 September 2008

32. Financial risk management (continued)

F. Capital risk management

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

The key objectives include:

- maintaining an investment grade credit profile and the requisite financial metrics;
- securing access to diversified sources of debt funding with a spread of maturity dates and sufficient undrawn committed facility capacity;
- optimising over the long term and to the extent practicable the Weighted Average Cost of Capital (WACC) to reduce the cost of capital to the Consolidated entity while maintaining financial flexibility.

In order to optimise the capital structure, management may alter the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, draw down additional debt or sell assets to reduce debt in line with the strategic objectives and operating plans of the Consolidated entity and the Company.

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

- Gearing ratio; Gross debt to Earning Before Interest, Tax, Depreciation and Amortisation (EBITDA) and interest cover.

Debt covenants relating to the Bridge Facility (\$2.4 billion) have been measured in excess of debt covenant targets for the year ended 30 September 2008.

Notes to the Financial Statements

For the year ended 30 September 2008

33. Related party disclosures

Subsidiaries

Interest in subsidiaries is set out in Note 36.

Key management personnel

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

Transactions with wholly owned controlled entities

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

- Effective 1 November 2003, the Company was appointed as undisclosed agent for Incitec Fertilizers Limited. The Company manages certain operations of Incitec Fertilizers Limited, including manufacturing, marketing, selling, invoicing and distribution, and has assumed management of working capital. Incitec Fertilizers Limited has invoiced the Company for fertiliser sales made on its behalf, net of variable costs and amount to \$245,391,000 (2007 - \$115,539,000). Fixed costs incurred by the Company in the performance of its obligations amounting to \$71,507,000 (2007 - \$55,169,000) have been charged to Incitec Fertilizers Limited.
- Incitec Fertilizers Limited declared and paid an interim dividend to the Company of \$35,000,000 (2007 - \$21,800,000) and declared a final dividend in November 2008 of \$94,400,000 (2007 - \$30,300,000). This dividend is eliminated on consolidation.
- Southern Cross International Pty Limited (SCI) declared and paid an interim dividend to the Company of \$155,259,000 (2007 - \$nil). SCI declared a final dividend in November 2008 to the Company of \$320,000,000 (2007 - \$1,750,000). Southern Cross Fertilisers Pty Limited (SCF) did not declare a final dividend in the year ended 30 September 2008 (2007 - \$144,400,000). These dividends are eliminated on consolidation.
- Management fees were received and invoiced by the Company for accounting and administrative assistance on normal commercial terms and conditions and in the ordinary course of business.
- Effective 1 August 2006, the Company completed the acquisition of SCF. The Company manages the operations of SCF. For the year ended 30 September 2008, SCF sold fertiliser to the Company to the value of \$274,968,000 (2007 - \$176,540,000) and invoiced the Company for salary and travel charges to the value of \$454,000 (2007 - \$546,000). For the year ended 30 September 2008 the Company sold fertilisers to SCF to the value of \$nil (2007 - \$7,590,000) and invoiced SCF for insurance and corporate charges to the value of \$12,839,000 (2007 - \$12,546,000). These are eliminated on consolidation.
- For the year ended 30 September 2008 the Company sold fertiliser to SCI to the value of \$41,113,000 (2007 - \$14,911,000). This is eliminated on consolidation.
- Effective 16 June 2008, the Company completed the acquisition of Dyno Nobel Limited (Dyno Nobel). Since acquisition, the Company sold fertiliser to Dyno Nobel to the value of \$71,000 and invoiced Dyno Nobel for salary and rental costs to the value of \$144,000 and \$100,000 respectively. Since acquisition, Dyno Nobel invoiced the Company for project related costs to the value of \$83,000. These are eliminated on consolidation.
- For the year ended 30 September 2008 the Company forgave a loan to Incitec Pivot LTI Plan Company Pty Ltd to the value of \$3,579,000 (2007 - \$1,462,000) according to the terms and conditions of the Company's LTI plans as detailed in Note 35.
- Amounts receivable from and payable to wholly-owned subsidiaries are disclosed in the respective notes to the financial report on normal credit terms.

Notes to the Financial Statements

For the year ended 30 September 2008

33. Related party disclosures (continued).

Additional related party disclosures

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

Interest income and expense	Notes 4, 5
Trade and other receivables	Note 11
Investments in controlled entities	Notes 14, 36
Trade and other payables	Note 20
Key management personnel disclosures	Note 34

Notes to the Financial Statements

For the year ended 30 September 2008

34. Key management personnel disclosures

(a) Key Management Personnel

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

Non-executive directors	
J C Watson	Chairman
B Healey	
A C Larkin	
A D McCallum	
J Marlay	
Executive directors	
J Segal	Managing Director & Chief Executive Officer
J E Fazzino	Finance Director & Chief Financial Officer
Executives	
K J Gleeson	General Counsel & Company Secretary
D A Roe	General Manager Business Development
B C Walsh	General Manager Global Manufacturing
A Grace	General Manager Safety & Environment & Major Projects
J D Whiteside	General Manager Supply Chain & Trading
P Barber	General Manager Australian Fertilisers
K Lynch (1)	General Manager Human Resources
J Rintel (2)	General Manager Strategy
D Brinker (3)	General Manager Explosives

(1) Mr Lynch was appointed as an executive on 18 February 2008.

