

ANNUAL REPORT 2009

Incitec Pivot Limited



OwnBreakoutDeliver

“Own.Breakout.Deliver” embodies the Company’s Values, which were developed by employees.

The Values are the guiding principles Incitec Pivot draws on in its day-to-day decision-making.

‘Own’ captures the values:

- Treat the Business as Our Own
- Value People - Respect, Recognise and Reward
- Zero Harm for Everyone, Everywhere
- Care for the Community and Our Environment
- Think Customer. Everyone. Everyday

‘Breakout’ identifies the opportunity to:

- Challenge and Improve the Status Quo

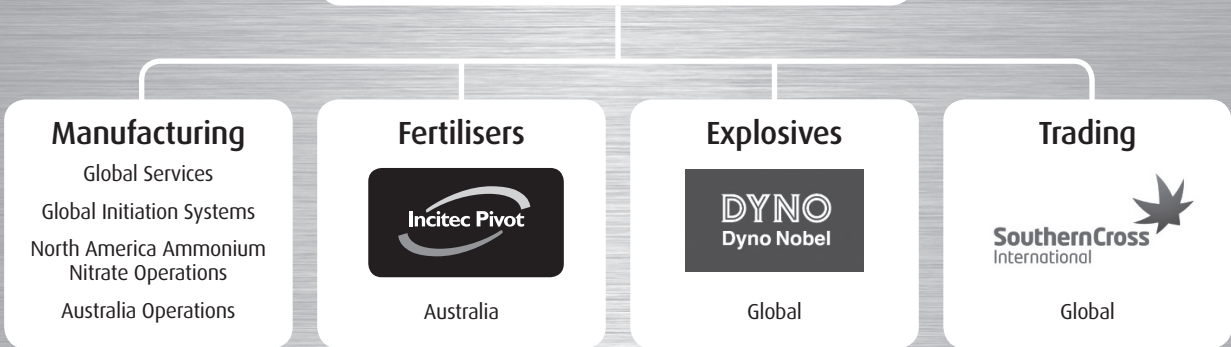
‘Deliver’ captures the philosophy that we will:

- Deliver on Our Promises

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Incitec Pivot Limited



Chairman's Report



My conviction in the strength of the IPL businesses, the strategy, our assets and people was confirmed during 2009, the 90th anniversary since the Company's incorporation in 1919. 2009 was an extraordinary year by any measure, when the world's economy was ravaged by the Global Financial Crisis.

Our businesses faced many challenges during this period. Demand for industrial explosives and fertilisers contracted and

commodity prices fell sharply, in contrast to the unprecedented highs seen in 2007 and 2008. However, our clear strategy, the diversity of our Company with fertilisers and explosives and operations in Australia, Asia Pacific and North America, coupled with the commitment of our people, allowed us to rise to those challenges. We have come through and I am certain we are a stronger Company, better placed as the world moves into a more positive economic environment. I am confident about the pathway established by the Board and executed by the IPL team, led by Managing Director & CEO, James Fazzino.

My fellow directors and I were pleased to appoint James to the role following his outstanding success as Finance Director & Chief Financial Officer. James joined IPL in 2003, and became a member of the Board in 2005, and has shown in that time his drive and commitment to IPL. I know that James has dedicated much of his first few months as Chief Executive Officer visiting sites and speaking to employees, maintaining the momentum on our strategy and culture which has been built up over recent years. The opportunity to appoint a leader of the calibre of James from within the Company reinforces the value of the Board's succession planning program. Incitec Pivot has a long history and it is pleasing to see how we can encourage and foster our people to grow their careers within the Company.

The turmoil in the global economy came at a testing time for IPL. It occurred while we were integrating Dyno Nobel into IPL's way of operating. I have no doubt in the validity of the decision to acquire Dyno Nobel last year. It was a company-transforming initiative taking us further into the international arena and diversifying our business into two segments, industrial explosives and fertilisers, which contribute equally to our revenue.

The Dyno Nobel business has delivered to expectations despite the economic downturn, which hit hardest in the United States where the business is most prominent. Overall, Dyno Nobel has made a solid contribution and earnings were up 27% compared to the 2008 proforma, largely due to the Velocity efficiency program, which is driven by employee-led innovation for continuous improvement. Within that, Dyno Nobel's Asia Pacific operations have performed well in an environment where, despite depressed market conditions, demand has grown and our volumes increased by 26%. This demonstrates that Dyno Nobel is a solid business and, with the Velocity program, is positioned to be ready for the economic recovery, when it inevitably occurs.

In addition to the impact of the Global Financial Crisis, Incitec Pivot Fertilisers, our fertiliser distribution business, saw the continued drought impact on sales. Fertiliser prices, which reached unprecedented highs in late 2007/early 2008 as a result of global market forces, have this year returned to levels around or below longer-term trends. However, this did not result in increased sales, as farmers continued to bear the burden of drought conditions and made conscious decisions to fertilise less due to lower soft commodity prices. Despite this, Incitec Pivot Fertilisers' value proposition remains strong and, due to the efforts of our people and the quality of our products, in 2009 we were able to maintain our market share on east coast Australia.

The success of the Company's strategy through the cycle has reinforced the need to maintain our strategic approach. We have confidence in our assets and we are focused on generating value from them. It is pleasing that the confidence in IPL, the strategy and the business

approach is confirmed by strict external scrutiny as exemplified by the Company obtaining three investment grade credit ratings, BBB stable outlook from Standard & Poor's and Fitch, and Baa3 stable outlook from Moody's. These ratings recognise the Company's strong balance sheet and financial discipline. Our shareholders also showed their confidence in the Company late last year when we made a pro-rata Entitlement Offer where, in the case of the institutional offer, 99 per cent of the offer was taken up by existing shareholders and, for the retail offer, there was solid support.

Notwithstanding this focus on our current assets, we continue to assess the opportunity presented by the prospective re-start of the construction of the 330,000-tonne per year ammonium nitrate plant at Moranbah in Central Queensland. The project is based in the heart of Australia's largest metallurgical coal region, in the Bowen Basin and is adjacent to some of the largest coal mines. In February 2009, we slowed the construction of the plant and during the year we have focussed on advanced design engineering, and have continued to work with our foundation customers, with whom we have contracts in place. We will provide further information on progress early in the new calendar year.

As a Board, we are committed to the highest level of governance and we see our role in charting the direction of the Company and in the creation of shareholder value. It is noteworthy that over the three years to 30 September 2009, IPL delivered total shareholder returns of 42% per annum, outperforming the S&P/ASX 100 Accumulation Index which delivered 2.1% per annum over the same period.

I would like to take this opportunity to thank my fellow directors for their commitment and dedication in undertaking their role and to formally welcome Graham Smorgon to the Board. We appointed Graham as a non-executive director in December 2008. His wide experience and skills complement the Board and the Board's Audit and Risk Management Committee, of which he is a member.

Finally, it is my pleasure to pay tribute to the thousands of IPL employees around the world. I cannot over-estimate the role played by our management and employees in maintaining a steady course through the turbulent waters of the Global Financial Crisis. Time after time, our employees demonstrate an ability to be innovative in finding solutions to make the business operate better, more efficiently or provide superior service to our customers. Through Tardis I and II and now Velocity, we have a strong track record of significant business improvement. The commitment of our employees to business improvement has been constant and consistent.

The quality of our team is recognised by the large number of awards bestowed on the business or individuals. In the past year, awards have gone to IPL sites for excellence in safety, environment and customer service. This included Gibson Island receiving, for two consecutive years, the Platypus Environmental Award for water conservation and energy efficiency. For customer service, Dyno Nobel in the US, as part of a team of suppliers, was the recipient of the Vulcan Materials Company Gold Award for supplier excellence. Individual awards were highlighted by our Company Secretary & General Counsel, Kerry Gleeson, being voted by her peers as In-house Lawyer of the Year at the 2009 ALB Australasian Law Awards.

In summary, while this has been a challenging year for the Company, it has underlined the endurance and strength of the Company, the calibre of its people and assets and the soundness of its strategy – a fitting testament to the Company on its 90th anniversary.

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

John C Watson, AM
Chairman

Managing Director's Report



In the three months since I was appointed as Managing Director & Chief Executive Officer and took on the privilege of leading this great Company, I have concentrated my energies on delivering the successful strategic direction, which has evolved over the last four years, and also on building our performance on safety and efficiency and with our customers and IPL people.

The objective of IPL management is to lead a team which delivers competitive shareholder returns equating to ASX 100 top quartile performance. We achieve this by leveraging our exposure to the industrialisation of Asia, particularly China, following the key strategic principles of: lowest cost base; "own the product", that is, upstream manufacturing at the bottom of the cost curve; optimising our supply chain; and trading in our manufactured products. This approach has transformed the Company since 2005 by doubling profit from manufacturing, trebling the production tonnes and quadrupling our market capitalisation. We reduced risk through diversification of our earnings streams with the acquisition of Dyno Nobel and improved the quality of our earnings.

The challenge is to keep the momentum rolling; to take the next step. In the past year, in the wake of the Global Financial Crisis, we were unable to do that in some areas. Our Full Year Result was a loss of \$179.9 million after Individually Material Items (IMIs). Our Net Profit After Tax, excluding IMIs, was 46% down on the previous year to \$347.8 million; although 2008 was an exceptional year driven by high global fertiliser prices. This year, we experienced unprecedented global volatility in our businesses. However, the actions that we took and are continuing to take, such as, the Velocity efficiency program, our focus on our customer relationships and continued financial discipline, will enable us to manage the continued challenges of the external environment in 2010. I am convinced that we have come out of the year a fitter business to face the challenges of the future.

Positive outcomes during the year were the financial performance of Dyno Nobel and the production performance of the fertiliser plants in Queensland and the United States. Dyno Nobel increased earnings in a year of extremely challenging market conditions, particularly in North America. The improvement was driven by the Dyno Nobel employees themselves through the Velocity program – a tribute to their commitment to see the business succeed. The team at Incitec Pivot Fertilisers came through a year of plummeting global fertiliser prices, coupled with continuing drought conditions in many areas, with a new strategic approach for the future. Manufacturing highlights were the production performance of Gibson Island (Brisbane), Phosphate Hill and Mt Isa (Far North Queensland) and St Helens (Oregon). The successful maintenance 'turnaround' at St Helens, subsequent to year-end, validates the global manufacturing strategy and reinforces the value of our approach with our Global Risk and Reliability Team.

My priorities are safety, customers, efficiency and people. I firmly believe that it is impossible to have a good business if we have poor safety performance. While our safety statistics tell me there is an improvement in our safety performance, we need to do more. I am committed to our value on safety – Zero Harm, and zero means zero. I have called upon for all in the Company to be leaders in this commitment. Consistent with Zero Harm, I have changed the structure and approach so that safety management and responsibility sits closest to the plants, on the mine sites and on the farms. In addition, a separate team, reporting directly to me, is working to improve our safety management systems and standards, to create one uniform system across the Company's businesses.

At IPL, we recognise that we do not have a business if we do not have customer relationships, where we share the benefits and where we prosper together. As Managing Director & Chief Executive Officer, and previously as Chief Financial Officer, customers have told me that they need reliable products and service at the right time and at the right price. We will continue to focus on manufacturing reliability, process excellence and improving the quality of our service through training. We strive to create a high level of customer support. To increase the customer focus throughout the Company, employees developed a new Company Value: Think Customer. Everyone. Everyday which is a daily reminder as to the importance of our customers – placing them front of mind for all IPL people.

Efficiency is an area in which the business has a strong culture and is performing well through the Velocity program and through outstanding cash flow management. We ended the year with an extremely strong balance sheet which was recognised through the achievement of investment grade credit ratings from three ratings agencies: Standard & Poor's, Moody's and Fitch. Financial discipline is an element of our business which is totally within our control and we recognise that we need to maintain our lowest cost base culture or we will not achieve ASX 100 top quartile performance. However, efficiency does not mean simply cost cutting. We will spend money to save money and support successful parts of the business to increase revenue which goes to the bottom line.

Success for our business, ultimately, will come only through our people. It is people who accomplish the strategy; who deliver the outcomes. Two initiatives are the reinvigoration of our Values program and the start of an Organisation Development Program. We will continue to invest in people to attract and foster the best talent. On the other hand, we will hold people accountable, bolstering that accountability through cultivating an open and honest culture.

In looking at the coming year, I expect that we will continue to confront challenging market conditions particularly in North America. We will retain our focus on the "levers of the business" that we can control, such as extracting further Velocity improvements and supporting manufacturing and process excellence. We will continue our interest in re-starting the Moranbah Ammonium Nitrate project in Central Queensland and will update on progress in March 2010.

Finally, I would like to thank my fellow directors, executive team and employees for their support and the encouragement they have given me, particularly over the past three months and to everyone in the IPL team for their commitment and excellence over the years. I am proud to be the Managing Director & Chief Executive Officer of this great Company and to be part of its history and I am looking forward to the future as we continue on our strategy and priorities.

A handwritten signature in black ink, appearing to read 'James Fazzino'.

James Fazzino
Managing Director & Chief Executive Officer

Board of Directors



John Watson AM
MAICD

Non-executive Chairman
Chairman of the Remuneration
and Appointments 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. He was formerly 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.



Allan McCallum
Dip. Ag Science, FAICD

Non-executive director
Chairman of the Health,
Safety, Environment and
Community Committee

Allan was appointed as a director on 15 December 1997. Allan is Chairman of Tassal Group Limited, CRF Foods (Vic) Pty Limited and CRF (Colac Otway) Pty Limited, and is a director of Medical Developments International Limited. He is a former director of Graincorp Limited and a former Chairman of Vicgrain Limited.



Anthony Larkin
FCPA, FAICD

Non-executive director
Chairman of the Audit and
Risk Management Committee

Tony was appointed as a director on 1 June 2003. He is a director of Corporate Express Australia Limited, Eyecare Partners Limited and Oakton Limited. Tony was previously a non-executive director of OZ Minerals Limited, 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.



John Marlay
BSc, FAICD

Non-executive director

John was appointed to the Board 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 Esso Australia Limited, James Hardie Industries Limited, Pioneer International Group Holdings and Hanson plc.



Graham Smorgon
B.Juris LLB

Non-executive director

Graham was appointed to the Board on 19 December 2008. Graham is a non-executive director of OneSteel Limited, Chairman of Smorgon Consolidated Investments, the GBM Group and the Print Mint Group, a Trustee of the Victorian Arts Centre Trust and Chairman of the Victorian Arts Centre Foundation. His former roles include Chairman of Smorgon Steel Group Limited, President of the Carlton Football Club, Director of Fed Square Pty Ltd, Deputy Chairman of Melbourne Health, Director of the Walter and Eliza Hall Institute and partner of law firm Barker Harty & Co, where he practised as a commercial lawyer for 10 years.



James Fazzino
B.Ec(Hons), CPA

Managing Director
& Chief Executive Officer

James was appointed Acting CEO on 8 May 2009 and was appointed Managing Director & CEO on 29 July 2009. James was first appointed as a director on 18 July 2005, following his appointment as Chief Financial Officer in May 2003. Before joining IPL, 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 IPL, he was Orica's Investor Relations Manager.

Executive Team



James Fazzino
BEC(Hons), CPA
Managing Director
& Chief Executive Officer



Kerry Gleeson
LLB(Hons)
General Counsel &
Company Secretary

Kerry has extensive experience as a corporate finance lawyer and joined IPL as General Counsel & Company Secretary in February 2004. Prior to joining IPL, Kerry was in private practice with Blake Dawson and advised the Company on its merger with Incitec Fertilizers Limited in 2003. Kerry was previously a partner of English law firm Halliwell Landau (now Halliwells LLP), where she gained extensive experience in IPOs, international mergers and acquisitions, equity markets financing and restructuring. In 2009, Kerry received the ALB Australasian Law Award for In-House Lawyer of the Year.



Frank Micallef
BBus, MAcc, FCPA, FFTA

Chief Financial Officer
Frank was appointed as Chief Financial Officer on 23 October 2009. Frank joined IPL in May 2008 as General Manager Treasury and Chief Financial Officer Trading. Prior to joining IPL, Frank had significant experience in the explosives and mining industries as Global Treasurer and Investor Relations Manager at Orica and General Manager Accounting at North Limited.



Bernard Walsh
BE(Mech), MIEAust CPEng

General Manager
Global Manufacturing
Bernard has extensive manufacturing experience in petrochemicals, chemicals and mining services. Bernard joined IPL from Orica Limited where he held a variety of roles from 1987, including General Manager of Initiation Explosives Systems (IES) until 2003. IES was a joint venture between Orica Limited and Ensign Bickford Industries Inc. and manufactured a full range of initiating systems at its Helidon, Queensland, and Deer Park, Melbourne, sites.



Alan Grace
BScChemEng, MChemE
General Manager
Major Projects

Alan joined IPL on the Company's merger with Incitec Fertilizers Limited, having commenced with Incitec Limited in 2000. Alan has extensive experience in the construction and operation of chemical and petrochemical manufacturing facilities. Alan previously held the role of General Manager Chemicals, where he was responsible for managing the chemicals business unit. As General Manager Major Projects, Alan is responsible for the Moranbah Project.



James Whiteside
BAgricSc, GradDipBusAdmin
General Manager Supply
Chain & Trading

James joined IPL (then known as Pivot Limited) in 1992, following extensive experience in agricultural companies and consulting. Since joining IPL, James has held a number of senior management roles, including Group Procurement Manager. As General Manager Supply Chain & Trading, James is responsible for Southern Cross International and its international and domestic trading business, and is Chief Executive Officer of the newly formed Quantum Fertilisers joint venture.



Don Brinker
BS Public Administration/
Business MBA
General Manager Explosives

Don joined IPL in June 2008 and is responsible for the Company's explosives business. Don has extensive experience in the North American explosives business, having worked for over 30 years in the industry. Immediately prior to joining IPL, Don held the position of President & CEO Americas at Minova International and, prior to that, he was President & CEO of Orica's North American explosives business.



Jamie Rintel
BA
General Manager Strategy
& Business Development

Jamie joined IPL in February 2005, following extensive experience in consulting across a range of industries both in Australia and overseas. Within IPL, Jamie has held a number of roles including, Marketing Manager for Incitec Pivot Fertilisers. Jamie was appointed to his current role as General Manager Strategy & Business Development in June 2008.



Gary Brinkworth
BEC
General Manager
Incitec Pivot Fertilisers

Gary joined IPL in November 2008. He has extensive local and international experience across wholesale fuel distribution, retail and financial services industries. Gary has held several senior leadership positions with BP Oil in Australia, New Zealand, the United Kingdom and the United States and brings a strong customer focus to the business. Immediately prior to joining IPL, Gary held the position of General Manager - Group Business Development with Coles Group.

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Directors' Report

The directors of Incitec Pivot Limited present the financial report of the Company and its controlled entities (the Consolidated entity) for the year ended 30 September 2009 and the related auditor's report.

Directors

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

Name, qualifications and special responsibilities	Experience
Current directors	
<p>J C Watson AM, MAICD Independent non-executive director and Chairman Chairman of the Remuneration and Appointments Committee Member of the Health, Safety, Environment and Community Committee</p>	<p>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. He was formerly 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.</p>
<p>A C Larkin FCPA, FAICD Independent non-executive director Chairman of the Audit and Risk Management Committee Member of the Health, Safety, Environment and Community Committee</p>	<p>Tony was appointed as a director on 1 June 2003. He is a director of Corporate Express Australia Limited, Eyecare Partners Limited and Oakton Limited. Tony was previously a non-executive director of OZ Minerals Limited, 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.</p>
<p>A D McCallum Dip. Ag Science, FAICD Independent non-executive director Chairman of the Health, Safety, Environment and Community Committee Member of the Audit and Risk Management Committee (to 27 February 2009) Member of the Remuneration and Appointments Committee</p>	<p>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.</p>
<p>J Marlay BSc, FAICD Independent non-executive director Member of the Remuneration and Appointments Committee Member of the Audit and Risk Management Committee</p>	<p>John was appointed to the Board 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 Esso Australia Limited, James Hardie Industries Limited, Pioneer International Group Holdings and Hanson plc.</p>
<p>G Smorgon B.Juris LLB Independent non-executive director Member of the Audit and Risk Management Committee (from 27 February 2009)</p>	<p>Graham was appointed to the Board on 19 December 2008. Graham is a non-executive director of OneSteel Limited, Chairman of Smorgon Consolidated Investments, the GBM Group and the Print Mint Group, a Trustee of the Victorian Arts Centre Trust and Chairman of the Victorian Arts Centre Foundation. His former roles include Chairman of Smorgon Steel Group Limited, President of the Carlton Football Club, Director of Fed Square Pty Ltd, Deputy Chairman of Melbourne Health, Director of the Walter and Eliza Hall Institute and partner of law firm Barker Harty & Co, where he practised as a commercial lawyer for 10 years.</p>
<p>J E Fazzino BEc(Hons), CPA Managing Director & Chief Executive Officer Member of the Health, Safety, Environment and Community Committee (from 22 June 2009)</p>	<p>James was appointed Acting CEO on 8 May 2009 and was appointed Managing Director & CEO on 29 July 2009. James was first appointed as a director on 18 July 2005, following his appointment as Chief Financial Officer in May 2003. Before joining Incitec Pivot, he had many years experience with Orica Limited in several business financial roles, including Project Leader of Orica's group restructure in 2001 and Chief Financial Officer for the Orica Chemicals group. Immediately before joining Incitec Pivot, he was Orica's Investor Relations Manager.</p>

Directors' Report

Company Secretary

Mrs Kerry Gleeson holds the office of Company Secretary. Kerry is a practising solicitor, having been admitted to practice in England and Wales in 1991 and in Victoria in 2001. Kerry was appointed as Company Secretary on 16 February 2004, having previously practised with Blake Dawson in Melbourne 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	100,000
A C Larkin	5,000
A D McCallum (1)	216,501
J Marlay (1)	37,693
G Smorgon	0
J E Fazzino (2)	1,845,420

(1) Held both directly and indirectly.

(2) This interest includes shares acquired pursuant to Incitec Pivot's long term incentive plans. Further details of the long term incentive plans are set out in the remuneration report and Note 36, Share based payments.

Further details of directors' interests in share capital are set out in Note 35, 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		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	18	18	-	-	10	10	4	4
A C Larkin	18	17	5	5	-	-	4	3
A D McCallum (3)	18	18	2	2	10	10	4	4
J Marlay	18	17	5	5	10	10	-	-
G Smorgon (4) (5)	12	11	3	2	-	-	-	-
J E Fazzino (6)	18	18	-	-	-	-	2	2
Former								
B Healey (7)	6	6	-	-	-	-	-	-
J Segal (8) (9)	13	13	-	-	-	-	2	2

(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) Mr Allan McCallum resigned from the Audit and Risk Management Committee on 27 February 2009.

(4) Mr Graham Smorgon was appointed to the Board by the directors on 19 December 2008.

(5) Mr Graham Smorgon was appointed to the Audit and Risk Management Committee on 27 February 2009.

(6) Mr James Fazzino was appointed to the Health, Safety, Environment and Community Committee on 22 June 2009.

(7) Mr Brian Healey retired from the Board on 19 December 2008.

(8) Mr Julian Segal resigned from the Board on 8 May 2009.

(9) Mr Julian Segal resigned from the Health, Safety, Environment and Community Committee on 8 May 2009.

Principal activities

The principal activities of the Consolidated entity during the course of the financial year were the manufacture, trading and distribution of fertilisers, industrial explosives and chemicals, and the provision of related services. No significant changes have occurred in the nature of these activities during the financial year.

Directors' Report

Review and results of operations

Financial Highlights

- Net Loss After Tax (including individually material items¹) for the year ended 30 September 2009 was \$179.9m, down \$784.5m compared to a Net Profit After Tax (including individually material items) in the year ended 30 September 2008 of \$604.6m.
- Net Profit After Tax (excluding individually material items) for the year ended 30 September 2009 was down 46% or \$299.7m to \$347.8m (2008: \$647.5m). The result reflects the benefits of the Dyno Nobel acquisition in 2008 and the delivery of the Velocity program benefits, offset by reduced earnings in the Fertilisers business.
- Earnings Before Interest and Tax (EBIT) (excluding individually material items) was down 40% or \$379.6m to \$575.7m (2008: \$955.3m) with the mix of earnings being 52% Explosives and 48% Fertilisers, demonstrating the benefits of the business model with a common nitrogen manufacturing core and two diversified downstream markets.
- Earnings Per Share (excluding individually material items) were down 63% to 22.6 cents (2008: 60.5 cents).

Business Highlights

- Explosives contribution to EBIT (excluding individually material items) increased by \$219.8m (2008: \$79.5m) to \$299.3m reflecting a full year Explosives contribution following the June 2008 acquisition.
- Cumulative Velocity program benefits were above the 2009 target.
- Net Debt decreased by \$566.9m to \$1,463.4m at 30 September 2009 (2008: \$2,030.3m).

External Sales Revenue

- Total sales revenue was up 17% or \$500.7m to \$3,418.9m (2008: \$2,918.2m) primarily due to a full year contribution from the Explosives business.
- Sales revenue contributed by the Explosives business was up 220% to \$1,827.6m (2008: \$570.9m) reflecting a full year contribution in 2009 (2008: 3½ months).
- Sales revenue of the Fertilisers business was down 32% or \$756.0m to \$1,591.3m (2008: \$2,347.3m) driven by weaker sales volumes in the Australian east coast market and softer global fertiliser prices.

Earnings Summary

Net Loss After Tax (including individually material items) for the year ended 30 September 2009 was \$179.9m, down \$784.5m compared to a Net Profit After Tax (including individually material items) in the year ended 30 September 2008 of \$604.6m. This was largely due to the decrease in Fertilisers EBIT and a non-cash write down in the carrying value of the Dyno Nobel goodwill of \$490.6m.

Net Profit After Tax (excluding individually material items) was down 46% or \$299.7m to \$347.8m (2008: \$647.5m) and EBIT (excluding individually material items) was down 40% or \$379.6m to \$575.7m (2008: \$955.3m).

Positive factors include:

- contribution from the Explosives business of \$299.3m (2008: \$79.5m) up 276% or \$219.8m attributable to a twelve month contribution from Explosives in 2009 versus three and a half months in the prior year.

Negative factors include:

- Fertilisers business EBIT of \$276.4m (2008: \$875.8m) down 68% or \$599.4m driven by weaker volumes in the Australian east coast market and softer global fertiliser prices.

Returns to Shareholders

- A final dividend of 2.3 cents per share (cps) unfranked is to be paid on 18 December 2009.
- This brings the total 2009 dividend to 4.4cps, 48% franked (2008: 29.7cps fully franked).
- Total shareholder returns for 2009 were negative 43% (2008: positive 25%) assuming shares were held for the full year.

Balance Sheet

- Net debt decreased by \$566.9m to \$1,463.4m at 30 September 2009 (2008: \$2,030.3m) with funds from the November 2008 rights issue equity raising utilised to pay-down debt.
- The Net Debt/EBITDA² ratio is 1.97 at 30 September 2009 (2008: 1.98).

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 paid since the last annual report were:

Type	Cents per share	Total amount \$000	Franked / Unfranked	Date of payment
<i>Paid during the year</i>				
2008 final dividend	19.5	237,360	Franked	2 December 2008
2009 interim dividend	2.1	33,595	Franked	7 July 2009
<i>Paid after end of year</i>				
2009 final dividend	2.3	37,088	Unfranked	18 December 2009

Dealt with in the financial report as:	Note	\$000
Dividends	27	270,955
Subsequent event	27	37,088

Changes in the state of affairs

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

Events subsequent to balance date

Since the end of the financial year, in November 2009, the directors determined to pay a final dividend for the Company of 2.3 cents per share on 18 December 2009. The dividend is unfranked (Refer Note 27).

On 13 November 2009, the Consolidated entity determined that it would cease manufacturing activities in early 2010 at its ammonium nitrate facilities in Battle Mountain, Nevada, USA and Maitland, Ontario, Canada. Distribution and warehousing activities will continue at both sites to fulfil customer requirements. Manufacturing assets have been written down to their recoverable amount as at 30 September 2009, resulting in an adverse impact to earnings before interest and tax of \$66.3m. The costs at both sites for decommissioning, mothballing, redundancy and make good will be accounted for in the 2010 financial year.

Other than the matters reported on above, the directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2009 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

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 financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

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.

Directors' Report

Indemnification and insurance of officers

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

The Constitution further provides that the Company may enter into an agreement with any current or former director or secretary or a person who is, or has been, an officer of the Company or a subsidiary of the Company to indemnify the person against such liabilities. The Company has entered into Deeds of Access, Indemnity and Insurance with each of its officers. Pursuant to those deeds, the Company has paid a premium in respect of a contract insuring officers of the Company and 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 \$646,000 during the year ended 30 September 2009 (Refer Note 7).

Lead Auditor's Independence Declaration

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

The lead auditor's independence declaration is set out on page 43 of this 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 the Consolidated entity for the year ended 30 September 2009. 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 Company and the Consolidated entity are the non-executive directors listed in the table in section A on page 13, and the Managing Director & CEO and his direct reports as listed in table D.4 on page 23, which includes the five most highly remunerated Company executives.

When used in this report, the term "executives" means the Managing Director & CEO and his direct reports, as listed in table D.4.

This remuneration report forms part of the directors' report.

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 2008/09 financial year are set out in this remuneration report.

Overview

Incitec Pivot aims to generate competitive returns for its shareholders through its business strategy 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 who are capable, committed and motivated. Accordingly, the Company's remuneration strategy is designed to:

- enable Incitec Pivot to attract, retain and motivate 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.

In pursuing its remuneration strategy, the Board has taken into account shareholder sentiment in relation to executive remuneration, and has recognised the global financial environment in which the Company has operated over the last 12 months. In this respect, in its review of executive remuneration for the 2009/10 financial year, the Board has determined that remuneration for executives will remain at the current levels. Similarly, fees for non-executive directors will not increase.

Key Highlights

Clear Strategy and Philosophy

Market competitive – to position fixed annual remuneration at the 50th percentile of executives in the S&P/ASX 26-100, with opportunity for highly competitive total remuneration for superior performance to attract and retain high performing senior management.

Alignment with shareholder value – measures used in the incentives have been chosen to establish a strong link between executive reward and returns to shareholders thereby ensuring alignment between executive performance and the creation of value for shareholders.

STI: principal measure used is NPAT (before individually material items). NPAT is considered the appropriate short term measure as, in the absence of capital initiatives, it equates to EPS, the key driver of shareholder value.

LTI: principal measure used is the Company's TSR which is measured over three years and must be at least 20% per annum compounded over the three year period for reward to be granted in full.

Commentary

No STI payments were awarded to executives in 2009.

The 2006/09 LTI plan matured on 30 September 2009. Incitec Pivot's TSR was 42.2% per annum compounded over the three year performance period, 111% higher than the stretch hurdle of 20% per annum compounded over the period. This represents superior performance over a sustained period. Participating executives received their full entitlement at the Stretch hurdle and received awards, in the form of loan waivers, net of the Company's fringe benefits tax liability, which is paid by the executives.

In 2008 the Board reviewed the form of the LTIs having regard to market practice and in response to shareholder sentiment. This resulted in a move to a performance rights plan as opposed to the loan-backed share-based plan. Following the maturity of the 2006/09 LTI plan in September 2009, there remains one loan-backed share-based plan, being the 2007/10 LTI plan which will be tested as at 30 September 2010.

2009/10 Remuneration Snapshot

Remuneration freeze - Implementing a freeze on fixed annual remuneration for executives and fees for non-executive directors.

STI/LTI – STI and LTI percentages for executives remain unchanged.

In recognition of the global financial environment and having regard to its strategy and philosophy on executive remuneration and the Company's market competitiveness on remuneration, the fixed annual remuneration for executives for their current roles will remain at the current levels. The fixed annual remuneration for the Managing Director & CEO will not be increased.

The fees for non-executive directors will not be increased.

Directors' Report

Remuneration Report

A. Non-executive directors

Non-executive directors' fees are determined by the Board subject to the aggregate limit of \$2,000,000 approved by shareholders at the 2008 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 three years immediately preceding their date of retirement. This retirement benefit will be paid pro-rata for less than ten years of service. The service period is capped to 31 May 2003.

Fees are reviewed annually. For the 2009/10 financial year the Board has determined that no increases will be made to non-executive director remuneration.

Non-executive directors' remuneration

Details of the non-executive directors' remuneration for the financial year ended 30 September 2009 are set out in the following table:

For the year ended 30 September 2009

	Year	Short-term benefits		Post-employment benefits	Other long term benefits (A)	Total \$000
		Fees \$000	Other short term benefits (B) \$000	Superannuation benefits \$000	\$000	
Non-executive directors						
- Current						
J C Watson, Chairman (1)	2009	410	-	41	106	557
	2008	330	26	33	81	470
A C Larkin	2009	187	-	18	-	205
	2008	150	-	15	-	165
J Marlay (2)	2009	168	-	17	-	185
	2008	131	-	4	-	135
A D McCallum (1)	2009	185	-	18	46	249
	2008	150	-	15	29	194
G Smorgon (3)	2009	118	-	12	-	130
	2008	-	-	-	-	-
- Former						
B Healey (4)	2009	40	-	-	-	40
	2008	150	-	-	-	150
Total non-executive directors	2009	1,108	-	106	152	1,366
	2008	911	26	67	110	1,114

(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) Other short term benefits include the taxable value of fringe benefits attributable to the FBT year (2009: 1 April 2008 – 31 March 2009) (2008: 1 April 2007 to 31 March 2008). In the case of Mr Watson, for the 2007/08 financial year this relates to travel expenses.

(1) If Mr Watson or Mr McCallum had ceased to be a director on 30 September 2009, the following benefits would have been payable under their respective contracts: Mr Watson \$619,000, Mr McCallum \$272,000.

(2) For Mr Marlay, for the period 1 October 2007 to 31 May 2008, fees of \$90,000 were paid to Alumina Limited, Mr Marlay's then employer.

(3) On 19 December 2008, Mr Smorgon was appointed to the Board by the non-executive directors. The disclosures for the 2008/09 financial year are from this date.

(4) On 19 December 2008, Mr Healey retired as a non-executive director. The disclosures for the 2008/09 financial year are from 1 October 2008 to 19 December 2008.

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 Board's strategy on remuneration is that:

- the fixed component, fixed annual remuneration, is referenced to that paid by companies in the S&P/ASX 26-100 at the 50th percentile, with variations to recognise experience and performance in the particular role; and
- the "at risk" component and the total remuneration package for executives, is referenced to the top 25 performing companies within the S&P/ASX 26-100 and that NPAT targets be used as the performance measure for short term incentives and total shareholder return (TSR) be used as the performance measure for long term incentives, thereby linking executive reward with the creation of shareholder value.

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

Remuneration arrangements are reviewed annually. For the 2008/09 financial year, the Board reviewed remuneration arrangements having regard to the duties and responsibilities of the executives and by reference to survey data provided by Godfrey Remuneration Group (GRG), an appropriately qualified external consultant, which compared remuneration packages of companies of similar size to Incitec Pivot's market capitalisation. Following this review, the Board approved, with effect from 1 January 2009, an increase of 8% to the fixed annual remuneration for all executives, other than for Mr Jamie Rintel, who received a 20% increase to reflect his increased responsibilities in his new role as General Manager – Strategy and Business Development. In addition, Mr Gary Brinkworth, who was appointed as General Manager – Incitec Pivot Fertilisers in November 2008, did not receive an increase as his fixed annual remuneration had been assessed on his appointment. No changes were made to the "at risk" components of remuneration on the basis that the short term incentive and long term incentive were considered to be appropriate at their current levels.

For the 2009/10 financial year, the fixed annual remuneration for executives, in respect of their current roles, will not be increased.

Components of remuneration

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

1. Fixed annual remuneration (FAR); and
2. Performance-based "at-risk" remuneration, comprising:
 - Short term incentive – based on annual performance at an individual and at a business / 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	33%	33%	34%
CFO (1)	33%	33%	34%
Executives (2)	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) The relative proportions of fixed remuneration and performance based remuneration have been determined by reference to Mr Fazzino's remuneration arrangements during the period 1 October 2008 to 29 July 2009 at which time he held the position of Finance Director & Chief Financial Officer.
- (2) 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%.

Directors' Report

Remuneration Report

Fixed Annual 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. 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. The level of fixed remuneration is reviewed annually.

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 challenging 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 in the particular year. 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 for a short term incentive 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.

No executives were awarded STI payments under the 2008/09 STI.

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

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

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

The type of LTI previously used by the Company had been a loan-backed share-based plan. However, in 2008, following an external review of the design of the Company's long term incentive plan by Mercer Human Resource Consulting Pty Ltd, the Board adopted a performance rights LTI for the three year period 2008/11 in which growth in TSR is used as the principal performance measure.

Summary of plans

Plan	Participants	Performance Period	Current LTIs	Discussion
Long Term Incentive Performance Plan	Executives and senior employees	3 years	LTI performance plan 2006/09 LTI performance plan 2007/10	Page 16
Long Term Incentive Performance Rights Plan	Australian executives and senior employees	3 years	LTI performance rights plan 2008/11	Pages 16-17
Long Term Incentive Performance Cash Plan	Overseas executives and senior employees	3 years	LTI performance cash plan 2008/11	Page 17

Directors' Report

Remuneration Report

Long Term Incentive Performance Plan (loan-backed share-based)

Key features:

- **Loan backed plan:** At the commencement of relevant performance periods (typically three 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 5.85%) 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 in the shares, on cessation of employment, or at the latest, a sunset date which is three 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, being 1 October 2006 in the case of the LTI performance plan 2006/09 and 1 October 2007 in the case of the LTI performance plan 2007/10. 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 Incitec Pivot's 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, assuming the dividends are reinvested in the Company's shares (Absolute TSR). The Board adopted Absolute 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 returns to shareholders thereby aligning executives' performance with the creation of shareholder value. Further, as the Company's two key business segments are explosives and fertilisers, there is no logical comparator group which would make a relative TSR measure appropriate, and a more general comparator group, such as companies in the S&P/ASX 100 index would not ensure alignment between executives' performance and value delivered to shareholders. For the performance criteria to be satisfied in full, Absolute 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. If, at the end of the relevant performance period, Absolute TSR is less than 10% per annum compounded over the three year period, no awards in the form of loan forgiveness will be granted.