(2) Mr Rintel was appointed as an executive on 1 June 2008.

(3) Mr Brinker was appointed as an executive on 1 June 2008.

All of the above persons were also key management persons during the year ended 30 September 2007, except for Mr Lynch who commenced his appointment in February 2008 and Mr Rintel and Mr Brinker who commenced their appointment in June 2008. Mr Drew who resigned in 2007 was also a key management person during the year ended 30 September 2007.

(b) Key management personnel compensation

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

	Consolidated / Company	
	2008	2007
	\$000	\$000
Short-term employee benefits	13,030	7,367
Post-employment benefits	192	154
Other long-term benefits	578	123
Termination benefits	-	385
Share-based payments	1,919	1,322
	15,719	9,351

Notes to the Financial Statements

For the year ended 30 September 2008

34. Key management personnel disclosures (continued)

Individual directors and executives compensation disclosures

Information regarding the compensation for individual directors and executives and some disclosures for equity instruments as permitted by Corporations Regulations 2M.3.03, are provided in the Remuneration Report which is included in the Directors' report.

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

(c) Other key management personnel transactions

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

- (1) During the year Mr McCallum purchased fertiliser to the value of \$1,907 (2007: \$15,828) from the Company, the balance owing at 30 September 2008 was \$nil (2007: \$nil).
- (2) The spouse of Mr Fazzino, the Finance Director and Chief Financial Officer, is a partner in the accountancy and tax firm PricewaterhouseCoopers from which the Company purchased services of \$6,077,920 during the year (2007: \$804,935). Mr Fazzino's spouse does not directly provide these services.

Notes to the Financial Statements

For the year ended 30 September 2008

34. Key management personnel disclosures (continued)

(d) Movements in shareholdings of directors and executives

(1) Movements in shares in the Company

The movement during the reporting period in the numbers of shares in the Company held directly, indirectly or beneficially, by each key management person, including their related parties, is set out in the table below:

		Number of Shares (E)			
	Year	Opening balance (A)	Acquired during the year (B)	Disposed during the year (C)	Closing balance (D)
The Company - Incitec Pivot					
Non-executive directors					
- Current					
J C Watson	2008	100,000	-	(26,000)	74,000
	2007	100,000	-	-	100,000
B Healey	2008	20,000	-	-	20,000
	2007	20,000	-	-	20,000
A D McCallum	2008	156,360	-	-	156,360
	2007	156,360	-	-	156,360
J Marlay (1)	2008	20,000	-	-	20,000
	2007	20,000	-	-	20,000
Executive directors					
- Current					
J Segal	2008	1,772,820	361,300	-	2,134,120
	2007	652,800	1,120,020	-	1,772,820
JE Fazzino	2008	1,708,080	137,340	-	1,845,420
	2007	585,240	1,122,840	-	1,708,080
Executives					
- Current					
K J Gleeson	2008	584,840	86,780	-	671,620
	2007	171,500	582,940	(169,600)	584,840
D A Roe	2008	518,980	77,040	-	596,020
	2007	181,180	517,940	(180,140)	518,980
B C Walsh	2008	700,680	96,420	-	797,100
	2007	153,500	647,660	(100,480)	700,680
A Grace	2008	521,000	141,400	(133,980)	528,420
	2007	96,680	424,320	-	521,000
J Whiteside	2008	457,340	67,520	-	524,860
	2007	79,020	453,200	(74,880)	457,340
P Barber	2008	-	120,080	-	120,080
	2007	-	-	-	-
K Lynch (2)	2008	-	53,240	-	53,240
	2007	-	-	-	-
J Rintel (3)	2008	101,960	15,160	-	117,120
	2007	-	-	-	-
D Brinker (4)	2008	-	66,680	-	66,680
	2007	-	-	-	-
- Former					
M Drew	2008	-	-	-	-
	2007	860	453,460	(454,320)	-

Pursuant to the LTI Interim performance plan 2007/10, shares, treated as options, were allocated to certain key management personnel during the reporting period.

- (A) Represents the holding at 1 October 2007 of shares of Incitec Pivot held by non-executive directors, executive directors and executives who were directors and executives of the Company during the year ended 30 September 2008 and their related parties. This includes fully paid ordinary shares and shares acquired under the Employee Share Ownership Plan (ESOP) and shares treated as options for the purposes of remuneration which have been disclosed in section E of the Remuneration Report and the movements disclosed in this Note. Details of the ESOP are set out in Note 35, Share Based Payments.
- (B) Represents shares acquired by directors and executives while they are directors or executives of the Company including acquisitions by the directors and executives who were eligible to participate in the ESOP and who participated in the plan during the year, as well as the acquisition of shares, treated as options for the purposes of remuneration, under the LTI performance plan 2007/10. Details of the ESOP are set out in Note 35, Share Based Payments.