Current Long Term Incentive Performance Plans (loan-backed share-based):

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

Under the LTI performance plan 2006/09, the performance measure was set on 1 October 2006 and is based on Absolute TSR. The stretch performance measure was for Absolute TSR to be at least 20% per annum compounded over the three years. The Absolute TSR calculated from the start of the performance period to 30 September 2009 is 42.2% per annum compounded over the period, and is 111% higher than the TSR stretch performance measure. Accordingly, each of Mr Fazzino, Mrs Gleeson, Mr Grace, Mr Rintel, Mr Walsh and Mr Whiteside received awards by way of loan forgiveness in respect of the three year performance period ended 30 September 2009.

Long Term Incentive Performance Rights Plan

Key features:

- **Performance rights:** A performance right entitles the participant to acquire an ordinary share in the Company for no consideration at a later date subject to the satisfaction of certain performance and service conditions. As no share is issued until exercise, performance rights have no dividend entitlement.
- **Allocation:** The decision to grant performance rights is made annually by the Board. Grants of performance rights to participants are based on a percentage of the relevant participant's fixed annual remuneration.
- **Performance criteria:** The performance rights only become exercisable if certain conditions are met. The conditions focus on performance of the Company and include a condition relating to duration of employment. The performance

Directors' Report

Remuneration Report

conditions are measured by reference to Absolute TSR over the relevant performance period (typically three years). The Board has adopted Absolute 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 returns to shareholders thereby aligning executives' performance with the creation of shareholder value. Further, as the Company's two key business segments are explosives and fertilisers, there is no logical comparator group which would make a relative TSR measure appropriate, and a more general comparator group, such as companies in the S&P/ASX 100 index would not ensure alignment between executives' performance and value delivered to shareholders. For the performance condition to be satisfied in full, Absolute TSR must be at least 20% per annum compounded over the performance period. In setting this at 20%, the Board considers it has established an aggressive target to promote behaviour to achieve superior performance. If, at the end of the relevant performance period, the Company's:

- TSR is equal to or less than 10% per annum compounded over the performance period, none of the performance rights vest;
 - TSR is between 10% and 20% per annum compounded over the performance period, an increasing proportion of the performance rights will vest from zero on a straight line basis; and
 - TSR is greater than 20% per annum compounded over the performance period, all of the performance rights will vest.
- **Exercise period:** Upon vesting of the performance rights, the participant has a two-year exercise period which commences three years after the grant date. This period may be reduced if the employee ceases to be employed by a member of the Consolidated entity.
 - **Lapse:** Performance rights will lapse (and not be able to be exercised and converted into shares) if they are not exercised within five years from their grant date. Performance rights will also lapse if the performance conditions are not satisfied during the performance period or, in certain circumstances, if a participant ceases to be employed by the Company during the performance period.

Current Long Term Incentive Performance Rights Plans:

The LTI performance rights plan 2008/11 is for a three year period and the performance criteria will not be tested until 30 September 2011. The Company is in the process of establishing a LTI performance rights plan for the three year period commencing 1 October 2009 to 30 September 2012.

Long Term Incentive Performance Cash Plan

For overseas executives and senior employees, the Consolidated entity, through its offshore entities, operates a long term incentive performance cash plan designed to deliver a similar benefit to employees on achievement of sustained performance over the three year period, and with similar conditions, as the Long Term Incentive Performance Rights Plan.

Directors' Report

Remuneration Report

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

	2005 (1)(2)	2006 (1)(2)	2007 (1)(2)	2008 (1)(3)	2009 (1)
Net Profit After Tax (before individually material items) (\$m)	47.9	82.8	202.5	647.5	347.8
Earnings Per Share (before individually material items) (cents)	4.1	7.3	20.1	60.5	22.6
Dividends - paid in the financial year - per share (cents)	6.1	3.6	7.5	21.8	21.6
Dividends - declared in respect of the financial year - per share (cents)	3.6	5.2	15.0	29.7	4.4
Share price (\$) (Year End)	0.79	1.29	4.28	5.07	2.83
TSR (Annual) (%)	(12)	70	242	25	(43)
TSR (3 Year Compound per annum) (%)	-	22	74	93	42

(1) Stated on an AIFRS basis.

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

(3) Restated for change in accounting standard. Refer Note 1(i) of the financial report.

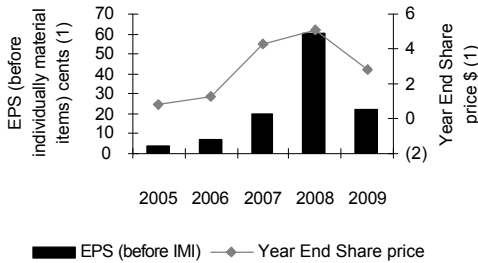
The Board considers that linking executive remuneration to Incitec Pivot's TSR and NPAT (before individually material items) has ensured there is alignment between executive performance (and reward) and value delivered to shareholders. This is demonstrated in the charts on the following page, which show sustained performance over the three years (2006 to 2009), noting that, in 2009, NPAT (before individually material items) was \$347.8m and Incitec Pivot's TSR was 42% per annum compounded over the three years to 2009. Accordingly, executives received awards (in the form of loan waivers) under the LTI performance plan 2006/09. However, no payments were made under the 2008/09 STI.

Directors' Report

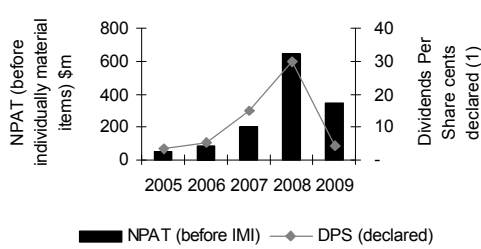
Remuneration Report

Charts B.2

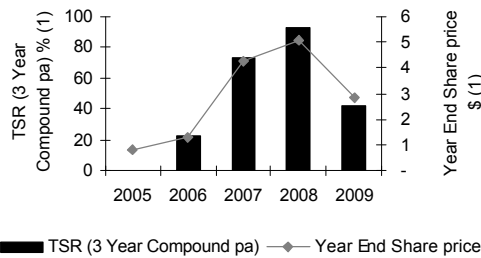
Earnings Per Share (before individually material items) and Year End Share price



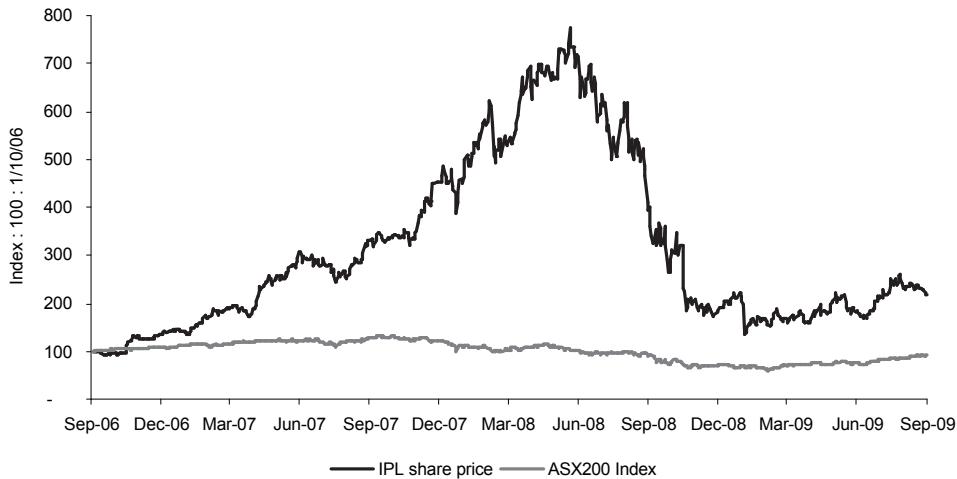
Net Profit After Tax (before individually material items) and Dividends declared



TSR (3 Year Compound per annum) and Year End Share price



IPL 3 Year Share Price Performance versus ASX200
1/10/06 to 30/9/09



(1) For years 2005, 2006, 2007 and 2008 indices have been restated as a result of the 20:1 share split approved by shareholders in September 2008.

Directors' Report

Remuneration Report

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

Managing Director & CEO – Mr J Fazzino

James Fazzino was appointed as Acting CEO on 8 May 2009. He was appointed as Managing Director & CEO on 29 July 2009. The terms of Mr Fazzino's appointment as Managing Director & CEO are set out in a single contract of service dated 29 July 2009.

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

- immediately for cause, without payment of any separation payment, save as to accrued fixed annual remuneration, 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 fixed annual remuneration, 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 Fazzino's fixed annual remuneration is \$1,800,000, reviewed annually each January having regard to Incitec Pivot's executive remuneration policy. For the 2009/10 financial year, there will be no change to Mr Fazzino's fixed annual remuneration.

On Mr Fazzino being appointed as Acting CEO, in recognition of his additional duties and responsibilities as Acting CEO, he became entitled to a cash payment of \$325,000 gross, subject to him remaining in employment to 30 September 2009 and Incitec Pivot's cumulative TSR over the three years to 30 September 2009 being greater than 20%.

- **Short Term Incentive**

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

Mr Fazzino's STI opportunity is 50% 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 2008/09 financial year is \$347.8m, down 46.3% or \$299.7m on the 2007/08 result, Mr Fazzino was not awarded a STI payment for the period 1 October 2008 to 30 September 2009.

For the 2009/10 financial year, Mr Fazzino's STI opportunity is 50% of fixed annual remuneration up to a maximum of 100% of fixed annual remuneration for over performance against specified measures.

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

- **Long Term Incentive**

Mr Fazzino's LTI opportunity is 50% of fixed annual remuneration up to a maximum of 100% of fixed annual remuneration for over performance against specified measures over a three year period. Mr Fazzino currently participates in the following LTIs which continued on his appointment as Managing Director & CEO:

- LTI performance plan 2006/09 in respect of which Mr Fazzino is the holder of 472,880 shares in the Company;
- LTI performance plan 2007/10 in respect of which Mr Fazzino is the holder of 137,240 shares in the Company; and
- LTI performance rights plan 2008/11 pursuant to which Mr Fazzino was issued 222,482 Performance Rights as approved by shareholders at the 2008 Annual General Meeting held on 19 December 2008.

Under the LTI performance plan 2006/09, the performance measure was based on the Absolute TSR for the three year performance period to 30 September 2009. The stretch performance measure was for Absolute TSR to be at least 20% per annum compounded over the three years. As the Absolute TSR is 42.2% per annum compounded over the three years, 111% higher than the TSR stretch performance measure, Mr Fazzino has received an LTI award by way of loan forgiveness in respect of the three year performance period ended 30 September 2009.

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

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 Fazzino, 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 annual 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 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 Brinker, 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	<p>Incitec Pivot may terminate the service agreements:</p> <ul style="list-style-type: none"> immediately for cause, without payment of any separation sum, save as to accrued fixed annual remuneration, accrued annual leave and long service leave; on notice in the case of incapacity, and the Company must pay a separation payment plus accrued fixed annual remuneration, accrued annual leave and long service leave; otherwise, without cause, with or without notice and the Company must pay a separation payment plus accrued fixed annual remuneration, accrued annual leave and long service leave. <p>The amount of a separation payment is calculated on a 'capped' number of weeks and, in the case of Mr Walsh, is determined having regard to the length of his prior service with the Orica group, and is as follows for each executive:</p> <table border="1"> <thead> <tr> <th></th> <th>Current Fixed Annual Remuneration \$'000</th> <th>Number of Weeks</th> <th>Separation Payment \$'000</th> </tr> </thead> <tbody> <tr> <td>Mr Gary Brinkworth</td> <td>420</td> <td>26.0 weeks</td> <td>210</td> </tr> <tr> <td>Mr Don Brinker</td> <td>1,061 (1)</td> <td>52.0 weeks</td> <td>1,061</td> </tr> <tr> <td>Mrs Kerry Gleeson</td> <td>594</td> <td>26.0 weeks</td> <td>297</td> </tr> <tr> <td>Mr Alan Grace</td> <td>486</td> <td>26.0 weeks</td> <td>243</td> </tr> <tr> <td>Mr Kevin Lynch (2)</td> <td>594</td> <td>26.0 weeks</td> <td>297</td> </tr> <tr> <td>Mr Jamie Rintel</td> <td>420</td> <td>26.0 weeks</td> <td>210</td> </tr> <tr> <td>Mr Bernard Walsh</td> <td>648</td> <td>61.81 weeks</td> <td>770</td> </tr> <tr> <td>Mr James Whiteside</td> <td>486</td> <td>45.41 weeks</td> <td>424</td> </tr> <tr> <td>Mr Frank Micallef (3)</td> <td>660</td> <td>26.0 weeks</td> <td>330</td> </tr> </tbody> </table>				Current Fixed Annual Remuneration \$'000	Number of Weeks	Separation Payment \$'000	Mr Gary Brinkworth	420	26.0 weeks	210	Mr Don Brinker	1,061 (1)	52.0 weeks	1,061	Mrs Kerry Gleeson	594	26.0 weeks	297	Mr Alan Grace	486	26.0 weeks	243	Mr Kevin Lynch (2)	594	26.0 weeks	297	Mr Jamie Rintel	420	26.0 weeks	210	Mr Bernard Walsh	648	61.81 weeks	770	Mr James Whiteside	486	45.41 weeks	424	Mr Frank Micallef (3)	660	26.0 weeks	330
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Mr Frank Micallef (3)	660	26.0 weeks	330																																								
Termination by executive	An executive may terminate his/her employment on 13 weeks' notice (save for Mr Grace who may terminate on 8 weeks' notice and 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 average exchange rate for the year ended 30 September 2009 of 0.73212.
- (2) In October 2009, Mr Lynch resigned from the position of General Manager Human Resources and ceased employment with the Company on 16 October 2009.
- (3) On 23 October 2009, Mr Frank Micallef was appointed Chief Financial Officer and his current fixed annual remuneration and STI and LTI participation is as specified in the table above.

Directors' Report

Remuneration Report

D.2 Grants of STI payments

No executives were awarded STI payments under the 2008/09 STI.

D.3 Grants of LTI Plan awards

For the year ended 30 September 2009, the Absolute TSR is 42.2% per annum compounded over the three years ended 30 September 2009, and is 111% higher than the TSR stretch performance measure of 20% per annum compounded established in 2006. Accordingly, each of Mr Fazzino, Mrs Gleeson, Mr Grace, Mr Rintel, Mr Walsh and Mr Whiteside were granted awards in full for their respective maximum LTI opportunities under the LTI performance plan 2006/09. For each of the executives referred to above, the balance of the loan not forgiven, which will equal the fringe benefits tax amount on the loan, must be repaid by the executive by 31 March 2010.

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, D.2 and D.3 of this remuneration report.

For the year ended 30 September 2009

	Year	Short-term benefits			Post-employment benefits	Other long term benefits (D)	Termination benefits	Share-based payments	Total	Proportion of remuneration related	Value of shares & rights (treated as options) as proportion of remuneration
		Salary & Fees	Short Term Incentive & other bonuses (A)	Other Short Term benefits (B)	Superannuation benefits		Value of shares & rights (treated as options) (C)				
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	%	%
Executive - Current											
J E Fazzino (1) Managing Director & Chief Executive Officer	2009	1,559	-	-	14	315	-	449	2,337	19%	19%
	2008	842	950	-	13	137	-	268	2,210	55%	12%
K J Gleeson General Counsel & Company Secretary	2009	569	-	-	14	61	-	282	926	30%	30%
	2008	489	440	-	13	-	-	169	1,111	55%	15%
B C Walsh General Manager - Global Manufacturing	2009	622	-	-	14	31	-	313	980	32%	32%
	2008	537	432	2	13	86	-	188	1,258	49%	15%
A Grace General Manager - Major Projects	2009	463	-	2	14	14	-	209	702	30%	30%
	2008	394	360	5	13	32	-	126	930	52%	14%
J Whiteside General Manager - Supply Chain & Trading	2009	463	-	14	14	19	-	220	730	30%	30%
	2008	394	360	20	13	55	-	132	974	50%	14%
K Lynch General Manager - Human Resources	2009	569	-	86	14	-	-	47	716	7%	7%
	2008	333	440	-	9	-	-	21	803	57%	3%
J Rintel General Manager - Strategy & Business Development	2009	389	-	132	14	-	-	55	590	9%	9%
	2008	112	280	-	5	-	-	10	407	71%	2%
D Brinker (2) General Manager - Explosives	2009	1,040	-	244	55	-	-	52	1,391	4%	4%
	2008	248	701	49	7	-	-	14	1,019	24%	4%
G Brinkworth (3) General Manager – Incitec Pivot Fertilisers	2009	353	-	-	13	-	-	9	375	2%	2%
	2008	-	-	-	-	-	-	-	-	0%	0%
- Former											
J Segal (4) Managing Director & CEO	2009	1,070	-	9	9	43	168	457	1,756	26%	26%
	2008	1,512	1,700	9	13	138	-	786	4,158	60%	19%
P Barber (5) General Manager - Australian Fertilisers	2009	90	-	93	3	-	-	-	186	0%	0%
	2008	355	295	147	13	-	-	55	865	40%	6%
D A Roe (6) General Manager - Business Development	2009	-	-	-	-	-	-	-	-	0%	0%
	2008	367	320	-	13	20	-	150	870	54%	17%
Total Executive	2009	7,187	-	580	178	483	168	2,093	10,689	20%	20%
	2008	5,583	6,278	232	125	468	-	1,919	14,605	54%	14%

Directors' Report

Remuneration Report

- (A) No executives were awarded STI payments under the 2008/09 STI.
- (B) Other short term benefits include the taxable value of fringe benefits paid attributable to the FBT year (2009: 1 April 2008 to 31 March 2009) (2008: 1 April 2007 to 31 March 2008), 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) External valuation advice from PricewaterhouseCoopers has been used to determine the fair value of these shares and rights, treated as options, at grant date. For shares and rights, treated as options, 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 or right 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 or right treated as an option. The fair value has been allocated evenly over the performance period. The value disclosed in table D.4 represents the portion of fair value allocated to this reporting period. The LTI performance cash plan 2008/11, contains similar conditions as the LTI performance rights plan 2008/11, the exception being that the entitlements are settled in cash and were valued at 31 March 2009.

Refer to section B of this remuneration report for further details of the LTI performance plan 2006/09, the LTI performance plan 2007/10, the LTI performance rights plan 2008/11, the LTI performance cash plan 2008/11 and LTIs generally.

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

	Grant date	Vesting date	Fair Value per share or right treated as option at grant date	Date exercisable	Exercise Price
LTI performance plan 2006/09	1/12/2006	30/09/2009	\$0.83 (ii)	From 1/10/2009 (i)	\$1.21(ii)
LTI performance plan 2007/10	12/11/2007	30/09/2010	\$1.94 (ii)	From 1/10/2010 (i)	\$4.41(ii)
LTI performance rights plan 2008/11	19/12/2008	30/09/2011	\$0.30	From 1/10/2011	\$nil
LTI performance cash plan 2008/11	19/12/2008	30/09/2011	\$0.13 (iii)	From 1/10/2011	\$nil

The number of shares and rights, 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 35 to the financial report.

- (i) Shares restricted until such time as the loan is repaid. Under the LTI performance plan 2006/09, the loan must be repaid by a "sunset date" which has been determined as 31 March 2010. 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.
- (iii) Fair value calculated as at 31 March 2009.

For 2009, the share-based payment remuneration includes, in respect of those executives who were participants in the LTI interim performance plan 2006/08, a true-up amount relating to the fact that awards granted under the plan were greater than the expense calculated using the Black-Scholes option pricing model for the plan period.

- (D) Other long term benefits represents long service leave accrued during the reporting period.
- (1) Mr Fazzino was appointed as Managing Director & CEO during the financial year (refer to section C).
- (2) For the financial year, US\$ converted to A\$ at an average exchange rate of 0.7321 (2008: 0.9046). For Mr Brinker, share-based payments includes \$9,000 in relation to the LTI performance cash plan 2008/11 (2008: \$nil).
- (3) Mr Brinkworth was appointed as an executive during the financial year. These disclosures are from his appointment date, 17 November 2008.
- (4) On 8 May 2009, Mr Segal ceased to be employed by the Company. These disclosures are from 1 October 2008 to that date. On his resignation from the Company, in accordance with his Service Agreement, Mr Segal received his accrued entitlements for salary and long service leave, his retention award granted to him in 2006 and a payment of \$168,000 in relation to relocation expenses. In addition, Mr Segal continues to hold 1,120,020 shares acquired for him in 2006 under the LTI performance plan 2006/09 subject to the existing holding lock over those shares. In accordance with the rules of this plan, Mr Segal became entitled to an award in full on the achievement of the TSR stretch performance measure, pro rata to his employment during the period.
- (5) On 31 December 2008, Mr Barber ceased to be employed by the Company. These disclosures are from 1 October 2008 to that date.
- (6) At 30 September 2008, Mr Roe ceased to be a member of the Executive Team.

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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 \$000	% vested in year	% forfeited in year
Executive directors				
- Current				
J E Fazzino	- STI	-	-	100%
- Former				
J Segal	- STI	-	-	100%
Executives				
- Current				
K J Gleeson	- STI	-	-	100%
B C Walsh	- STI	-	-	100%
A Grace	- STI	-	-	100%
J Whiteside	- STI	-	-	100%
K Lynch	- STI	-	-	100%
J Rintel	- STI	-	-	100%
D Brinker	- STI	-	-	100%
G Brinkworth	- STI	-	-	100%
- Former				
P Barber	- STI	-	-	100%

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E. Equity instruments

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

Details of the shares and rights, 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 2009

		Grant date	Granted during 2009 as remuneration (A) Number	Vested during 2009 (B) Number
Key Management Personnel				
Executive Directors				
- Current				
J E Fazzino	Performance Rights Plan 2008/ 11	19 December 2008	222,482	-
	Performance Plan 2006/ 09	1 December 2006	-	472,880
- Former				
J Segal (1)	Performance Rights Plan 2008/ 11	19 December 2008	597,190	-
	Retention Award	5 July 2006	-	651,940
	Performance Plan 2006/ 09	1 December 2006	-	1,120,020
Executives				
- Current				
K J Gleeson	Performance Rights Plan 2008/ 11	19 December 2008	128,806	-
	Performance Plan 2006/ 09	1 December 2006	-	298,660
B C Walsh	Performance Rights Plan 2008/ 11	19 December 2008	140,515	-
	Performance Plan 2006/ 09	1 December 2006	-	331,840
A Grace	Performance Rights Plan 2008/ 11	19 December 2008	105,386	-
	Performance Plan 2006/ 09	1 December 2006	-	217,360
J Whiteside	Performance Rights Plan 2008/ 11	19 December 2008	105,386	-
	Performance Plan 2006/ 09	1 December 2006	-	232,300
K Lynch (2)	Performance Rights Plan 2008/ 11	19 December 2008	128,806	-
	Performance Plan 2006/ 09	1 December 2006	-	-
J Rintel (3)	Performance Rights Plan 2008/ 11	19 December 2008	81,967	-
	Performance Plan 2006/ 09	1 December 2006	-	52,260
D Brinker (4)	Performance Cash Plan 2008/ 11	19 December 2008	207,738	-
	Performance Plan 2006/ 09	1 December 2006	-	-
G Brinkworth (2)	Performance Rights Plan 2008/ 11	19 December 2008	98,361	-
	Performance Plan 2006/ 09	1 December 2006	-	-
Executives				
- Former				
P Barber (5)	Performance Rights Plan 2008/ 11	19 December 2008	-	-
	Performance Plan 2006/ 09	1 December 2006	-	-

(A) For the 2008/09 financial year, this refers to the number of rights, treated as options, allocated to the participating executive or participating executive director during the reporting period.

(B) For the 2008/09 financial year, this refers to the number of shares, treated as options, that vested during the reporting period.

(1) On 8 May 2009, Mr Segal ceased employment with the Company. In respect of the 651,940 shares granted to Mr Segal in 2006 as a retention award, the shares vested during the financial year and the loan for \$722,000 applied in the purchase of those shares on market was forgiven in full. In respect of the shares, treated as options, granted under the LTI performance plan 2006/09, Mr Segal was granted an award at his maximum LTI opportunity under the LTI performance plan 2006/09 pro rata to his employment during the performance period. In respect of the rights, treated as options, granted to Mr Segal under the LTI performance rights plan 2008/11, these were forfeited in accordance with the applicable plan rules on Mr Segal ceasing employment.

(2) Mr Lynch was appointed as an executive during the 2007/08 financial year and Mr Brinkworth was appointed as an executive during the 2008/09 financial year and they are not participants in the LTI performance plan 2006/09.

(3) Mr Rintel was appointed as an executive during the 2007/08 financial year and the shares, treated as options, granted under the LTI performance plan 2006/09 were granted prior to his appointment as an executive.

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- (4) Mr Brinker was appointed as an executive during the 2007/08 financial year and is not a participant in the LTI performance plan 2006/09. Mr Brinker is the only Key Management Person participating in the LTI performance cash plan 2008/11.
- (5) Mr Barber was appointed as an executive during the 2007/08 financial year and was not a participant in either the LTI performance plan 2006/09 or the LTI performance rights plan 2008/11.

In respect of the LTI performance plan 2006/09, 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.

In respect of the shares and rights that are treated as options for the purposes of remuneration, 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 35 and 36 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 2009 to 31 March 2010 under the LTI performance plan 2006/09, no terms of equity-settled share-based payment transactions (including shares and rights 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.

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Remuneration Report

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

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

		Grant date	Number granted	% Vested in year	% Forfeited in year (A)	Financial year in which grant vests
Key Management Personnel						
Executive Directors						
- Current						
J E Fazzino	Performance Plan 2006/09	1 December 2006	472,880	100%	-	2009
	Performance Plan 2007/10	12 November 2007	137,240	-	-	2010
	Performance Rights Plan 2008/11	19 December 2008	222,482	-	-	2011
- Former						
J Segal (1)	Retention Award	5 July 2006	651,940	100%	-	2009
	Performance Plan 2006/09	1 December 2006	1,120,020	100%	-	2009
	Performance Plan 2007/10	12 November 2007	361,200	-	100%	2010
	Performance Rights Plan 2008/11	19 December 2008	597,190	-	100%	2011
Executives						
- Current						
K J Gleeson	Performance Plan 2006/09	1 December 2006	298,660	100%	-	2009
	Performance Plan 2007/10	12 November 2007	86,680	-	-	2010
	Performance Rights Plan 2008/11	19 December 2008	128,806	-	-	2011
B C Walsh	Performance Plan 2006/09	1 December 2006	331,840	100%	-	2009
	Performance Plan 2007/10	12 November 2007	96,320	-	-	2010
	Performance Rights Plan 2008/11	19 December 2008	140,515	-	-	2011
A Grace	Performance Plan 2006/09	1 December 2006	217,360	100%	-	2009
	Performance Plan 2007/10	12 November 2007	67,420	-	-	2010
	Performance Rights Plan 2008/11	19 December 2008	105,386	-	-	2011
J Whiteside	Performance Plan 2006/09	1 December 2006	232,300	100%	-	2009
	Performance Plan 2007/10	12 November 2007	67,420	-	-	2010
	Performance Rights Plan 2008/11	19 December 2008	105,386	-	-	2011
K Lynch (2)	Performance Plan 2006/09	1 December 2006	-	-	-	-
	Performance Plan 2007/10	12 November 2007	53,240	-	-	2010
	Performance Rights Plan 2008/11	19 December 2008	128,806	-	-	2011
J Rintel (3)	Performance Plan 2006/09	1 December 2006	52,260	100%	-	2009
	Performance Plan 2007/10	12 November 2007	15,160	-	-	2010
	Performance Rights Plan 2008/11	19 December 2008	81,967	-	-	2011
D Brinker (4)	Performance Plan 2006/09	1 December 2006	-	-	-	-
	Performance Plan 2007/10	12 November 2007	66,680	-	-	2010
	Performance Cash Plan 2008/11	19 December 2008	207,738	-	-	2011
G Brinkworth (5)	Performance Plan 2006/09	1 December 2006	-	-	-	-
	Performance Plan 2007/10	12 November 2007	-	-	-	-
	Performance Rights Plan 2008/11	19 December 2008	98,361	-	-	2011
Executives						
- Former						
P Barber (6)	Performance Plan 2006/09	1 December 2006	-	-	-	-
	Performance Plan 2007/10	12 November 2007	84,280	-	100%	2010
	Performance Rights Plan 2008/11	19 December 2008	-	-	-	-

(A) The percentage forfeited in the year represents:

- (i) in the case of rights treated as options, the reduction from the maximum number of rights available to vest due to the performance criteria not being achieved; and
- (ii) in the case of shares treated as options, 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.

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- (1) On 8 May 2009, Mr Segal ceased employment with the Company. In respect of the 651,940 shares granted to Mr Segal in 2006 as a retention award, the shares vested during the financial year and the loan for \$722,000 applied in the purchase of those shares on market was forgiven in full. In respect of the shares, treated as options, granted under the LTI performance plan 2006/09, Mr Segal was granted an award at his maximum LTI opportunity under the LTI performance plan 2006/09 pro rata to his employment during the performance period. In respect of the shares, treated as options, granted under the LTI performance plan 2007/10 and the rights, treated as options, granted under the LTI performance rights plan 2008/11, these were forfeited in accordance with the applicable plan rules on Mr Segal ceasing employment.
- (2) Mr Lynch's employment commenced on 18 February 2008 and he was not a participant in LTI performance plan 2006/09.
- (3) Mr Rintel's shares, treated as options, were granted under the LTI performance plan 2007/10 and the LTI performance plan 2006/09 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 performance plan 2006/09. Mr Brinker is the only Key Management Person participating in the LTI performance cash plan 2008/11.
- (5) Mr Brinkworth's employment commenced on 17 November 2008 and he is not a participant in either the LTI performance plan 2006/09 or the LTI performance plan 2007/10.
- (6) Mr Barber's employment commenced on 10 September 2007 and he was not a participant in the LTI performance plan 2006/09. In respect of the shares, treated as options, granted under the LTI performance plan 2007/10, these were forfeited in accordance with the rules of the plan on Mr Barber ceasing employment. In respect of the LTI performance rights plan 2008/11, Mr Barber was not a participant in this plan.

In respect of the LTI performance plan 2006/09 and the LTI performance plan 2007/10, 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.

The minimum value of shares and rights 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. The maximum value of shares and rights which are treated as options yet to vest is not determinable as it depends on the market price of the Company's shares on the ASX at the date of exercise. This does not apply to shares or rights, which are treated as options, that vested during the reporting period.

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Remuneration Report

E.4 Analysis of movements in shares and rights treated as options

The movement during the reporting period, by value, of shares and rights, 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 2009

		Grant date	Granted during 2009 as remuneration (A) \$000	Vested in year (B) \$000	Forfeited in year (C) \$000	Exercised in year (D) \$000
Key Management Personnel						
Executive Directors						
- Current						
J E Fazzino	Performance Rights Plan 2008/ 11	19 December 2008	67	-	-	-
	Performance Plan 2006/ 09	1 December 2006	-	305	-	-
	Performance Plan 2006/ 08	17 November 2006	-	-	-	305
- Former						
J Segal (1)	Performance Rights Plan 2008/ 11	19 December 2008	179	-	179	-
	Performance Plan 2007/ 10	12 November 2007	-	-	802	-
	Performance Plan 2006/ 09	1 December 2006	-	627	95	-
	Retention Award	5 July 2006	-	722	-	722
Executives						
- Current						
K J Gleeson	Performance Rights Plan 2008/ 11	19 December 2008	39	-	-	-
	Performance Plan 2006/ 09	1 December 2006	-	193	-	-
	Performance Plan 2006/ 08	17 November 2006	-	-	-	193
B C Walsh	Performance Rights Plan 2008/ 11	19 December 2008	42	-	-	-
	Performance Plan 2006/ 09	1 December 2006	-	214	-	-
	Performance Plan 2006/ 08	17 November 2006	-	-	-	214
A Grace	Performance Rights Plan 2008/ 11	19 December 2008	32	-	-	-
	Performance Plan 2006/ 09	1 December 2006	-	140	-	-
	Performance Plan 2006/ 08	17 November 2006	-	-	-	140
J Whiteside	Performance Rights Plan 2008/ 11	19 December 2008	32	-	-	-
	Performance Plan 2006/ 09	1 December 2006	-	150	-	-
	Performance Plan 2006/ 08	17 November 2006	-	-	-	150
K Lynch (2)	Performance Rights Plan 2008/ 11	19 December 2008	39	-	-	-
	Performance Plan 2006/ 09	1 December 2006	-	-	-	-
	Performance Plan 2006/ 08	17 November 2006	-	-	-	-
J Rintel (3)	Performance Rights Plan 2008/ 11	19 December 2008	25	-	-	-
	Performance Plan 2006/ 09	1 December 2006	-	34	-	-
	Performance Plan 2006/ 08	17 November 2006	-	-	-	34
D Brinker (4)	Performance Cash Plan 2008/ 11	19 December 2008	27	-	-	-
	Performance Plan 2006/ 09	1 December 2006	-	-	-	-
	Performance Plan 2006/ 08	17 November 2006	-	-	-	-
G Brinkworth (5)	Performance Rights Plan 2008/ 11	19 December 2008	30	-	-	-
	Performance Plan 2006/ 09	1 December 2006	-	-	-	-
	Performance Plan 2006/ 08	17 November 2006	-	-	-	-
- Former						
P Barber (6)	Performance Rights Plan 2008/ 11	19 December 2008	-	-	-	-
	Performance Plan 2007/ 10	12 November 2007	-	-	187	-
	Performance Plan 2006/ 09	1 December 2006	-	-	-	-
	Performance Plan 2006/ 08	17 November 2006	-	-	-	-

- (A) The value of rights, treated as options, granted in the year is the fair value of those rights calculated at grant date using a binomial option-pricing model. The value of these rights is included in the table above. This amount is allocated to the remuneration of the applicable executive over the vesting period (i.e. in financial years 2009 to 2011 for the LTI performance rights plan 2008/11).
- (B) The value of shares, treated as options, that vested during the year represents awards (in the form of waivers of loans) to the applicable executives who satisfied the criteria under the LTI performance plan 2006/09.
- (C) The value of the shares and rights, treated as options, that lapsed during the year represents the benefit foregone and is calculated at the date they lapsed.
- (D) The value of shares, treated as options, exercised during the year 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 relation to the LTI interim performance plan 2006/08 and, for Mr Segal, in relation to his retention award.

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- (1) On 8 May 2009, Mr Segal ceased employment with the Company. In respect of the 651,940 shares granted to Mr Segal in 2006 as a retention award, the shares vested during the financial year and the loan for \$722,000 applied in the purchase of those shares on market was forgiven in full. In respect of the shares, treated as options, granted under the LTI performance plan 2006/09, Mr Segal was granted an award at his maximum LTI opportunity under the LTI performance plan 2006/09 pro rata to his employment during the performance period. In respect of the shares, treated as options, granted under the LTI performance plan 2007/10 and the rights, treated as options, granted under the LTI performance rights plan 2008/11, these were forfeited in accordance with the applicable plan rules on Mr Segal ceasing employment.
- (2) Mr Lynch's employment commenced on 18 February 2008 and he was 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 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. Mr Brinker is the only Key Management Person participating in the LTI performance cash plan 2008/11.
- (5) Mr Brinkworth's employment commenced on 17 November 2008 and he is not a participant in either the LTI performance plan 2006/09 or the LTI interim performance plan 2006/08.
- (6) Mr Barber's employment commenced on 10 September 2007 and he was not a participant in either the LTI performance plan 2006/09 or the LTI interim performance plan 2006/08. In respect of the shares, treated as options, granted under the LTI performance plan 2007/10, these were forfeited in accordance with the rules of the plan on Mr Barber ceasing employment. In respect of the LTI performance rights plan 2008/11, Mr Barber was not a participant in this plan.

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 principles which the Board sees as fundamental to the Company's continued growth and success and the achievement of its corporate ambition and strategy.

The Board continues to review its corporate governance framework and practices to ensure they meet the interests of shareholders and are consistent with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (2nd edition, 2007) (ASX Recommendations).

This corporate governance statement outlines the key aspects of the Company's corporate governance framework. This statement is structured and numbered in the order of the Principles set out in the ASX Recommendations. It includes cross-references to other relevant information in this report and the Company's charters, policies and codes, details of which are available on the Company's website, www.incitecpivot.com.au.

The Board considers that Incitec Pivot's corporate governance framework and practices have complied with the ASX Recommendations throughout the year ended 30 September 2009.

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

Principle 1: Lay solid foundations for management and oversight

Role of the Board and management

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 the Company.

The Board operates in accordance with the broad principles set out in its Board Charter. A copy of the Board Charter is available on the corporate governance section of the Company's website, www.incitecpivot.com.au. 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.

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

- *Direction and objectives* – approving the Company's corporate strategy and 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 Board Charter, the Board undertakes an annual performance evaluation, comparing its performance against its Charter, setting objectives and effecting any improvements to the Charter.

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.

Each of these Committees has its own Charter which establishes the Committee's terms of reference and operating procedures. In line with the Board 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. Further information about the governance framework and activities of the Committees is set out below.

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

Directors' Report

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delegated to the Managing Director & CEO, including the limits on the way in which the Managing Director & CEO can exercise that authority. A summary of the Delegated and Reserved Powers Policy is set out on the corporate governance section of the Company's website, www.incitecpivot.com.au.

Management performance evaluation

As part of the Board's oversight of senior management, 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 policy in relation to executive remuneration is set out in section B of the remuneration report on page 14.

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.

The executive performance evaluations for the 2008 financial year were conducted in November 2008 in accordance with the process outline above. Performance evaluations for the 2009 financial year are being conducted in the final quarter of the 2009 calendar year.

Principle 2: Structure the Board to add value

Composition of the Board

Incitec Pivot's Constitution requires that the Company must have not less than three and no more than nine directors. Under the Company's Board Charter, the number of directors and composition of the Board is determined having regard to what is appropriate for Incitec Pivot to achieve efficient and prudent decision making. The Board will consist of a majority of non-executive, independent directors.

The Board comprises six directors, including five non-executive directors and one executive director (being the Managing Director & CEO). The Company engages all non-executive directors by a letter of appointment setting out the key terms and responsibilities of their role.

John Watson and Allan McCallum were each appointed as directors by the shareholders on 15 December 1997, Anthony Larkin was appointed as a director on 1 June 2003, James Fazzino on 18 July 2005, John Marlay on 20 December 2006 and Graham Smorgon was appointed to the Board by the directors on 19 December 2008.

Incitec Pivot aims to have directors with an appropriate range of skills, experience and expertise and an understanding of and competence to deal with current and emerging issues in the Company's business. Incitec Pivot's succession plans are designed to maintain an appropriate balance of skills, experience and expertise on the Board.