Notes to the Financial Statements

For the year ended 30 September 2008

- (C) Represents shares disposed of during the year. This includes fully paid ordinary shares, shares acquired under the ESOP and shares, treated as options, under the LTI Performance Plan 2003/06 and in the case of Mr Drew, shares, treated as options, for the LTI Interim Performance Plan 2006/08 and the LTI Performance Plan 2006/09. In the case of directors or executives who ceased their directorship or employment during the year ended 30 September 2008 and 2007, all shares were treated as disposed as at the relevant date of cessation.
- (D) Represents the holding at 30 September 2008 and 30 September 2007 of shares of Incitec Pivot.
- (E) The number of shares have been restated as a result of the 20:1 share split approved by shareholders on 23 September 2008.
- (1) 2007 opening balance represents holdings at date of appointment to the Board (20 December 2006).
- (2) Opening balance represents holdings at date of appointment to the executive team (18 February 2008). Movements are from this date.
- (3) Opening balance represents holdings at 1 October 2007 prior to Mr Rintel's appointment to the executive team (1 June 2008). Amounts acquired during the year represent acquisitions prior to Mr Rintel's appointment to the executive team.
- (4) Opening balance represents holdings at date of appointment to the executive team (1 June 2008). Movements are from this date.

Notes to the Financial Statements

For the year ended 30 September 2008

34. Key management personnel disclosures (continued)

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

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

The movement during the reporting period in the number of shares, treated as options over shares in the Company, for the purposes of remuneration held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

		Number of Shares treated as Options (F)				
	Year	Opening balance (A)	Granted as compensation (B)	Exercised during the year (C)	Other Changes (D)	Closing balance (E)
The Company - Incitec Pivot						
Executive directors						
- Current						
J Segal	2008	1,771,960	361,200	-	-	2,133,160
	2007	651,940	1,120,020	-	-	1,771,960
JE Fazzino	2008	922,580	137,240	-	-	1,059,820
	2007	-	922,580	-	-	922,580
Executives						
- Current						
K J Gleeson	2008	582,680	86,680	-	-	669,360
	2007	-	582,680	-	-	582,680
D A Roe	2008	517,940	77,040	-	-	594,980
	2007	-	517,940	-	-	517,940
B C Walsh	2008	647,400	96,320	-	-	743,720
	2007	-	647,400	-	-	647,400
A Grace	2008	424,060	67,420	-	-	491,480
	2007	-	424,060	-	-	424,060
J Whiteside	2008	453,200	67,420	-	-	520,620
	2007	-	453,200	-	-	453,200
P Barber	2008	-	84,280	-	-	84,280
	2007	-	-	-	-	-
K Lynch	2008	-	53,240	-	-	53,240
	2007	-	-	-	-	-
J Rintel (1)	2008	101,960	15,160	-	-	117,120
	2007	-	-	-	-	-
D Brinker	2008	-	66,680	-	-	66,680
	2007	-	-	-	-	-
- Former						
M Drew	2008	-	-	-	-	-
	2007	-	453,200	-	(453,200)	-

- (A) Represents the holding at 1 October 2007 of shares (treated as options) in Incitec Pivot held by executive directors and executives who were directors and executives of the Company during the year ended 30 September 2008. Further details of these shares which are treated as options for the purposes of remuneration have been disclosed in section E of the Remuneration Report and relate to shares allocated under the LTI plans as referred to in sections B and E of the Remuneration Report.
- (B) Represents shares (treated as options) which were acquired during the year by executive directors and executives while they are directors or executives of the Company pursuant to the LTI plans, details of which are set out in section B of the Remuneration Report.
- (C) Represents where shares (treated as options) previously granted as compensation, were exercised (by the making of an award) during the reporting period. Awards (in the form of waivers of loans) were granted in 2008 in relation to the LTI interim performance plan 2006/08. Refer to sections B and E of the Remuneration Report for further details.
- (D) Represents shares treated as options that expired due to the holder ceasing to be eligible to the option of a loan waiver. Under the relevant plan rules, at the end of a performance period, irrespective of whether a loan waiver is made, the executive director or executive remains the registered holder of the underlying shares. No person can however deal in the shares until their loan is repaid. Refer to section B of the Remuneration Report for further details. In the case of directors or executives who ceased their directorship or employment during the year, all shares treated as options were forfeited as at the relevant date of cessation.
- (E) Represents the holding at 30 September 2008 and 30 September 2007 of shares, treated as options.
- (F) The number of shares treated as options have been restated as a result of the 20:1 share split approved by shareholders on 23 September 2008.
- (1) Opening balance represents holdings at 1 October 2007 prior to Mr Rintel's appointment to the executive team (1 June 2008). Amounts granted as compensation during the year represent shares, treated as options, granted prior to Mr Rintel's appointment to the executive team.

Notes to the Financial Statements

For the year ended 30 September 2008

35. Share based payments

(a) Long Term Incentive (LTI) Performance Plans – 2006/08, 2006/09 and 2007/10

During the year, the Company established a further LTI Performance Plan under the LTI Plan Rules, being the LTI Performance Plan 2007/10. The performance period for this Plan is based on a three year performance cycle from 1 October 2007 to 30 September 2010.