In these respects, 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 7 of this report.

The ASX Listing Rules 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.

Mr Anthony Larkin is retiring by rotation and standing for re-election at the 2009 Annual General Meeting. Mr Graham Smorgon, who was appointed by the Board to fill a casual vacancy on 19 December 2008, will stand for re-election at the 2009 Annual General Meeting.

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

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

The Board's role is assisted by the Company Secretary. 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 and the Company Secretary is accountable to the Board, through the Chair, on all governance matters.

Board meetings

Details of the Board meetings held during the 2008/09 financial year are set out on page 8 of this report.

The Board holds 10 scheduled meetings during each 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 meeting. Presentations to the Board are frequently made by executives and senior management, and telecommunications technologies may be used to facilitate participation.

Director independence

The Board comprises a majority of independent non-executive directors.

The Board, excluding the director in question, will regularly assess the independence of each director, in light of any interest disclosed by them. The Board considers all of the circumstances relevant to a director in determining whether the director is independent and free from any interest, relationship or matter which could, or 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.

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, Allan McCallum, Anthony Larkin, John Marlay and Graham Smorgon are independent when assessed on the criteria above, taking into account all the relevant interests, matters and relationships of the particular director. As Managing Director & CEO of the Company, James Fazzino is not considered to be an independent director. In summary, of the six directors, the Board considers five directors are independent.

The Board Charter requires that an independent non-executive director hold the position of Chairman.

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.

Remuneration and Appointments Committee

The Remuneration and Appointments Committee has a Charter approved by the Board. A copy of the Charter for the Remuneration and Appointments Committee is available on the corporate governance section of the Company's website, www.incitecpivot.com.au. Under its Charter, the Committee:

- *nominations and 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

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- *remuneration* – assists and advises the Board on remuneration policy for the Board, the Managing Director & CEO, executives, senior management and other employees, for such to be designed to enable Incitec Pivot to attract, retain and motivate its people to create value for shareholders.

In relation to Board nominations and appointments, under the Board Charter, the process of selection and appointment of new directors to the Board is that, when a vacancy arises, the Remuneration and Appointments Committee identifies candidates with appropriate skills, experience and expertise. In turn, under the Remuneration and Appointments Committee Charter, candidates with the skills, experience and expertise that best complement the Board's effectiveness are recommended to the Board. When the Board considers that a suitable candidate has been found, that person is appointed by the Board to fill a casual vacancy in accordance with Incitec Pivot's constitution, however must stand for re-election by shareholders at the next annual general meeting.

The Committee, which formerly comprised all non-executive directors, was reconstituted on 5 September 2008 to comprise three independent 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 2009 is set out on page 8 of this report.

Health, Safety, Environment and Community Committee

The Health, Safety, Environment and Community Committee has a Charter approved by the Board. A copy of the Charter is available on the corporate governance section of the Company's website, www.incitecpivot.com.au. 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 James Fazzino.

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 2009 is set out on page 8 of this report.

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. The Board's annual performance review took place in September 2009 by way of self-assessment of the Board's role, structure and processes, as well as the Board's performance in meeting its responsibilities. The outcomes of that review are included in the 2009/10 objectives for the Board and will be implemented throughout the Company's 2009/10 financial year. In addition, one-on-one interviews occurred between each director and the Chairman. For the director who is retiring by rotation and standing for re-election at the 2009 Annual General Meeting, Mr Anthony Larkin, his performance was reviewed as part of his nomination for re-election. For Mr Graham Smorgon, who is retiring, having been appointed by the Board in 2008, and is standing for re-election at the 2009 Annual General Meeting, his performance was reviewed as part of his nomination for re-election.

The Remuneration and Appointments Committee is responsible for developing and reviewing induction procedures for new appointees to the Board to enable them to effectively discharge their duties. Additionally, the Committee ensures that continuous education measures are in place to enhance director competencies, keep directors up to date and enhance directors' knowledge and skills.

Principle 3: Promote ethical and responsible decision-making

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 designed to ensure ethical conduct is maintained in the interests of shareholders and other stakeholders.

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In particular, Incitec Pivot's key codes of conduct, copies of which are available on the corporate governance section of the Company's website, www.incitecpivot.com.au, are:

- *Incitec Pivot's Code of Ethics – Compliance Policies and Guide*, which is a code of conduct for all employees. The Code's key principles require employees to comply with the letter and spirit of the laws affecting Incitec Pivot's business, as well as the Company's policies and codes; to act honestly and with integrity, and to strive to earn and maintain the respect and trust of co-employees, customers and the wider community; to use Incitec Pivot's resources, including information systems, in an appropriate and responsible way; and to work safely and with due regard for the safety and well-being of fellow employees, contractors, customers and all persons affected by Incitec Pivot's operations or products; to avoid situations which involve or may involve a conflict between their personal interests and the interests of Incitec Pivot; to have due regard for cultural diversity in the workplace; and to respect the environment and ensure that work activities are managed in an acceptable manner so as to give benefit to society.
- *Incitec Pivot's Code of Conduct for Directors and Senior Management*, which sets out additional ethical standards for directors and senior management reporting to the Managing Director & CEO.
- *Incitec Pivot's Health, Safety, Environment & Community Policy*, which sets out the Company's commitment to the Company's values of "Zero Harm for Everyone, Everywhere" and "Care for the Community and our 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.

Employees are encouraged to raise any concerns, including those arising out of activities or behaviour that may not be in accordance with Incitec Pivot's Codes of Conduct, any of its other policies, or any other regulatory requirements with management, the human resources team or the legal and compliance team. Employees can also raise concerns about breaches of the Company's regulatory obligations or internal policies or procedures on an anonymous basis through its whistleblower reporting system. The Company's Whistleblower Protection Policy protects employees who raise concerns about suspected breaches of Incitec Pivot's policies. Incitec Pivot's whistleblower reporting system meets all relevant Australian legislative requirements, and Australian Standard AS8004 (Whistleblower Protection Programs for Entities). Reports on the operation of the system are made to the Audit and Risk Management Committee.

Share ownership and dealing

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. Additionally, 'designated employees' must not enter into hedging arrangements which operate to limit the economic risk of their security holding in Incitec Pivot. In the case of the Company Secretary, she must notify the Chairman or Managing Director & CEO of the proposed share trading and must also give the same written confirmation as a 'designated employee' to the effect that she is not in possession of price sensitive information.

All directors have entered into agreements with Incitec Pivot under which they agree to provide details of changes in their notifiable interests in Incitec Pivot's shares within three business days after the date of change, enabling the ASX to be notified of any share dealings by a director within five business days of the dealing taking place, as required by the ASX Listing Rules.

The Company's Share Trading Policy is available on the corporate governance section of Incitec Pivot's website, www.incitecpivot.com.au.

Details of shares in the Company held by the directors are set out in Note 35, Key management personnel disclosures.

Directors' Report

Corporate Governance Statement

Principle 4: Safeguard integrity in financial reporting

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. It also 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), John Marlay and Graham Smorgon, 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 7 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 2009 is set out on page 8 of this report.

The internal and external auditors, the Managing Director & CEO and the 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 Chief Financial Officer certification – review the certification provided by the Managing Director & CEO and the Chief Financial Officer on annual and half-yearly reports.

Internal control and risk management

- risk management strategies – receive reports from management concerning the Company's risk management principles and policies, and 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;
- disclosure – review the form of disclosure to be made in the Annual Report given by the Managing Director & CEO and Chief Financial Officer as to the effectiveness of the Company's management of material business risks; and
- insurance – monitor the insurance strategy of the Company and recommend approval or variation of insurance policies.

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 the 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.

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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.

External auditor

The role of the external auditor is to provide an independent opinion that the Company's financial reports are true and fair and comply with the applicable regulations.

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 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 23 December 2009, the lead audit partner or appropriate alternates 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.

Principle 5: Make timely and balanced disclosure

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

To achieve these objectives and satisfy the regulatory requirements, the Board has implemented a Continuous Disclosure Policy. The Policy aims to ensure the proper and timely disclosure of 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 Corporations Act 2001 (Cth), 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 Policy appoints the Company Secretary as the Continuous Disclosure Officer whose role includes providing announcements to the ASX and ensuring senior management and employees are kept informed of the Company's obligations and the accountability of the Company and its directors, officers and employees for compliance with the disclosure rules.

The Company's Continuous Disclosure Policy is available on the corporate governance section of Incitec Pivot's website, www.incitecpivot.com.au.

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Principle 6: Respect the rights of shareholders

Incitec Pivot is committed to giving all shareholders comprehensive, timely and equal access to information about its activities so as to enable shareholders to make informed investment decisions and effectively exercise their rights as shareholders.

To achieve these objectives, the Board has adopted a Group Communications Policy. The Policy aims to ensure:

- that the Company's announcements are presented in a factual, clear and balanced way;
- that all shareholders have equal and timely access to material information concerning the Company; and
- shareholder access to information about, and shareholder participation in, general meetings of the Company.

The Company regularly reviews the methods by which it communicates with shareholders so as to ensure it can make best use of new technologies to enhance shareholder communication. The Company places all relevant announcements made to the market, and related information, on the Company's website after they have been released to the ASX.

The Group Communications Policy is available on the corporate governance section of Incitec Pivot's website, www.incitecpivot.com.au.

Principle 7: Recognise and manage risk

Risk oversight and management

Risk is present in all aspects of Incitec Pivot's business. It has the potential to impact people, the environment, the community and the reputation, assets and financial performance of the Company. Incitec Pivot is committed to the effective management of risk, which is central to its continued growth and success and the achievement of the Company's corporate objective and strategy.

Incitec Pivot has adopted a Group Risk Policy for the oversight and management of material business risks and manages risk within a comprehensive risk management process which is consistent with the Australian/New Zealand Standard for Risk Management (AS/NZS 4360:2004). A key element of this risk management process is the Board's assessment on risk, which is based on the level of risk Incitec Pivot is able to sustain in achieving its corporate objective of delivering value to shareholders. Risks are identified, analysed and prioritised using common methodologies and risk controls are designed and implemented having regard to the overall corporate strategy.

The risk controls adopted by Incitec Pivot are administered via a Group-wide framework, and include:

- identifying, evaluating, treating, monitoring, and reporting on material business risks to the Audit and Risk Management Committee;
- the internal audit function;
- annual budgeting and monthly reporting systems to monitor performance;
- delegations of authority;
- guidelines for the authorisation of capital expenditure;
- a compliance program supported by approved guidelines and standards covering health, safety and environment, and regulatory compliance;
- policies and procedures for the management of financial risk and treasury operations, including exposures to foreign currencies and movements in interest rates;
- a letter of assurance process to provide assurance from management that all controls are in place and operating appropriately; and
- business continuity plans.

A summary of the Group Risk Policy is available on the corporate governance section of Incitec Pivot's website, www.incitecpivot.com.au.

Risk management roles and responsibilities

The Board is responsible for reviewing and approving the overall management of risk and internal control. The Board monitors the Company's risk profile, risks and mitigating strategies primarily through the Audit and Risk Management Committee. The Audit and Risk Management Committee's duties with respect to internal control and risk management have been summarised

Directors' Report

Corporate Governance Statement

under the discussion of Principle 4 on page 37 of this report. The Audit and Risk Management Committee and, through it, the Board, receive regular reports from management on the effectiveness of the Company's risk management process.

Incitec Pivot has identified the following material business risks, which it has categorised under its Risk Management Framework as follows:

General Economic and Business Conditions

The current global economic business climate and any sustained downturn in the global, North American or Australian economy may adversely impact Incitec Pivot's overall performance. This may affect, among other things, profitability and demand for fertilisers, industrial chemicals, industrial explosives, and related products and services.

Product price deteriorations could adversely affect Incitec Pivot's business and financial performance:

- Fertilisers are internationally traded commodities with pricing based on international benchmarks and are affected by global supply and demand forces, as well as fluctuations in foreign currency exchange rates, particularly the exchange rate between the Australian dollar and the US dollar.
- Industrial explosives products, particularly ammonium nitrate based explosives, are affected more directly by supply and demand dynamics in industrial explosives markets, such as quarrying, construction and mining.

The appreciation or depreciation of the Australian dollar against the US dollar may materially affect Incitec Pivot's financial performance. A large proportion of Incitec Pivot's sales are denominated either directly or indirectly in foreign currencies, primarily the US dollar. In addition, Incitec Pivot also borrows funds in US dollars, and the Australian dollar equivalent of these borrowings will fluctuate with the exchange rate.

Operational Risks

Incitec Pivot operates manufacturing plants and facilities and is exposed to operational risks associated with the manufacture, distribution and storage of fertilisers, ammonium nitrate and industrial chemicals and industrial explosives products and services. These risks include the need for plant reliability and timely and economic supply of adequate raw materials, such as natural gas, ammonia, phosphate rock, sulphur and sulphuric acid.

Incitec Pivot's manufacturing and distribution systems are vulnerable to unforeseen human error, equipment breakdowns, energy or water disruptions, natural disasters and acts of God, sabotage, terrorist attacks, and other events which may disrupt Incitec Pivot's operations and materially affect its financial performance. In addition, loss from such events may not be recoverable in whole or in part under Incitec Pivot's insurance policies.

A shortage of skilled labour or loss of key personnel could disrupt Incitec Pivot's business operations or adversely affect Incitec Pivot's business and financial performance. Incitec Pivot's manufacturing plants require skilled operators drawn from a range of disciplines, trades and vocations. In addition, the loss of services of one or more of Incitec Pivot's senior management could impede execution of Incitec Pivot's business strategy and result in reduced profitability.

In regard to Incitec Pivot's Fertiliser business, seasonal conditions, particularly rainfall, is a key factor for determining the timing and production of crops, which drives fertiliser demand and sales. Any prolonged adverse weather conditions could impact future profitability and prospects of Incitec Pivot.

Strategy and Planning

Incitec Pivot operates in a competitive environment. The domestic and international fertiliser and industrial explosives industries are highly competitive. The actions of competitors of Incitec Pivot or the entry of new competitors may result in loss of sales and market share which could adversely affect Incitec Pivot's financial performance.

Health Safety and Environment

Incitec Pivot is subject to various operational hazards, including from the manufacture, processing and transportation of its fertiliser and explosives products and in the provision of its related services, which could potentially result in injury or incident to employees, contractors, the public or the environment. Incitec Pivot has adopted a "Zero Harm" policy to manage its health and safety risks.

Directors' Report

Corporate Governance Statement

Compliance and Regulatory Risks

Changes in federal or state government legislation, regulations or policies in any of the countries in which it operates may adversely impact on Incitec Pivot's business, financial condition and results of operations. For instance, Incitec Pivot, as a significant manufacturer, may be affected by the impact of future carbon trading or carbon tax regimes, or future regulation of carbon emissions, together with any legislative requirements relating to climate change or associated issues.

Incitec Pivot's business is subject to environmental laws and regulations that require specific operating licences and impose various requirements and standards. Changes in these laws and regulations, or changes to licence conditions may have a detrimental effect on Incitec Pivot's operations and financial performance, including the need to undertake environmental remediation.

Incitec Pivot is exposed to potential legal and other claims or disputes in the course of its business, including contractual disputes, property damage and personal liability claims in connection with operational and health and safety matters.

Management, through the Managing Director & CEO and Chief Financial Officer, is responsible for the overall design, implementation, management and coordination of the Company's risk management and internal control system.

Each business unit has responsibility for identification and management of risks specific to their business. This is managed through an annual risk workshop within each business unit. The risk workshops are facilitated by the Company's internal auditors, and form part of the annual internal audit program, thereby aligning the internal audit activities with material business risks. The outcomes of the business unit risk workshops are assessed as part of the annual corporate risk workshop. The resultant Corporate Risk Workbook is presented to the Audit and Risk Management Committee on an annual basis, and management is required to present regular updates to the Committee on material business risks.

Internal audit independently monitors the internal control framework and provides regular reports to the Audit and Risk Management Committee. The annual internal audit program is approved by the Audit and Risk Management Committee. Internal audit provides written reports to the Committee on the effectiveness of the management of risk and internal controls, and meets regularly with the Committee without the presence of management.

The Audit and Risk Management Committee and the Board have received reports from management on the effectiveness of the Company's management of its material business risks for the financial year ended 30 September 2009.

CEO and CFO Declaration and Assurance

In accordance with the ASX Recommendations, for the financial year ended 30 September 2009, the Board received written assurance from the Managing Director & Chief Executive Officer and each person performing the function of Chief Financial Officer that the declaration provided by them in accordance with section 295A of the Corporations Act 2001 (Cth) is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to the reporting of financial risks.

Principle 8: Remunerate fairly and responsibly

The Board and Remuneration and Appointments Committee are primarily responsible in relation to the oversight of the Company's remuneration framework and policies. Details of Incitec Pivot's remuneration arrangements are set out in the remuneration report on pages 12 to 31. As set out on page 34 of this report, the Remuneration and Appointments Committee is formed under a Charter approved by the Board, a copy of which is available on the corporate governance section of the Company's website, www.incitecpivot.com.au. The members of the Committee are three independent non-executive directors, being John Watson, Allan McCallum and John Marlay, and the Committee is chaired by the Chairman, John Watson.

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 on page 13.

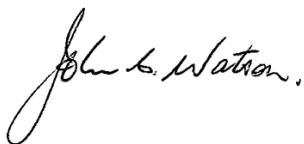
Under the Company's Constitution, the maximum remuneration payable by the Company for the services of non-executive directors in total must not exceed the amount approved by shareholders in general meeting, which is \$2,000,000 as approved at the Annual General Meeting held on 19 December 2008. The total remuneration paid to the non-executive directors during the financial year ended 30 September 2009 was within the maximum amount approved by shareholders.

Directors' Report

Corporate Governance Statement

Details of remuneration paid to the Managing Director & CEO are included in table D.4 "Executives' remuneration" in the remuneration report on page 23. The attendance of the members of the Remuneration and Appointments Committee at each meeting held during the financial year to 30 September 2009 is set out on page 8 of this report.

Signed on behalf of the Board.



John C Watson, AM
Chairman

Dated at Melbourne this 13th day of November 2009



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 2009 there have been:

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

KPMG

KPMG

S Bell

Suzanne Bell
Partner

Melbourne
13 November 2009

Income Statements

For the year ended 30 September 2009

	Notes	Consolidated		Company	
		2009 \$mill	2008 \$mill	2009 \$mill	2008 \$mill
Revenue	(4)	3,418.9	2,918.2	987.5	1,200.1
Other and financial income	(4)	47.4	17.5	515.5	219.6
Operating expenses					
Changes in inventories of finished goods and work in progress		(231.9)	243.7	(262.1)	246.5
Raw materials and consumables used and finished goods purchased for resale		(1,545.1)	(1,478.1)	(644.0)	(1,092.2)
Employee expenses		(548.6)	(259.8)	(102.3)	(101.9)
Costs recovered from subsidiaries under agency agreement		-	-	81.7	71.5
Depreciation and amortisation expense	(5)	(170.5)	(70.3)	(25.6)	(22.3)
Financial expenses	(5)	(126.1)	(95.2)	(87.9)	(67.6)
Purchased services		(188.9)	(165.9)	(82.6)	(84.2)
Repairs and maintenance		(122.3)	(67.7)	(30.7)	(28.0)
Outgoing freight		(173.6)	(140.6)	(110.0)	(122.3)
Lease payments - operating leases	(5)	(52.5)	(36.2)	(20.9)	(19.3)
Profit on share equity accounted investments	(16)	25.0	6.7	-	-
Asset write-downs, clean-up and environmental provisions		(590.1)	(5.0)	(178.8)	(4.8)
Other expenses		(56.3)	(30.8)	(0.2)	(13.9)
		(3,780.9)	(2,099.2)	(1,463.4)	(1,238.5)
Profit / (loss) before income tax		(314.6)	836.5	39.6	181.2
Income tax benefit / (Income tax expense)	(8)	134.7	(231.9)	218.3	2.7
Profit / (loss) for the financial year		(179.9)	604.6	257.9	183.9
		cents	cents		
Earnings per share					
Basic earnings / (loss) per share	(9)	(11.7)	56.5		
Diluted earnings / (loss) per share	(9)	(11.7)	56.5		

The above Income Statements are to be read in conjunction with the Notes to the Financial Statements set out on pages 50 to 117.