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

These plans have the following features:

- **Loan backed plan:** At the commencement of relevant performance period (typically 3 years) the Company, through its wholly owned subsidiary, Incitec Pivot LTI Plan Company Pty Ltd, provides to participants limited recourse loans bearing interest at the fringe benefits tax benchmark rate (currently 9%) for the sole purpose of acquiring shares in Incitec Pivot.
- **Shares acquired on market and held under restriction:** The loans are applied to acquire shares on market which avoids dilution of other shareholdings. Australian Securities Exchange Listing Rule 10.14 provides that no shareholder approval is required. Participants may not deal in the shares while the loan remains outstanding. Net cash dividends after personal income tax obligations are applied to reduce the loan balance throughout the term of the loan.
- **Loan forgiveness:** If, at the end of the performance period, the performance of the Company and the participant meets or exceeds the performance criteria which was set by the Board at the commencement of the performance period, part of the loan may be forgiven. The amount of the loan forgiven will be determined according to the performance achieved and will be net of fringe benefits tax. The balance of the loan must be repaid prior to any dealing in the shares, on cessation of employment, or at the latest, a sunset date which is 3 months after the expiry of the performance period, unless extended by the Company.

The Board sets the criteria for the granting of awards under all of these LTI Plans at the beginning of the performance period covered by the LTI Plan and, in the case of the LTI Interim Performance Plan 2006/08, is based on the achievement at 30 September 2008 of a cumulative Net Profit After Tax (NPAT) target; for the LTI Performance Plan 2006/09, is based on total shareholder returns (TSR) over the three year period; and for the LTI Performance Plan 2007/10, is based on TSR over the three year period.

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

(b) Retention Award – Mr Segal

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

Notes to the Financial Statements

For the year ended 30 September 2008

35. Share based payments (continued)

Set out below are summaries for:

- 2008, of shares treated as options, under the LTI Interim Performance Plan 2006/08, the LTI Performance Plan 2006/09, the LTI Performance Plan 2007/10 and in relation to Mr Segal, in respect of his Retention Award; and
- 2007, of shares treated as options, under the LTI Interim Performance Plan 2006/08, the LTI Performance Plan 2006/09 and in relation to Mr Segal, in respect of his Retention Award.

Consolidated/Company – 2008*

Grant date	Expiry date	Exercise price	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at the end of the year Number
Retention Award – Mr. Segal							
5 Jul 06	10 May 09	\$0	651,940	-	-	-	651,940
Total			651,940	-	-	-	651,940
LTI Interim Performance Plan – 2006/08							
17 Nov 06	30 Sept 08	\$1.27	-	2,697,640	-	-	2,697,640
Total			-	2,697,640	-	-	2,697,640
LTI Performance Plan – 2006/09							
1 Dec 06	30 Sept 09	\$1.21	-	4,209,900	-	-	4,209,900
Total			-	4,209,900	-	-	4,209,900
LTI Performance Plan – 2007/10							
12 Nov 07	30 Sept 10	\$4.41	-	1,759,120	-	(14,440)	1,744,680
Total			-	1,759,120	-	(14,440)	1,744,680
Weighted average exercise price			-	\$1.87	-	\$4.41	\$1.74

Consolidated/Company – 2007*

Grant date	Expiry date	Exercise price	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at the end of the year Number
Retention Award – Mr. Segal							
5 Jul 06	10 May 09	\$0	651,940	-	-	-	651,940
Total			651,940	-	-	-	651,940
LTI Interim Performance Plan – 2006/08							
17 Nov 06	30 Sept 08	\$1.27	-	3,027,400	-	(329,760)	2,697,640
Total			-	3,027,400	-	(329,760)	2,697,640
LTI Performance Plan – 2006/09							
1 Dec 06	30 Sept 09	\$1.21	-	4,581,640	-	(371,740)	4,209,900
Total			-	4,581,640	-	(371,740)	4,209,900
Weighted average exercise price			-	\$1.23	-	\$1.23	\$1.12

* Current year and comparative numbers includes the effect of the 20 for 1 share split approved by shareholders in September 2008 to enhance comparability.

Notes to the Financial Statements

For the year ended 30 September 2008

35. Share based payments (continued)

The weighted average share price at the date of exercise of shares treated as options exercised regularly during the year ended 30 September 2008 was \$nil (2007 - \$nil) as no shares treated as options have been exercised.

The weighted average remaining contractual life of shares treated as options outstanding at the end of the period was 1.23 years (2007 – 1.61 years).

Fair value of shares treated as options granted

LTI Performance Plan – 2007/10

In respect of the LTI Performance Plan 2007/10, the assessed fair value at grant date of the shares treated as options granted during the year ended 30 September 2008 was \$1.94 per share treated as an option. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the share treated as an option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the share treated as an option.