Statements of Comprehensive Income

For the year ended 30 September 2009

	Consolidated		Company	
	2009 \$mill	2008 \$mill	2009 \$mill	2008 \$mill
Profit / (loss) for the financial year	(179.9)	604.6	257.9	183.9
Other comprehensive income				
Cash flow hedging reserve				
Changes in fair value of cash-flow hedges	(15.9)	(2.0)	(12.9)	(0.1)
Profit / (loss) in cash-flow hedges transferred to income statement	2.2	(1.5)	-	(1.5)
Income tax on movements in the cash-flow hedging reserve	4.4	1.1	3.8	0.5
	(9.3)	(2.4)	(9.1)	(1.1)
Fair value reserve				
Change in fair value of assets held as available for sale	14.2	(16.9)	14.2	(16.9)
Income tax on change in fair value of assets held as available for sale	(4.2)	5.1	(4.2)	5.1
	10.0	(11.8)	10.0	(11.8)
Foreign currency translation reserve				
Exchange differences on translation of foreign operations	(276.9)	363.5	-	-
Exchange differences on non-repayable inter-company loans	19.6	7.7	-	-
	(257.3)	371.2	-	-
Actuarial (losses) / gains on defined benefit plan				
Actuarial (losses) / gains on defined benefit plans	(25)	(33.3)	(38.0)	(2.6)
Income tax on actuarial (losses) / gains on defined benefit plans		12.7	11.9	0.8
		(20.6)	(1.8)	(3.6)
Total other comprehensive income / (expense)	(277.2)	330.9	(0.9)	(16.5)
Total comprehensive income / (expense) for the financial year	(457.1)	935.5	257.0	167.4

The above Statements of Comprehensive Income are to be read in conjunction with the Notes to the Financial Statements set out on pages 50 to 117.

Statements of Financial Position

As at 30 September 2009

	Notes	Consolidated		Company	
		2009 \$mill	Restated ⁽ⁱ⁾ 2008 \$mill	2009 \$mill	2008 \$mill
Current assets					
Cash and cash equivalents	(10)	125.2	479.7	93.1	400.4
Trade and other receivables	(11)	323.0	625.3	79.4	357.0
Other financial assets	(14)	71.2	30.3	59.5	30.3
Inventories	(12)	397.1	675.2	205.4	468.5
Current tax assets		32.4	-	31.5	-
Other assets	(13)	30.7	51.7	11.3	37.9
Assets classified as held for sale	(15)	54.3	4.8	2.9	2.0
Total current assets		1,033.9	1,867.0	483.1	1,296.1
Non-current assets					
Trade and other receivables	(11)	32.1	2.3	1,162.0	0.2
Investments accounted for using the equity method	(16)	254.0	311.2	-	-
Other financial assets	(14)	135.9	0.6	3,080.2	2,897.3
Property, plant and equipment	(17)	1,663.4	1,670.6	207.7	214.3
Intangible assets	(18)	3,153.0	3,962.1	5.1	6.6
Deferred tax assets	(19)	354.2	371.5	89.7	33.9
Other assets	(13)	4.7	0.1	3.2	0.1
Total non-current assets		5,597.3	6,318.4	4,547.9	3,152.4
Total assets		6,631.2	8,185.4	5,031.0	4,448.5
Current liabilities					
Trade and other payables	(20)	636.7	1,132.0	662.0	1,169.3
Interest bearing liabilities	(21)	432.2	2,238.8	47.2	180.5
Other financial liabilities	(22)	12.9	16.2	12.9	13.8
Current tax liabilities		-	225.3	-	211.7
Provisions	(23)	93.4	88.6	46.3	47.7
Total current liabilities		1,175.2	3,700.9	768.4	1,623.0
Non-current liabilities					
Trade and other payables	(20)	426.6	520.0	831.7	337.7
Interest bearing liabilities	(21)	1,156.4	271.2	-	-
Deferred tax liabilities	(24)	312.8	380.4	-	-
Retirement benefit obligation	(25)	91.6	66.8	5.5	2.4
Provisions	(23)	87.5	90.8	50.2	46.3
Total non-current liabilities		2,074.9	1,329.2	887.4	386.4
Total liabilities		3,250.1	5,030.1	1,655.8	2,009.4
Net assets		3,381.1	3,155.3	3,375.2	2,439.1
Equity					
Issued capital	(26)	3,217.8	2,267.7	3,217.8	2,267.7
Reserves		119.1	371.9	13.7	12.8
Retained earnings		44.2	515.7	143.7	158.6
Total equity		3,381.1	3,155.3	3,375.2	2,439.1

The above Statements of Financial Position are to be read in conjunction with the Notes to the Financial Statements set out on pages 50 to 117.

(i) Comparative information has been restated to reflect the amendments to provisional asset and liability fair values on acquisition of Dyno Nobel Limited in the prior financial year (see Note 28).

Statements of Cash Flows

For the year ended 30 September 2009

	Notes	Consolidated		Company	
		2009 \$mill	2008 \$mill	2009 \$mill	2008 \$mill
		Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities					
Receipts from customers		3,878.5	2,911.1	1,128.4	1,107.0
Payments to suppliers and employees		(3,330.6)	(1,957.7)	(1,130.4)	(569.2)
Interest received		23.6	14.9	8.5	9.5
Financial expenses paid		(115.8)	(77.1)	(71.3)	(57.5)
Dividends received from wholly-owned controlled entities	(34)	-	-	414.4	190.3
Other revenue received		28.0	7.7	0.7	6.8
Income taxes paid		(146.3)	(76.3)	(138.0)	(68.0)
Net cash flows from operating activities	(29)	337.4	822.6	212.3	618.9
Cash flows from investing activities					
Payments for property, plant and equipment and intangibles		(393.0)	(227.4)	(22.9)	(55.2)
Payments for purchase of subsidiaries, net of cash acquired	(28)	1.0	(526.4)	-	-
Payments for purchase of share in joint ventures and associates		-	(11.6)	-	-
Payments for purchase of investments		(3.0)	(48.4)	(3.0)	(48.4)
Proceeds from sale of property, plant and equipment		52.5	9.8	9.7	10.2
Net cash flows from investing activities		(342.5)	(804.0)	(16.2)	(93.4)
Cash flows from financing activities					
Repayments of borrowings		(4,232.4)	(1,569.0)	(1,563.9)	(759.0)
Proceeds from borrowings		2,972.6	2,395.3	434.0	647.2
Payment of borrowing costs		(18.3)	(7.7)	-	-
Proceeds from shares issued		901.7	-	901.7	-
Repayments of step-up preference shares		-	(345.0)	-	-
Payment of distributions to step-up preference shareholders		-	(13.8)	-	-
Realised market value gains on cross currency swaps		306.3	-	-	-
Share issuance cost paid		(37.8)	(2.0)	(37.8)	(2.0)
Dividends paid		(237.4)	(219.3)	(237.4)	(219.3)
Net cash flows from financing activities		(345.3)	238.5	(503.4)	(333.1)
Net increase in cash and cash equivalents held		(350.4)	257.1	(307.3)	192.4
Cash and cash equivalents at the beginning of the financial year		479.7	218.3	400.4	208.0
Effect of exchange rate fluctuation on cash and cash equivalents held		(4.1)	4.3	-	-
Cash and cash equivalents at the end of the financial year	(10)	125.2	479.7	93.1	400.4

The above Statements of Cash Flows are to be read in conjunction with the Notes to the Financial Statements set out on pages 50 to 117.

Statements of Changes in Equity

For the year ended 30 September 2009

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 2007	360.8	1.1	(8.0)	-	24.6	156.5	535.0
Total comprehensive income for the period	-	(2.4)	-	371.2	(11.8)	578.5	935.5
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	(1.3)	(10.8)	371.2	12.8	515.7	3,155.3
Balance at 1 October 2008	2,267.7	(1.3)	(10.8)	371.2	12.8	515.7	3,155.3
Total comprehensive income for the period	-	(9.3)	-	(257.3)	10.0	(200.5)	(457.1)
Dividends paid	-	-	-	-	-	(271.0)	(271.0)
Shares issued during the period	987.9	-	-	-	-	-	987.9
Transaction cost on issuing shares	(37.8)	-	-	-	-	-	(37.8)
Share based payment transactions							
Dividends received as loan repayment	-	-	1.8	-	-	-	1.8
Option expense	-	-	2.2	-	-	-	2.2
Deferred tax on share based payments	-	-	0.3	-	-	-	0.3
Loan repayments	-	-	2.9	-	-	-	2.9
Employee shareholder loans	-	-	(3.4)	-	-	-	(3.4)
Balance at 30 September 2009	3,217.8	(10.6)	(7.0)	113.9	22.8	44.2	3,381.1

The Statements of Changes in Equity should be read in conjunction with the Notes to the Financial Statements set out on pages 50 to 117.

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

Share-based payments reserve: The share-based payments reserve 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 2009

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 2007	360.8	1.1	-	-	24.6	197.6	584.1
Total comprehensive income for the period	-	(1.1)	-	-	(11.8)	180.3	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	-	-	-	12.8	158.6	2,439.1
Balance at 1 October 2008	2,267.7	-	-	-	12.8	158.6	2,439.1
Total comprehensive income for the period	-	(9.1)	-	-	10.0	256.1	257.0
Dividends paid	-	-	-	-	-	(271.0)	(271.0)
Shares issued during the period	987.9	-	-	-	-	-	987.9
Transaction cost on issuing shares	(37.8)	-	-	-	-	-	(37.8)
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 2009	3,217.8	(9.1)	-	-	22.8	143.7	3,375.2

The Statements of Changes in Equity should be read in conjunction with the Notes to the Financial Statements set out on pages 50 to 117.

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

Share-based payments reserve: The share-based payments reserve 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 2009

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Notes to the Financial Statements

For the year ended 30 September 2009

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 13 November 2009.

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. Interests in jointly controlled entities and associates are equity accounted (recorded as Investments accounted for using the equity method) and recorded as an equity investment and are not part of the Consolidated entity (Refer Note 1 (ii) (b)).

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 2009, the Company and Consolidated entity's current liabilities exceeded their current assets by \$285.3m and \$141.3m respectively. The Consolidated entity's forecasted cash flows for the next twelve months indicate that it will be able to meet current liabilities as and when they fall due, in addition the Consolidated entity has un-drawn financing facilities of \$817.5m at 30 September 2009.

The Company's current liabilities exceeded their 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 2009 which decreases the amount due to wholly owned controlled entities by \$232.2m.

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, financial instruments held for trading and liabilities for cash settled share based payment arrangements 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 certain Australian Accounting Standards and interpretations which permit early adoption. The decision to early adopt those standards and interpretations ensures that policy elections described below, including AIFRS transition exemptions, are available. The principal standards and interpretations that have been early adopted are:

- AASB 2008-8 *Amendments to Australian Accounting Standards – Eligible Hedged Items* (August 2008)
- AASB 2009-6 *Amendments to Australian Accounting Standards* (June 2009)
- AASB 2009-7 *Amendments to Australian Accounting Standards* (July 2009)
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group cash-settled share-based payments* (July 2009)

The early adoption of AASB 2008-8 changes the Company and Consolidated entity's accounting policy in regards to treatment of options as an effective hedge instrument. This has resulted in the following changes to the Company and Consolidated entity's financial statements:

- (i) In the prior year, the movement in market value of option premiums was booked to the Cash Flow Hedging Reserve. AASB 2008-8 requires the decrease in the market value (time related portion) of the option premiums to be expensed, resulting in \$13.8m (\$9.7m net of tax) being transferred from the Cash Flow Hedging Reserve to the Income Statement. The Company and Consolidated entity's prior year Income Statement has been restated (reduced) by \$13.8m (\$9.7m net of tax).
- (ii) In the current year, the movement in market value (time related portion) of option premiums (open at year end) totalling \$3.9m (\$2.7m net of tax) has been recognised as income; in the event that AASB 2008-8 had not been adopted early this amount would have been transferred to the Cash Flow Hedging Reserve.

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.
- AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments* (April 2009)
- AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* (May 2009)
- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* (May 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.

Notes to the Financial Statements

For the year ended 30 September 2009

1. Significant accounting policies (continued)

(ii) Consolidation

(a) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Incitec Pivot Limited as at 30 September 2009 and the results of all subsidiaries for the year then ended. Subsidiaries are all those entities over which the Consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated entity controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated entity. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Consolidated entity (refer to Note 1(xiv)).

Inter-company transactions, balances and unrealised gains on transactions between consolidated companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated entity. Investments in subsidiaries are accounted for at cost in the individual financial statements of Incitec Pivot Limited.

(b) Associates and jointly controlled entities

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.

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 equity movements of equity accounted investees, after adjustments to align the accounting 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, where the costs incurred or to be incurred cannot be measured reliably, where there is a risk of return of goods or where there is continuing management involvement with the goods.

Interest income is recognised as it accrues.

Dividends receivable 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

The grant date fair value of shares and rights, treated as options, granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options.

The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met.

The fair value of the amount payable to employees in respect of rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured during each reporting period and at settlement date. Any changes in the fair value of the liability are recognised as employee expenses in the Income Statement.

(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.

Notes to the Financial Statements

For the year ended 30 September 2009

1. Significant accounting policies (continued)

(vi) Taxation (continued)

Tax Consolidation (continued)

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.

(viii) Trade and other receivables

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

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be 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.

Impairment losses are recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell 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 the Income Statement on a straight line basis over the term of the lease.

Notes to the Financial Statements

For the year ended 30 September 2009

1. Significant accounting policies (continued)

(xiii) Intangible assets

(a) 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.

(b) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the 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.

(c) Other intangible assets

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

(d) Subsequent expenditure

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

(e) 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
- Product trademarks 4 – 10 years
- Patents 13 – 15 years
- Customer contracts 13 – 15 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. 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.

(a) Environmental

Estimated costs relating to the remediation of soil, groundwater and untreated waste that have arisen as a result of past events are usually taken to the 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.

Notes to the Financial Statements

For the year ended 30 September 2009

1. Significant accounting policies (continued)

(xvi) Provisions (continued)

(b) Decommissioning

The present value of the estimated costs of dismantling and removing an asset and restoring the site on which it is located are recognised as 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.

(c) 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.

Short term incentive plans

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

(d) 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.

(e) 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.

(f) 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.

(g) 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 Consolidated entity'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.

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, the gain or loss is transferred to the cash flow hedging reserve.

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.

Notes to the Financial Statements

For the year ended 30 September 2009

1. Significant accounting policies (continued)

(xix) Derivative financial instruments (continued)

Hedging (continued)

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.

(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.

(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 contracts is calculated as the present value of the estimated future cash flows. The fair value of cross currency interest rate swaps is determined using market based forward interest and exchange rates and the present value of estimated future cash flows. The fair value of foreign exchange options is determined using market rates and a present value calculation based on the Black Scholes method. The fair value of

forward exchange contracts is determined using forward exchange market rates at the balance sheet date and the present value of the estimated future cash flows. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future cash flows at the current market interest rate that is available to the 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 (excluding receivables – refer to Note 1 (viii)) is determined as the higher of fair value less cost to sell and value in use. The recoverable amount is estimated for each individual asset or where it is not possible to estimate for individual assets, it is estimated for the cash generating unit to which the asset belongs.

A cash generating unit is the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets with each cash generating unit being no larger than a segment. In calculating recoverable amount, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or cash generating unit. Cash flows are estimated for the asset in its present condition and therefore do not include cash inflows or outflows that improve or enhance the 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 2009

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 Financial Report:

- 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; and
- valuation of assets and liabilities acquired in a business combination.

The Moranbah Nitrate plant construction in progress fixed asset is recorded at cost in the financial report (carrying value of \$323.3m), on the basis that the project is highly probable to proceed to completion.

(i) Impairment of assets

The determination of impairment for property, plant and equipment, goodwill and other intangible assets involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in competitive positions, expectations of growth, increased cost of capital, current replacement costs, increases in cost of inputs, and other factors which may indicate impairment. An asset is considered impaired when the recoverable amount is less than the carrying value. Recoverable amount is determined as the higher of fair value less costs to sell and value-in-use. In calculating value-in-use, the cash flows include projections of cash inflows and outflows from continuing use of the asset and cash flows associated with disposal of the asset. The cash flows are estimated for the asset in its current condition. In assessing value-in-use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or Cash Generating Unit (CGU). The identification of impairment indicators, the estimation of future cash flows and the determination of fair values of assets (or groups of assets) requires management to make significant estimates and judgements concerning the identification of impairment indicators, earnings before interest and tax, growth rates, applicable discount rates, useful lives and residual 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 incurred 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) (a) & Note 1 (xvi) (f) 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) (d) 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 2009

3. Segment report

(a) Description of segments

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 manufacture and sale of industrial explosives and related products and services to mining, quarrying and construction industries.

(b) Primary reporting format – business segments

30 September 2009	Fertilisers \$mill	Explosives \$mill	Consolidation adjustments \$mill	Consolidated \$mill
External sales	1,591.3	1,827.6	-	3,418.9
Profit before depreciation, amortisation, interest, related income tax expense and individually material items	318.3	421.9	2.8	743.0
Depreciation and amortisation (excluding individually material items)	(41.9)	(125.4)	-	(167.3)
Profit from ordinary activities before interest, related income tax expense and individually material items	276.4	296.5	2.8	575.7
Individually material items before related income tax expense	(163.2)	(619.5)	-	(782.7)
Profit / (Loss) before interest and related income tax benefit	113.2	(323.0)	2.8	(207.0)
Interest income				10.8
Financial expenses (excluding individually material items)				(118.4)
Loss before income tax				(314.6)
Income tax benefit				134.7
Loss for the financial year				(179.9)

30 September 2009	Fertilisers \$mill	Explosives \$mill	Consolidation adjustments \$mill	Consolidated \$mill
Segment assets	2,504.3	5,444.4	(1,571.5)	6,377.2
Investment in associates accounted for using the equity method	-	254.0	-	254.0
Total assets	2,504.3	5,698.4	(1,571.5)	6,631.2
Segment liabilities	1,301.6	3,520.0	(1,571.5)	3,250.1
Total liabilities	1,301.6	3,520.0	(1,571.5)	3,250.1

Share of profits in associates	-	25.0	-	25.0
Acquisition of property, plant and equipment, intangibles and other non-current assets	50.4	294.3	-	344.7
Impairment losses - inventories	114.0	11.3	-	125.3
Impairment losses - trade receivables	-	2.4	-	2.4
Impairment losses - goodwill	-	490.6	-	490.6
Impairment losses - property, plant and equipment	1.7	78.7	-	80.4

Notes to the Financial Statements

For the year ended 30 September 2009

3. Segment report (continued)

(b) Primary reporting format – business segments (continued)

30 September 2008	Fertilisers \$mill	Explosives \$mill	Consolidation adjustments \$mill	Consolidated \$mill
External sales	2,347.5	570.9	(0.2)	2,918.2
Profit before depreciation, amortisation, interest, related income tax expense and individually material items	927.1	109.5	(11.0)	1,025.6
Depreciation and amortisation	(40.3)	(30.0)	-	(70.3)
Profit from ordinary activities before interest, related income tax expense and individually material items	886.8	79.5	(11.0)	955.3
Individually material items before related income tax expense	(17.2)	(21.0)	-	(38.2)
Profit before interest and related income tax expense	869.6	58.5	(11.0)	917.1
Interest income				8.8
Financial expenses (excluding individually material items)				(89.4)
Profit before income tax				836.5
Income tax expense				(231.9)
Profit for the financial year				604.6

30 September 2008	Fertilisers \$mill	Explosives \$mill	Consolidation adjustments \$mill	Consolidated \$mill
Segment assets	2,175.1	5,883.0	(183.9)	7,874.2
Investment in associates accounted for using the equity method	-	311.2	-	311.2
Total assets	2,175.1	6,194.2	(183.9)	8,185.4
Segment liabilities	1,578.7	3,635.3	(183.9)	5,030.1
Total liabilities	1,578.7	3,635.3	(183.9)	5,030.1
Share of profits in associates	-	6.7	-	6.7
Acquisition of property, plant and equipment, intangibles 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.

30 September 2009	Australia/Asia \$mill	Americas \$mill	Consolidation adjustments \$mill	Consolidated \$mill
Revenue from external customers	2,103.8	1,315.1	-	3,418.9
Segment assets	3,358.7	4,590.0	(1,571.5)	6,377.2
Acquisition of property, plant and equipment, intangibles and other non-current assets	273.3	71.4	-	344.7

30 September 2008	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	5,063.2	(183.9)	7,874.2
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 2009

	Notes	Consolidated		Company	
		2009 \$mill	2008 \$mill	2009 \$mill	2008 \$mill
4. Revenue and other income					
Revenue					
External sales		3,418.9	2,918.2	918.6	1,158.9
Sales to wholly-owned controlled entities		-	-	68.9	41.2
Total revenue		3,418.9	2,918.2	987.5	1,200.1
Other income					
Dividend income					
wholly-owned controlled entities	(34)	-	-	414.4	190.3
Net foreign exchange gains		-	2.2	44.8	11.0
Royalty income		22.9	-	-	-
Net gain on sale of property, plant and equipment	(29)	13.3	2.9	5.5	3.0
Other income		0.4	3.6	0.1	5.4
Total other income		36.6	8.7	464.8	209.7
Financial income					
Interest income from external parties		9.2	-	8.5	-
Interest income from wholly-owned controlled entities		-	-	42.2	2.2
Interest income from joint ventures and associates	(34)	1.6	-	-	-
Interest income on bank deposits		-	7.3	-	6.2
Profit in cash-flow hedges transferred from equity		-	1.5	-	1.5
Total financial income		10.8	8.8	50.7	9.9
Total other and financial income		47.4	17.5	515.5	219.6
5. Expenses					
Profit before income tax includes the following specific expenses:					
Depreciation & Amortisation					
depreciation	(17)	139.0	60.8	23.2	19.9
amortisation	(18)	31.5	9.5	2.4	2.4
	(29)	170.5	70.3	25.6	22.3
Recoverable amount write-down					
property, plant and equipment	(17),(29)	80.4	0.4	0.3	-
intangible assets	(18),(29)	490.6	-	-	-
investments in controlled entities		-	-	163.7	-
		571.0	0.4	164.0	-
Amounts set aside to provide for					
impairment loss on trade and other receivables		2.4	1.9	-	1.6
employee entitlements		29.1	11.2	11.9	10.5
environmental liabilities	(23)	17.1	5.0	14.9	4.8
inventory losses and obsolescence		125.3	1.9	114.0	3.1
other provisions	(23)	0.7	21.1	-	20.8
restructuring	(23)	27.4	17.7	7.0	5.3
Lease payments – operating leases		52.5	36.2	20.9	19.3
Net foreign exchange losses		1.5	-	-	-
Research and development		8.1	3.4	0.4	0.7
Defined contribution superannuation expense		15.1	7.1	6.0	5.3
Defined benefit superannuation expense	(25)	7.9	2.1	1.6	1.3
Financial expenses					
Write off of borrowing costs	(6)	7.7	5.8	7.7	5.8
Unwinding of discount on provisions and other payables	(29)	9.1	16.2	1.9	1.4
Interest expenses on financial liabilities		108.8	73.2	67.6	55.0
Interest expenses on financial liabilities with wholly-owned controlled entities		-	-	10.7	5.4
Interest expenses on financial liabilities with joint ventures and associates	(34)	0.5	-	-	-
Total financial expenses		126.1	95.2	87.9	67.6

Notes to the Financial Statements

For the year ended 30 September 2009

	2009			2008		
	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 - Fertiliser business ⁽¹⁾						
restructuring and other direct costs	-	-	-	(0.8)	0.2	(0.6)
Total business restructuring	-	-	-	(0.8)	0.2	(0.6)
Business restructuring costs - Orica Separation and Integration ⁽²⁾						
restructuring and other direct costs	-	-	-	(3.7)	1.1	(2.6)
Total business restructuring	-	-	-	(3.7)	1.1	(2.6)
Business restructuring costs - Dyno Nobel Integration ⁽³⁾						
restructuring and other direct costs	(24.3)	8.0	(16.3)	(16.3)	3.5	(12.8)
employee redundancies and allowances	(33.7)	12.0	(21.7)	(11.6)	1.8	(9.8)
Total business restructuring	(58.0)	20.0	(38.0)	(27.9)	5.3	(22.6)
Business restructuring costs - Manufacturing and Distribution ⁽⁴⁾						
restructuring and other direct costs	(127.7)	43.9	(83.8)	-	-	-
employee redundancies and allowances	(14.5)	4.8	(9.7)	-	-	-
Total business restructuring	(142.2)	48.7	(93.5)	-	-	-
Other						
write-off of borrowing costs ⁽⁵⁾	(7.7)	2.3	(5.4)	(5.8)	1.7	(4.1)
inventory NRV provision ⁽⁶⁾	(84.2)	25.3	(58.9)	-	-	-
tax gain on sale of subsidiary ⁽⁷⁾	-	-	-	-	(13.0)	(13.0)
tax benefit on foreign exchange ⁽⁸⁾	-	158.7	158.7	-	-	-
impairment of intangible assets ⁽⁹⁾	(490.6)	-	(490.6)	-	-	-
Total other	(582.5)	186.3	(396.2)	(5.8)	(11.3)	(17.1)
Individually material items	(782.7)	255.0	(527.7)	(38.2)	(4.7)	(42.9)

(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 2008 financial year, additional expenditure was recognised in relation to further business efficiency projects.

(2) Additional expenditure was incurred during the 2008 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) The impact of the Global Financial Crisis has resulted in the Consolidated entity changing its strategy in how it manages its manufacturing and distribution assets. The Consolidated entity has changed from a growth focus to a maintenance focus which has resulted in a restructuring of manufacturing and distribution operations leading to redundancies, termination of capital projects and exiting / idling certain sites (Cockle Creek, Geelong, Maitland, Port Ewen and Battle Mountain).

(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 establishment costs are required to be written off.

(6) During 2009, sales volumes and market prices for imported phosphate rock based products declined significantly. The provision represents the write down of the phosphate rock component of finished goods and phosphate rock on hand to net realisable value.

(7) 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 restructuring activities following the acquisition of Dyno Nobel Limited during the period.

(8) Tax benefit associated with foreign exchange losses realised on USD Debt during the period.

(9) Impairment of goodwill recognised on the acquisition of Dyno Nobel Limited. Refer Note 18 for further detail.

Notes to the Financial Statements

For the year ended 30 September 2009

	2009			2008		
	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 - Fertiliser business ⁽¹⁾						
restructuring and other direct costs	-	-	-	(0.8)	0.2	(0.6)
Total business restructuring	-	-	-	(0.8)	0.2	(0.6)
Business restructuring costs - Separation and Integration ⁽²⁾						
restructuring and other direct costs	-	-	-	(3.7)	1.1	(2.6)
Total business restructuring	-	-	-	(3.7)	1.1	(2.6)
Business restructuring costs - Dyno Nobel Integration ⁽³⁾						
restructuring and other direct costs	(13.3)	4.0	(9.3)	(7.0)	2.1	(4.9)
employee redundancies and allowances	(4.4)	1.3	(3.1)	-	-	-
Total business restructuring	(17.7)	5.3	(12.4)	(7.0)	2.1	(4.9)
Business restructuring costs - Manufacturing restructure ⁽⁴⁾						
restructuring and other direct costs	(45.6)	13.7	(31.9)	-	-	-
employee redundancies and allowances	(8.0)	2.5	(5.5)	-	-	-
Total business restructuring	(53.6)	16.2	(37.4)	-	-	-
Other						
write-off of borrowing costs ⁽⁵⁾	(7.7)	2.3	(5.4)	(5.8)	1.7	(4.1)
inventory NRV provision ⁽⁶⁾	(84.2)	25.3	(58.9)	-	-	-
tax benefit on foreign exchange ⁽⁷⁾	-	158.7	158.7	-	-	-
impairment of investment in a controlled entity ⁽⁸⁾	(163.7)	-	(163.7)	-	-	-
Total other	(255.6)	186.3	(69.3)	(5.8)	1.7	(4.1)
Individually material items	(326.9)	207.8	(119.1)	(17.3)	5.1	(12.2)

(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 2008 financial year, additional expenditure was recognised in relation to further business efficiency projects.

(2) Additional expenditure was incurred during the 2008 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) The impact of the Global Financial Crisis has resulted in the Company changing its strategy in how it manages its manufacturing and distribution assets. The Company has changed from a growth focus to a maintenance focus which has resulted in a restructuring of manufacturing and distribution operations leading to redundancies, termination of capital projects and exiting / idling certain sites (Cockle Creek and Geelong).

(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 establishment costs are required to be written off.

(6) During 2009, sales volumes and market prices for imported phosphate rock based products declined significantly. The provision represents the write down of the phosphate rock component of finished goods and phosphate rock on hand to net realisable value.

(7) Tax benefit associated with foreign exchange losses realised on USD Debt during the period.

(8) Impairment of investment related to the acquisition of Dyno Nobel Limited. The investment is lower than the impairment of goodwill as a result of favourable foreign exchange movements and earnings post acquisition.

Notes to the Financial Statements

For the year ended 30 September 2009

Consolidated		Company	
2009	2008	2009	2008
\$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	1,543.4	997.8	1,154.3	997.8
Auditors of the Consolidated entity - KPMG Overseas	1,393.3	1,248.0	-	-
Other auditors	106.8	-	2.0	-
	3,043.5	2,245.8	1,156.3	997.8

Non audit services

Auditors of the Consolidated entity - KPMG Australia				
taxation services	266.0	-	225.8	-
other services	380.0	5.0	380.0	5.0
	646.0	5.0	605.8	5.0
	3,689.5	2,250.8	1,762.1	1,002.8

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 2009

	Consolidated		Company	
	2009	2008	2009	2008
	\$mill	\$mill	\$mill	\$mill

8. Income tax expense / (benefit)

(a) Income tax expense / (benefit)

Current tax

Current year	(4.6)	226.5	(96.0)	19.7
Benefit of favourable tax ruling	(63.1)	(8.6)	(61.4)	(0.6)
	(67.7)	217.9	(157.4)	19.1

Deferred tax

Origination and reversal of temporary differences	(67.0)	14.0	(60.9)	(21.8)
Total income tax expense / (benefit)	(134.7)	231.9	(218.3)	(2.7)

(b) Numerical reconciliation of income tax expense / (benefit) and pre-tax accounting profit / (loss)

Profit / (loss) before income tax	(314.6)	836.5	39.6	181.2
Income tax expense / (benefit) attributable to profit / (loss) before income tax				
Tax at the Australian tax rate of 30% (2008 at 30%) on profit / (loss) before income tax	(94.4)	251.0	11.9	54.4
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:				
Depreciation and amortisation	3.0	0.8	0.1	0.1
Profit on sale of property, plant and equipment	0.2	-	0.4	0.2
Research and development incentive	(4.3)	(3.0)	(0.6)	(0.7)
Dividends from wholly-owned entities	-	-	(124.3)	(57.1)
Interest deductible in domestic and foreign tax jurisdictions	(17.1)	(4.9)	-	-
Share-based payments	0.5	0.2	0.7	0.8
Lease payments (net)	(16.9)	(6.1)	-	-
Capital gains	-	11.8	-	-
Capital losses not previously recognised	-	(2.9)	-	-
Impairment of investment in a controlled entity	-	-	49.1	-
Impairment of intangible assets	147.2	-	-	-
Valuation allowances	32.9	(2.7)	16.1	-
Foreign exchange losses	(110.3)	-	(97.8)	-
Sundry items	(10.0)	(2.8)	(12.5)	0.2
	(69.2)	241.4	(156.9)	(2.1)
Difference in overseas tax rates	(2.4)	(0.9)	-	-
Benefit of favourable tax ruling	(63.1)	(8.6)	(61.4)	(0.6)
Income tax expense / (benefit) attributable to profit	(134.7)	231.9	(218.3)	(2.7)

(c) Amounts recognised directly in equity

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

Net deferred tax - debited / (charged) directly to equity	12.3	(22.2)	(0.5)	(11.1)
	12.3	(22.2)	(0.5)	(11.1)

Notes to the Financial Statements

For the year ended 30 September 2009

	Notes	Consolidated	
		2009 Cents per share	2008 Cents per share ⁽²⁾
9. Earnings per share (EPS)			
Basic earnings / (losses) per share			
including individually material items		(11.7)	56.5
excluding individually material items		22.6	60.5
Diluted earnings / (losses) per share			
including individually material items		(11.7)	56.5
excluding individually material items		22.6	60.5
		Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share ⁽¹⁾⁽²⁾		1,541,925,068	1,069,506,540
		\$mill	\$mill
Earnings / (losses) used in the calculation of basic and diluted earnings per share including individually material items		(179.9)	604.6
Reconciliation of earnings used in the calculation of basic and diluted earnings per share excluding individually material items			
Profit / (loss) for the financial year		(179.9)	604.6
Add back individually material items after income tax	(6)	527.7	42.9
Earnings used in calculation of basic and diluted EPS excluding individually material items		347.8	647.5

(1) 395,305,775 shares were issued during the year ended 30 September 2009.

(2) In September 2008, shareholders approved a share split whereby every fully paid ordinary share was split into 20 fully paid ordinary shares.

	Notes	Consolidated		Company	
		2009 \$mill	2008 \$mill	2009 \$mill	2008 \$mill
10. Cash and cash equivalents					
Cash at bank and on hand		84.0	114.6	51.9	35.3
Deposits at call					
external		41.2	365.1	41.2	365.1
	(29)	125.2	479.7	93.1	400.4

Notes to the Financial Statements

For the year ended 30 September 2009

	Notes	Consolidated		Company	
		2009	2008	2009	2008
		\$mill	\$mill	\$mill	\$mill
11. Trade and other receivables					
Current					
Trade debtors					
external		262.8	455.9	75.1	161.3
jointly controlled entities	(34)	19.3	47.9	-	0.3
Less impairment losses					
external	(33)	(6.8)	(13.3)	(0.4)	(1.8)
		275.3	490.5	74.7	159.8
Sundry debtors / loans					
external		47.6	132.2	4.7	30.7
jointly controlled entities	(34)	0.1	2.6	-	-
wholly-owned controlled entities		-	-	-	166.5
		47.7	134.8	4.7	197.2
		323.0	625.3	79.4	357.0
Non-current					
Sundry debtors / loans					
external		8.2	2.4	0.3	0.3
jointly controlled entities		24.1	-	-	-
wholly-owned controlled entities		-	-	1,161.9	-
Less impairment losses					
external		(0.2)	(0.1)	(0.2)	(0.1)
		32.1	2.3	1,162.0	0.2
12. Inventories					
Raw materials and stores at cost		42.9	89.1	7.4	8.5
Work in progress at cost		49.2	60.8	-	-
Finished goods					
At cost		409.1	539.2	296.1	463.0
Less provision for inventory losses, obsolescence and net realisable value		(104.1)	(13.9)	(98.1)	(3.0)
Finished goods		305.0	525.3	198.0	460.0
		397.1	675.2	205.4	468.5
13. Other assets					
Current					
Prepayments		22.1	51.7	11.3	37.9
Other		8.6	-	-	-
		30.7	51.7	11.3	37.9
Non-current					
Prepayments		4.7	0.1	3.2	0.1
		4.7	0.1	3.2	0.1
14. Other financial assets					
Current					
Investments available for sale - listed shares		46.9	30.3	46.9	30.3
Derivative financial instruments - cash flow hedges					
Cross currency interest rate swaps	(33)	11.7	-	-	-
Option contracts	(33)	12.6	-	12.6	-
		71.2	30.3	59.5	30.3
Non-current					
Investments in controlled entities					
Unlisted shares at cost	(37)	-	-	3,080.2	2,896.7
Derivative financial instruments - cash flow hedges					
Cross currency interest rate swaps	(33)	135.9	-	-	-
Forward exchange contracts	(33)	-	0.6	-	0.6
		135.9	0.6	3,080.2	2,897.3

Notes to the Financial Statements

For the year ended 30 September 2009

14. Other financial assets (continued)

Sensitivity analysis – equity price risk

Consolidated entity / Company

All of the equity investments are listed on the Australian Securities Exchange. A 5% increase in the share prices of these equities at the reporting date would have increased equity (pre-tax) by \$2.3m (2008: \$1.5m); an equal decrease would have decreased equity (pre-tax) by \$2.3m (2008: \$1.5m).

	Notes	Consolidated		Company	
		2009 \$mill	2008 \$mill	2009 \$mill	2008 \$mill
Land and buildings held for sale		4.3	4.8	2.9	2.0
Investments accounted for using the equity method	(16)	44.0	-	-	-
Machinery, plant and equipment held for sale		6.0	-	-	-
		54.3	4.8	2.9	2.0

15. Assets classified as held for sale

Land and buildings held for sale		4.3	4.8	2.9	2.0
Investments accounted for using the equity method	(16)	44.0	-	-	-
Machinery, plant and equipment held for sale		6.0	-	-	-
		54.3	4.8	2.9	2.0

Assets classified as held for sale consist of investments and 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 Company Inc.	Delivery of explosives and related products	50%	USA
Buckley Powder Company	Delivery of explosives and related products	51%	USA
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
Newfoundland Hard-Rok Inc.	Delivery of explosives and related products	50%	Canada
Dyno Labrador Inc.	Delivery of explosives and related products	50%	Canada
Quantum Explosives Inc.	Delivery of explosives and related products	50%	Canada
Dene Dyno Nobel Inc.	Delivery of explosives and related products	49%	Canada
Qaaqtuq Dyno Nobel Inc.	Delivery of explosives and related products	49%	Canada

1) Refer to footnote description on next page.