The model inputs for these shares treated as options, granted during the year ended 30 September 2008 included:

- (a) shares treated as options are granted at \$4.41 per share treated as an option, have a three year life, and vest after certain cumulative TSR targets are met for the period 1 October 2007 to 30 September 2010 and are exercisable at the earlier of 31 December 2010 or cessation of employment.
- (b) exercise price: \$4.41
- (c) grant date: 12 November 2007
- (d) expiry date: 31 December 2010
- (e) share price at grant date: \$4.41
- (f) expected price volatility of the Company's shares: 35% per annum
- (g) expected dividend yield: 2.5%
- (h) risk-free interest rate: Australian Government bond rate with approximately 3 years to maturity.

Notes to the Financial Statements

For the year ended 30 September 2008

35. Share based payments (continued)

Employee Share Ownership Plan

The Board established the Incitec Pivot Employee Share Ownership Plan (ESOP) on 28 October 2003. Administration of the plan is held with Link Market Services Limited. The Board determines which employees are eligible to receive invitations to participate in the ESOP. Invitations are made to eligible employees on the following basis:

- shares acquired are either newly issued shares or existing shares acquired on market.
- employees are each entitled to acquire shares with a maximum value of \$1,000.
- employees salary sacrifice the value of the shares by equal deductions through to 30 June the following year.
- employees cannot dispose of the shares for a period of three years from the date of acquisition or until they leave their employment with the Company, whichever occurs first.
- employees who leave the Company must salary sacrifice any remaining amount prior to departure.

Grant date	Date shares become unrestricted	Number of participants as at		Number of shares held as at	
		30 Sep 2008	30 Sep 2007	30 Sep 2008	30 Sep 2007
9 Sep 04	9 Sep 07	-	241	-	3,083
22 Dec 04	22 Dec 07	-	241	-	2,763
7 Mar 05	7 Mar 08	-	240	-	3,071
30 Jun 05	30 Jun 08	-	240	-	3,354
16 Sep 05	16 Sep 08	-	170	-	2,729
13 Jul 06	13 Jul 09	259	285	11,137	12,255
23 Aug 06	23 Aug 09	134	150	5,226	5,850
2 Jul 07	2 Jul 10	360	395	4,680	5,135
11 Jul 08	11 Jul 11	562	-	2,810	-
Total		1,315	1,962	23,853	38,240

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

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Shares, treated as options, issued under Mr Segal's Retention Award and the LTI Interim Performance Plan 2006/08, LTI Performance Plan 2006/09 and LTI Performance Plan 2007/10	2,776	1,827	-	-
	2,776	1,827	-	-

Notes to the Financial Statements

For the year ended 30 September 2008

36. Investments in controlled entities

Name of Entity		Ownership interest	Country of incorporation
Company			
Incitec Pivot Limited	2		Australia
Controlled Entities – operating			
Incitec Fertilizers Limited	2	100%	Australia
Incitec Pivot LTI Plan Company Pty Limited	2	100%	Australia
TOP Australia Ltd	2	100%	Australia
Southern Cross Fertilisers Pty Limited	2	100%	Australia
Southern Cross International Pty Limited	2	100%	Australia
Coltivi Insurance Pte Limited		100%	Singapore
Incitec Pivot Explosives Holdings Pty Ltd	2	100%	Australia
Incitec Pivot Finance Australia Pty Ltd	2	100%	Australia
Incitec Pivot Holdings Hong Kong Ltd		100%	Hong Kong
Dynofert Limited		100%	Hong Kong
Tinlinhe Nitrogen Limited		100%	Hong Kong
Incitec Pivot Investments 1 Pty Ltd	2	100%	Australia
Incitec Pivot Investments 2 Pty Ltd	2	100%	Australia
Incitec Pivot US Investments	2	100%	USA
Incitec Pivot US Holdings Pty Ltd	2	100%	Australia
Incitec Pivot Management LLC		100%	USA
Incitec Pivot Finance LLC		100%	USA
Dyno Nobel Holdings ASA	2	100%	Norway
Dyno Nobel Europe Pty Ltd	1,2	100%	Australia
Dyno Nobel Limited	2,3	100%	Australia
Dyno Nobel Australia LLC		100%	USA
The Dyno Nobel SPS Trust	2	100%	Australia
Dyno Nobel SPS LLC	2	100%	USA
Dyno Nobel Holdings USA III Inc.		100%	USA
Dyno Nobel Management Pty Ltd		100%	Australia
Industrial Investments Australia Finance Pty Ltd	2	100%	Australia
Te Moana Insurance Limited (NZ)		100%	New Zealand
Dyno Nobel Holdings USA II Inc.		100%	USA
Dyno Nobel Holdings USA I Inc.		100%	USA
Dyno Nobel Inc.		100%	USA
DNX Drilling Inc.		100%	USA
Dyno Nobel Transportation Inc.		100%	USA
ETI Export Inc.	1	100%	USA
Queensland Operations Pty Ltd	2	100%	Australia

(1) These entities were dormant during 2008.

(2) These entities are members of the Australian tax-consolidated group.

(3) On 2 October 2008 the entity changed to a Propriety Limited company.

Notes to the Financial Statements

For the year ended 30 September 2008

36 Investments in controlled entities (continued)

Name of Entity		Ownership interest	Country of incorporation
Independent Explosives Co of Penna		100%	USA
IR Inc		100%	USA
Simsbury Hopmeadow Street LLC		100%	USA
Tech Real Estate LLC		100%	USA
Tradestar Corporation		100%	USA
DNX Explosivos Chile Limitada		100%	Chile
CMMPM, LLC	2	100%	Mexico
CMMPM, L.P.		100%	Mexico
Compania Mexicana de Mecha para Minas S.A. de C.V		100%	Mexico
Dyno Nobel Canada Inc.		100%	Canada
Alberta Ltd		100%	Canada
Castonguay Blasting Inc.		100%	Canada
Castonguay G.P.		100%	Canada
DNX Castonguay Inc.		100%	Canada
Dyno Nobel Nitrogen, Inc.		100%	Canada
Dyno Nobel Nunavut Inc.		100%	Canada
La Groupe Castonguay		100%	Canada
Polar Explosives 2000 Inc.	1	100%	Canada
Western Explosives Ltd		100%	Canada
Dyno Nobel Asia Pacific Limited	2,3	100%	Australia
Dampier Ammonia Pty Ltd	1,2	100%	Australia
Dampier Nitrogen Pty Ltd	2	100%	Australia
Dampier Urea Pty Ltd	1,2	100%	Australia
DNX Australia Pty Ltd	2	100%	Australia
DNX Canada		100%	Canada
DNX Mongolia LLC	1	100%	Mongolia
DNX Papua New Guinea Ltd		100%	PNG
Dyno Nobel Administration Pty Ltd	2	100%	Australia
Dyno Nobel Holding Australia Pty Ltd	1,2	100%	Australia
Dyno Nobel Moranbah Pty Ltd	2	100%	Australia
Dyno Nobel Moura Pty Ltd	2	100%	Australia
Dyno Nobel Nitrates Pty Ltd	1,2	100%	Australia
Plenty River Ammonia Holdings Pty Ltd	1,2	100%	Australia
Prime Manufacturing Ltd	1	75%	New Zealand
PT DNX Indonesia		100%	Indonesia

(1) These entities were dormant during 2008.

(2) These entities are members of the Australian tax-consolidated group.

(3) On 2 October 2008 the entity changed to a Propriety Limited company.

Notes to the Financial Statements

For the year ended 30 September 2008

36. Investments in controlled entities (continued)

On 30 September 2008, Southern Cross International Pty Ltd, Southern Cross Fertilisers Pty Ltd, TOP Australia Ltd, Incitec Fertilizers Limited, Dyno Nobel Investments Australia Pty Ltd (now known as as Incitec Pivot Explosives Holdings Pty Ltd), Incitec Pivot Finance Australia Pty Ltd entered into a Deed of Cross Guarantee with Incitec Pivot Limited for the purposes of obtaining financial reporting relief under Class Order 98/1418 made by the Australian Securities and Investments Commission (ASIC).

Notes to the Financial Statements

For the year ended 30 September 2008

	Closed Group	
	2008	2007
37. Deed of Cross Guarantee	\$mill	\$mill
Balance Sheet		
Current assets		
Cash and cash equivalents	400.7	218.3
Trade and other receivables	362.6	167.4
Other financial assets	30.3	292.1
Inventories	483.6	221.7
Other assets	111.9	4.5
Assets classified as held for sale	4.8	5.0
Total current assets	1,393.9	909.0
Non-current assets		
Trade and other receivables	0.2	0.4
Other financial assets	2,299.3	1.6
Property, plant and equipment	539.6	502.1
Intangible assets	190.4	193.7
Deferred tax assets	49.1	28.6
Retirement benefit surplus	-	2.7
Other assets	0.1	1.2
Total non-current assets	3,078.7	730.3
Total assets	4,472.6	1,639.3
Current liabilities		
Trade and other payables	750.8	281.4
Interest bearing liabilities	170.0	-
Other financial liabilities	13.8	9.1
Current tax liabilities	210.8	35.1
Provisions	47.7	31.2
Total current liabilities	1,193.1	356.8
Non-current liabilities		
Trade and other payables	42.2	52.8
Interest bearing liabilities	386.9	630.0
Retirement benefit obligation	2.4	-
Provisions	51.4	64.7
Total non-current liabilities	482.9	747.5
Total liabilities	1,676.0	1,104.3
Net assets	2,796.6	535.0
Equity		
Issued capital	2,267.7	360.8
Reserves	2.3	25.7
Retained earnings	526.6	148.5
Total equity	2,796.6	535.0
Income Statement		
Profit before income tax	837.9	286.2
Income tax benefit/(expense)	(233.9)	(82.4)
Profit for the financial year	604.0	203.8
Retained profits at the beginning of the financial year	148.5	18.5
Movements in retained earnings	(6.6)	1.8
Cash dividend paid	(219.3)	(75.6)
Retained profits at the end of the financial year	526.6	148.5

Entities which are party to a Deed of Cross Guarantee dated 30 September 2008, entered into in accordance with ASIC Class Order 98/1418, are disclosed in note 36, Investments in controlled entities. A consolidated Balance Sheet and Income Statement for this closed group are shown above.

Notes to the Financial Statements

For the year ended 30 September 2008

38. Events subsequent to balance date

Since the end of the financial year, in November 2008, the directors have declared a final dividend of 19.5 cents per share. These dividends are fully franked at the 30% corporate tax rate and are payable on 2 December 2008.

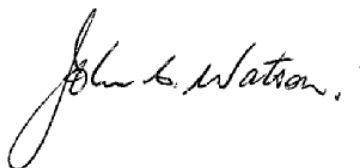
Other than the matter reported on above, the directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2008, that has affected or may affect the operations of the Consolidated entity, the result of those operations, or the state of affairs of the Consolidated entity in subsequent years, which has not been covered in this report.

Directors' Declaration

on the Financial Statements set out on pages 33 to 108

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

1. (a) the financial statements and notes, set out on pages 33 to 108, and the remuneration disclosures that are contained in the Remuneration Report on pages 7 to 23 of the Directors' Report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and the Consolidated entity as at 30 September 2008 and of their performance, for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and
 - (c) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the controlled entities identified in Note 36 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418 (as amended).
 3. The directors have been given the declaration by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001 for the financial year ended 30 September 2008.



John Watson, AM

Chairman

Dated at Melbourne this 12th day of November 2008

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

Report on the financial report

We have audited the accompanying financial report of Incitec Pivot Limited (the Company), which comprises the Statements of Financial Position as at 30 September 2008, and the Income Statements, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 38 and the directors' declaration set out on pages 33 to 109 of the Consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Consolidated entity's financial position and of their performance.

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



Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Incitec Pivot Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 September 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included on pages 7 to 23 of the directors' report for the year ended 30 September 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Incitec Pivot Limited for the year ended 30 September 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

S Bell
Partner

Melbourne
12 November 2008

Shareholder Statistics

As at 10 November 2008

Distribution of ordinary shareholder and shareholdings

Size of holding			Number of holders	Percentage	Number of shares	Percentage
1	–	1,000	11,335	22.44%	5,809,155	0.48%
1,001	–	5,000	25,843	51.16%	76,438,139	6.28%
5,001	–	10,000	7,174	14.20%	52,638,673	4.32%
10,001	–	50,000	5,684	11.25%	107,843,375	8.86%
50,001	–	100,000	278	0.55%	19,492,780	1.60%
100,001 and over			205	0.41%	955,008,438	78.46%
Total			50,519	100.00%	1,217,230,560	100.00%

Included in the above total are 1034 shareholders holding less than a marketable parcel of shares.

The holdings of the 20 largest holders of fully paid ordinary shares represent 69.55% of that class of shares.

Twenty largest ordinary fully paid shareholders

	Number of shares	Percentage
HSBC Custody Nominees (Australia) Limited	211,737,231	17.39%
J P Morgan Nominees Australia Limited	182,107,869	14.96%
National Nominees Limited	169,658,455	13.94%
Citicorp Nominees Pty Limited	45,638,484	3.75%
RBC Dexia Investor Services Australia Nominees Pty Limited <PIPOOLED A/C>	33,834,068	2.78%
ANZ Nominees Limited <CASH INCOME A/C>	33,188,670	2.73%
Cogent Nominees Pty Limited	31,421,960	2.58%
ANZ Nominees Limited <SL CASH INCOME A/C>	24,961,472	2.05%
UBS Nominees Pty Ltd	18,666,963	1.53%
AMP Life Limited	18,643,732	1.53%
Australian Foundation Investment Company Limited	12,956,020	1.06%
Queensland Investment Corporation	12,141,421	1.00%
Cogent Nominees Pty Limited <SMP ACCOUNTS>	8,267,060	0.68%
Citicorp Nominees Pty Limited <CFS WSLE IMPUTATION FND A/C>	7,927,286	0.65%
JP Morgan Nominees Australia Limited	7,244,700	0.60%
RBC Dexia Investor Services Australia Nominees Pty Limited <BKCUST A/C>	7,077,106	0.58%
Tasman Asset Management Ltd <TYNDALL AUSTRALIAN SHARE WHOLESALE PORTFOLIO A/C>	5,746,533	0.47%
Citicorp Nominees Pty Limited <CFS IMPUTATION FUND A/C>	5,490,006	0.45%
Pan Australian Nominees Pty Limited	5,289,681	0.43%
RBC Dexia Investor Services Australia Nominees Pty Limited <PIIC A/C>	4,530,132	0.37%
Total	846,528,849	69.55%

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:

10 November 2008	HSBC Custody Nominees (Australia) Limited	211,737,231	17.39%
10 November 2008	J P Morgan Nominees Australia Limited	182,107,869	14.96%
10 November 2008	National Nominees Limited	169,658,455	13.94%

On-market buy-back

There is no current on-market buy-back.

Five Year Financial Statistics

Incitec Pivot Limited and its controlled entities

		2008 \$mill	2007 \$mill	2006 \$mill
Sales		2,918.2	1,373.2	1,111.2
Earnings before depreciation, amortisation, net borrowing costs, individually material items and tax		1,039.4	348.6	159.4
Depreciation and amortisation (excluding goodwill)		(70.3)	(36.1)	(33.1)
Goodwill amortisation		-	-	-
Earnings before net borrowing costs, individually material items and tax (EBIT)		969.1	312.5	126.2
Net borrowing costs		(80.6)	(28.8)	(12.9)
Individually material items before tax		(38.2)	3.9	(54.1)
Taxation revenue / (expense)		(236.0)	(82.4)	(12.6)
Operating profit after tax and individually material items		614.3	205.3	46.7
Individually material items after tax attributable to members of Incitec Pivot		(42.9)	2.8	(36.1)
Operating profit after tax before individually material items (net of tax)		657.2	202.5	82.8
Dividends		219.3	75.6	41.9
Current assets		1,868.4	909.0	597.4
Property, plant and equipment		1,689.2	502.1	441.1
Investments		311.8	1.6	-
Intangibles		3,856.2	193.7	196.2
Other non-current assets		314.0	32.9	69.8
Total assets		8,039.6	1,639.3	1,304.5
Current borrowings and payables		3,567.4	325.6	315.1
Current provisions		88.6	31.2	48.2
Non-current borrowings and payables		1,145.9	682.8	499.2
Non-current provisions		90.8	64.7	62.0
Total liabilities		4,892.7	1,104.3	924.5
Net assets		3,146.9	535.0	380.0
Shareholders' equity		3,146.9	535.0	380.0
Total shareholders' equity		3,146.9	535.0	380.0
Ordinary Shares ⁽¹⁾	thousands	1,217,231	1,008,478	1,008,478
Investor Shares	thousands	-	-	-
Number of shares on issue at year end ⁽¹⁾	thousands	1,217,231	1,008,478	1,008,478
Weighted average number of shares on issue (investor and ordinary) ^{(1) (2)}	thousands	1,069,507	1,008,478	1,130,320
Earnings per share ^{(1) (2)}				
before individually material items	cents	61.4	20.1	7.3
including individually material items	cents	57.4	20.4	4.1
Dividends (declared)	cents	29.7	15.0	5.2
Dividends (paid)	cents	21.8	7.5	3.6
Dividend franking	%	100	100	100
Share price range – High		\$9.99	\$4.29	\$1.33
Low		\$4.11	\$1.19	\$0.77
Year end		\$5.07	\$4.28	\$1.29
Stockmarket capitalisation at year end	\$mill	6,171.4	4,313.3	1,304.5
Net tangible assets per share	\$	(0.58)	0.34	0.18
Profit margin (earnings before net borrowing costs and tax/sales)	%	33.2	22.8	11.4
Net debt	\$mill	2,030.3	411.7	275.4
Gearing (net debt/net debt plus equity)	%	39.2	43.5	42.0
Interest cover (earnings before net borrowing costs and tax/net borrowing costs)	times	12.0	10.9	9.8
Net capital expenditure on plant and equipment (cash flow)	\$mill	217.6	62.9	21.4
Net capital expenditure on acquisitions/(disposals) (cash flow)	\$mill	586.4	257.0	155.3
Return on average shareholders funds				
before individually material items	%	35.7	44.3	17.6
including individually material items	%	33.4	44.9	9.9

Note:

Financial year ended 30 September 2005, 2006, 2007 and 2008 are reported under AIFRS.

The financial year ended 30 September 2004 is reported under AGAAP.

(1) The number of shares have been restated as a result of the 20:1 share split as approved by shareholders on 23 September 2008.

(2) 10,437,643 shares were issued to the shareholders of Dyno Nobel Limited on 16 June 2008 as part of the purchase consideration.

Five Year Financial Statistics

2005 \$mill	2004 \$mill
1,073.9	1,135.6
108.4	167.2
(30.5)	(35.4)
-	(9.9)
77.9	121.9
(9.4)	(5.4)
(47.0)	(9.3)
(7.0)	(32.1)
14.5	75.0
(33.4)	5.8
47.9	80.9
70.5	16.9
358.6	460.9
292.0	296.1
-	-
192.3	183.8
2.5	30.5
845.2	971.4
213.2	272.2
47.8	26.9
-	19.0
24.3	21.8
285.3	339.9
560.0	631.5
560.0	631.5
560.0	631.5
1,165,621	1,165,621
-	-
1,165,621	1,165,621
1,165,621	1,165,621
4.1	6.9
1.2	6.4
3.6	6.5
6.1	1.5
100	100
\$1.13	\$0.97
\$0.75	\$0.78
\$0.79	\$0.94
922.0	1,096
0.32	0.38
7.3	10.7
9.2	(20.8)
1.6	(3.4)
8.3	22.5
26.1	29.4
-	-
8.0	13.4
0.0	12.5