Notes to the Financial Statements

For the year ended 30 September 2009

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	2
Queensland Nitrates Management Pty Ltd	Management services	50%	Australia	2
DetNet International Limited	Distribution of electronic detonators	50%	Ireland	
DetNet South Africa (Pty) Ltd	Development, manufacture and supply of electronic detonators	50%	South Africa	
DNEX Mexico Inc	Mexican investment holding company	49%	Mexico	4
Explosivos De La Region Lagunera, S.A. de C.V.	Distribution of explosives and related products	49%	Mexico	
Explosivos De La Region Central, S.A. de C.V.	Distribution of explosives and related products	49%	Mexico	
Nitroexplosivos de Ciudad Guzman, S.A. de C.V.	Distribution of explosives and related products	49%	Mexico	
Explosivos Y Servicios Para La Construccion, S.A. de C.V.	Distribution of explosives and related products	49%	Mexico	
Tenaga Kimia Ensign-Bickford Sdn Bhd	Manufacture of explosive accessories	50%	Malaysia	
Sasol Dyno Nobel (Pty) Ltd	Distribution of detonators	50%	South Africa	2
Nitromak DNX Kimya Sanayi AnonimSirketi	Manufacturing of initiating systems	50%	Turkey	3,5
Associates				
Labrador Maskua Ashini Ltd	Delivery of explosives and related products	25%	Canada	
Fabchem China Ltd	Manufacture of commercial explosives	30%	Singapore	
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	

- 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) 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 2009 has been used.
- 3) During 2008 an interest in this entity was acquired. At 30 September 2009 the investment has been classified as held for sale.
- 4) Formerly 'DNEX'.
- 5) Formerly 'Nitromak Nakina Kimya Sanayi A.S.'

Notes to the Financial Statements

For the year ended 30 September 2009

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

Summarised financial information of jointly controlled entities and associates:

	Notes	Consolidated	
		2009	2008
		\$mill	\$mill
Current assets		308.1	340.3
Non-current assets		326.8	296.9
Total Assets		634.9	637.2
Current liabilities		227.3	238.3
Non-current liabilities		101.6	121.3
Total Liabilities		328.9	359.6
Net Assets		306.0	277.6
Revenue		1,000.6	283.2
Net Profit		60.0	20.0
Share of jointly controlled entities and associates' profit / (loss):			
Share of jointly controlled entities profit before tax		35.8	9.6
Share of jointly controlled entities income tax expense		(10.8)	(2.9)
Share of jointly controlled entities and associates' profit / (loss)	(29)	25.0	6.7
Carrying amount of investments in jointly controlled entities and associates			
Carrying amount at the beginning of the year		311.2	-
Share of Joint ventures acquired during the year		-	227.5
Share in Joint ventures reclassified to assets held for sale		(44.0)	-
Addition of new investments		-	46.2
		267.2	273.7
Share of net profit from jointly controlled entities and associates		25.0	6.7
Less: dividends received / receivable	(34)	(5.2)	(0.3)
Movement in foreign currency translation reserve of jointly controlled entities and associates		(33.0)	31.1
Carrying amount at end of the year		254.0	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 2009

17. Property, plant and equipment

Consolidated	Notes	Freehold land and buildings \$mill	Machinery, plant and equipment \$mill	Total \$mill
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	723.3	897.3
Reclassification (to) / 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	97.1	118.0
Closing net book amount		330.5	1,340.1	1,670.6
At 1 October 2008				
Cost		438.9	1,285.5	1,724.4
Accumulated depreciation		(113.5)	(302.2)	(415.7)
Construction in progress		5.1	356.8	361.9
Net book amount		330.5	1,340.1	1,670.6
Year ended 30 September 2009				
Opening net book amount		330.5	1,340.1	1,670.6
Reclassification (to) / from fixed assets classified as held for sale		0.1	(7.1)	(7.0)
Additions		15.2	313.5	328.7
Disposals		(5.9)	(31.8)	(37.7)
Depreciation charge	(5)	(15.8)	(123.2)	(139.0)
Impairment of assets	(5)	(4.6)	(75.8)	(80.4)
Foreign exchange movement		(13.2)	(58.6)	(71.8)
Closing net book amount		306.3	1,357.1	1,663.4
At 30 September 2009				
Cost		425.1	1,347.9	1,773.0
Accumulated depreciation		(128.8)	(385.2)	(514.0)
Construction in progress		10.0	394.4	404.4
Net book amount		306.3	1,357.1	1,663.4

Notes to the Financial Statements

For the year ended 30 September 2009

17. Property, plant and equipment (continued)

Company	Notes	Freehold land and buildings \$mill	Machinery, plant and equipment \$mill	Total \$mill
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 (to) / 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 1 October 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
Year ended 30 September 2009				
Opening net book amount		40.7	173.6	214.3
Reclassifications (to) / from fixed assets classified as held for sale		(0.9)	-	(0.9)
Additions		6.5	14.5	21.0
Disposals		(3.3)	(0.9)	(4.2)
Depreciation charge	(5)	(2.8)	(20.4)	(23.2)
Impairment of assets	(5)	-	(0.3)	(0.3)
Reclassification		0.5	0.5	1.0
Closing net book amount		40.7	167.0	207.7
At 30 September 2009				
Cost		74.9	254.0	328.9
Accumulated depreciation		(37.5)	(103.3)	(140.8)
Construction in progress		3.3	16.3	19.6
Net book amount		40.7	167.0	207.7

Non-current assets impairments

During the year ended 30 September 2009, impairment of assets occurred to the value of \$6.9m (2008: \$0.4m) as a result of the Consolidated entity's fixed asset verification procedures and the abandonment of certain assets.

Capitalised interest

During the 2009 financial year interest of \$18.2m (2008: \$2.1m) was capitalised relating to interest bearing liabilities used specifically to fund expansion projects.

Notes to the Financial Statements

For the year ended 30 September 2009

18. Intangible assets

Consolidated	Software \$mill	Goodwill \$mill	Patents, Trademarks & Customer Contracts \$mill	Brand Name \$mill	Other \$mill	Total \$mill
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	26.5	2,754.6	225.0	241.5	-	3,247.6
Additions	2.1	-	-	-	-	2.1
Amortisation charge	(4.2)	-	(5.3)	-	(3.0)	(12.5)
Foreign exchange movement	3.5	470.2	24.0	33.5	-	531.2
Closing net book amount	34.8	3,408.6	243.7	275.0	-	3,962.1
At 1 October 2008						
Cost	47.8	3,408.6	250.1	275.0	5.9	3,987.4
Accumulated amortisation	(13.0)	-	(6.4)	-	(5.9)	(25.3)
Net book amount	34.8	3,408.6	243.7	275.0	-	3,962.1
Year ended 30 September 2009						
Opening net book amount	34.8	3,408.6	243.7	275.0	-	3,962.1
Additions	16.0	-	-	-	-	16.0
Amortisation charge	(10.7)	-	(20.8)	-	-	(31.5)
Impairment of assets	-	(490.6)	-	-	-	(490.6)
Foreign exchange movement	(2.7)	(268.7)	(12.0)	(19.6)	-	(303.0)
Closing net book amount	37.4	2,649.3	210.9	255.4	-	3,153.0
At 30 September 2009						
Cost	59.9	2,649.3	235.1	255.4	-	3,199.7
Accumulated amortisation	(22.5)	-	(24.2)	-	-	(46.7)
Net book amount	37.4	2,649.3	210.9	255.4	-	3,153.0

Notes to the Financial Statements

For the year ended 30 September 2009

18. Intangible assets (continued)

Company	Software	Goodwill	Patents, Trademarks & Customer Contracts	Brand Name	Other	Total
	\$mill	\$mill	\$mill	\$mill	\$mill	\$mill
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 1 October 2008						
Cost	17.5	-	-	-	-	17.5
Accumulated amortisation	(10.9)	-	-	-	-	(10.9)
Net book amount	6.6	-	-	-	-	6.6
Year ended 30 September 2009						
Opening net book amount	6.6	-	-	-	-	6.6
Additions	0.9	-	-	-	-	0.9
Amortisation charge	(2.4)	-	-	-	-	(2.4)
Closing net book amount	5.1	-	-	-	-	5.1
At 30 September 2009						
Cost	18.4	-	-	-	-	18.4
Accumulated amortisation	(13.3)	-	-	-	-	(13.3)
Net book amount	5.1	-	-	-	-	5.1

(a) Allocation of goodwill

The Consolidated entity's business segments form the basis of allocating goodwill as presented below:

	2009	2008
	\$mill	\$mill
Fertilisers	183.8	183.8
Explosives	2,465.5	3,224.8
	2,649.3	3,408.6

(b) Impairment testing

The carrying amount of goodwill and intangible assets with indefinite lives are tested for impairment annually at 30 September and all other assets are tested when there is an indicator that an asset may be impaired, as was the case for the year ended 30 September 2009. If an asset is deemed to be impaired it is written down to its recoverable amount. The recoverable amount is based on the higher of fair value less costs to sell and value in use. Value in use is calculated using cash flow projections based on financial forecasts for a period of five years as approved by management.

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

Key assumptions used to test for impairment, include:

	Terminal Growth Rate		Discount rate	
	2009	2008	2009	2008
	%	%	%	%
Fertilisers	2.5%	2.0%	10.2%	10.2%
Explosives	2.5%	3.0%	9.0%	8.5%

Notes to the Financial Statements

For the year ended 30 September 2009

18. Intangible assets (continued)

(d) Impairment Charge

As a result of the impairment review, the Consolidated entity recognised a non-cash impairment charge of \$490.6m in the year ended 30 September 2009 (2008: \$nil). The charge related to the write-off of goodwill in relation to the Explosives business segment.

(e) Sensitivity analysis

As part of impairment testing, a sensitivity analysis was conducted on the effect of changes in forecasted cash flows and discount rates. A summary of key sensitivities is listed below:

	Terminal Growth Rate		Discount Rate	
	+0.5%	-0.5%	+0.5%	-0.5%
Fertilisers	53.1	(46.6)	(60.0)	68.4
Explosives	264.0	(226.0)	(280.0)	326.0

An adverse movement in terminal growth rates or discount rates would result in an additional impairment charge to the Explosives intangible assets, as highlighted above.

	Notes	Consolidated		Company	
		2009 \$mill	2008 \$mill	2009 \$mill	2008 \$mill

19. Deferred tax assets

The balance comprises temporary differences attributable to:

Impairment of trade and other receivables		1.5	3.8	0.2	0.6
Employee entitlements provision		11.4	17.4	7.4	7.3
Retirement benefit obligations		7.3	18.7	1.6	0.7
Restructuring and rationalisation provision		5.6	5.2	4.1	4.8
Environmental provision		25.9	22.7	12.5	10.0
Other provisions		4.5	20.1	3.1	6.2
Inventories		20.3	5.6	14.2	0.9
Property, plant and equipment		61.0	31.0	-	-
Foreign exchange losses		10.6	13.1	-	13.1
Share buy-back expenses		0.6	1.1	0.6	1.1
Share issue expenses		-	2.0	-	2.0
Cash flow hedges		3.9	4.2	3.9	4.2
Unfavourable supplier contracts		153.1	192.9	-	-
Tax losses		135.8	35.5	81.4	-
Other		90.5	44.1	0.9	4.0
Deferred tax assets		532.0	417.4	129.9	54.9
Set-off of deferred tax liabilities pursuant to set-off provisions	(24)	(177.8)	(45.9)	(40.2)	(21.0)
Net deferred tax assets		354.2	371.5	89.7	33.9

Movements:

Opening balance at 1 October		417.4	75.4	54.9	30.9
Credited / (charged) to the income statements		176.2	1.8	74.9	19.1
Credited / (charged) to equity		(8.7)	16.5	4.8	4.9
Acquisition of subsidiaries		-	307.8	-	-
Foreign exchange movement		(48.2)	15.2	-	-
Adjustments in respect of prior years		(4.7)	0.7	(4.7)	-
Closing balance at 30 September		532.0	417.4	129.9	54.9

Notes to the Financial Statements

For the year ended 30 September 2009

	Notes	Consolidated		Company	
		2009 \$mill	2008 \$mill	2009 \$mill	2008 \$mill
20. Trade and other payables					
Current					
Trade creditors					
external		413.5	785.6	230.9	369.6
wholly-owned controlled entity	(34)	-	-	404.0	623.0
		413.5	785.6	634.9	992.6
Sundry creditors and accrued charges					
external		123.1	249.7	27.1	176.7
jointly controlled entities	(34)	0.2	-	-	-
unfavourable sales / supplier contracts		99.9	96.7	-	-
		223.2	346.4	27.1	176.7
		636.7	1,132.0	662.0	1,169.3
Non-current					
Sundry creditors and accrued charges					
external		-	3.1	-	-
share based payments		0.1	-	-	-
wholly-owned controlled entity		-	-	831.7	337.7
unfavourable sales / supplier contracts		426.5	516.9	-	-
		426.6	520.0	831.7	337.7

Unfavourable contracts

Unfavourable contracts were recognised as part of the Southern Cross Fertilisers Pty Ltd acquisition in 2006 and the Dyno Nobel Limited acquisition in 2008. The liability is measured at acquisition date based on the unfavourable difference between the market rate and contractual rate with suppliers and customers and multiplying it by the volumes required to be purchased / supplied that are specified in the contracts. Where contract terms are greater than one year, cash flows are discounted by applying a pre tax interest rate equivalent to the 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 2009

	Notes	Consolidated		Company	
		2009 \$mill	2008 \$mill	2009 \$mill	2008 \$mill
21. Interest bearing liabilities					
Current					
Secured					
bank loans					
trade loans		47.2	-	47.2	-
participation facility		53.7	66.2	-	-
bank overdraft	(29)	-	11.0	-	-
lease liability		0.4	3.8	-	-
Unsecured					
bank loans - bridge / working capital facility		315.2	2,147.1	-	170.0
other loans					
wholly-owned controlled entity		-	-	-	10.5
joint ventures and associates ⁽¹⁾		15.7	10.7	-	-
	(33)	432.2	2,238.8	47.2	180.5
Non-current					
Secured					
bank loans					
participation facility		186.4	267.2	-	-
lease liability		2.0	4.0	-	-
Unsecured					
bank loans					
bridge / working capital facility		100.0	-	-	-
syndicated facility		867.3	-	-	-
joint ventures and associates ⁽¹⁾		0.7	-	-	-
	(33)	1,156.4	271.2	-	-

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 Consolidated entity undertook a number of financing activities:

- The unsecured Syndicated facility was drawn down to repay a portion of the Bridge facility.
- A Working Capital facility was entered into, which replaced the Bridge facility.
- A short term Trade Loan facility was negotiated and drawn down.

Significant terms and conditions

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

Bridge / Working Capital facility

In March 2009, the Company entered into a Working Capital facility, which replaced the Bridge facility. The Working Capital facility is designed to support the Consolidated entity's working capital requirements. The facility limit at 30 September 2009 is AUD420.0m and reduces over the term of the facility which expires on 1 October 2010.

Syndicated facility

The Syndicated facility is a 3 year revolving facility that can be drawn in either AUD or USD. It has a facility limit of AUD1,680.0m and matures on 17 September 2011.

Participation facility

The Participation facility matures on 28 June 2013, the carrying amount of the facility of AUD240.1m 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.

In September 2009 the Consolidated entity entered into a second Participation Facility, which matures on 24 September 2014. The AUD63.0m facility was undrawn at 30 September 2009. Subsequent to 30 September 2009 the facility has been fully drawn and the funds used to repay and cancel an equivalent amount of limit under the Working Capital facility. The participation facility is secured against certain assets operated by Southern Cross Fertilisers Pty Ltd and has a fixed nominal interest rate of 9.63% for the term of the facility.

- (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 2009

21. Interest bearing liabilities (continued)

Trade Loan facility

The Trade Loan facility is an uncommitted funding arrangement for the purposes of funding trade related payments associated with the importation of various raw and finished products. It has a facility limit of USD50.0m.

	Notes	Consolidated		Company	
		2009	2008	2009	2008
		\$mill	\$mill	\$mill	\$mill
22. Other financial liabilities					
Current					
Derivative financial instruments					
forward commodity contracts	(33)	-	2.4	-	-
option contracts	(33)	-	13.8	-	13.8
interest rate contracts	(33)	12.9	-	12.9	-
		12.9	16.2	12.9	13.8

23. Provisions

Current					
Employee entitlements		24.8	24.5	12.2	12.5
Restructuring and rationalisation		24.4	13.6	13.2	5.7
Environmental		29.6	31.5	11.3	15.5
Asset retirement obligation		1.7	3.1	-	-
Other		12.9	15.9	9.6	14.0
		93.4	88.6	46.3	47.7
Non-current					
Employee entitlements		12.4	13.3	12.4	11.9
Restructuring and rationalisation		11.2	10.1	7.3	10.1
Environmental		44.5	46.2	30.5	17.7
Asset retirement obligation		13.1	5.2	-	-
Other		6.3	16.0	-	6.6
		87.5	90.8	50.2	46.3
Aggregate employee entitlements					
Current		24.8	24.5	12.2	12.5
Non-current		12.4	13.3	12.4	11.9
		37.2	37.8	24.6	24.4

The present value of Company and the Consolidated entity's 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				
		2009	2008	2009	2008
Employees at year end		Number	Number	Number	Number
Full time equivalent		4,622	5,134	1,002	1,062

Notes to the Financial Statements

For the year ended 30 September 2009

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		(271.0)	(271.0)
Payments made during the year	(27)	271.0	271.0
Carrying amount at the end of the financial year		-	-
Current Provision - Restructuring and rationalisation			
Carrying amount at the beginning of the financial year		13.6	5.7
Provisions made during the year	(5)	24.9	7.0
Provisions written back during the year		(1.0)	(0.1)
Payments made during the year		(12.6)	(2.9)
Transfers		1.3	3.5
Foreign currency exchange differences		(1.8)	-
Carrying amount at the end of the financial year		24.4	13.2
Current Provision - Environmental			
Carrying amount at the beginning of the financial year		31.5	15.5
Provisions made during the year	(5)	0.6	0.1
Provisions written back during the year		(0.5)	(0.5)
Payments made during the year		(10.3)	(5.8)
Transfers		10.2	2.0
Foreign currency exchange differences		(1.9)	-
Carrying amount at the end of the financial year		29.6	11.3
Current Provision - Asset retirement obligations			
Carrying amount at the beginning of the financial year		3.1	-
Payments made during the year		(1.2)	-
Foreign currency exchange differences		(0.2)	-
Carrying amount at the end of the financial year		1.7	-
Current Provision - Other			
Carrying amount at the beginning of the financial year		15.9	14.0
Provisions made during the year	(5)	0.7	-
Provisions written back during the year		(0.7)	-
Payments made during the year		(11.9)	(11.3)
Transfers		9.7	6.9
Foreign currency exchange differences		(0.8)	-
Carrying amount at the end of the financial year		12.9	9.6

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

Notes to the Financial Statements

For the year ended 30 September 2009

23. Provisions (continued)

Reconciliations (continued)	Notes	Consolidated	Company
		\$mill	\$mill
Non-current Provision - Restructuring and rationalisation			
Carrying amount at the beginning of the financial year		10.1	10.1
Provisions made during the year	(5)	2.5	-
Transfers		(1.3)	(3.5)
Unwinding of discount		0.7	0.7
Foreign currency exchange differences		(0.8)	-
Carrying amount at the end of the financial year		11.2	7.3
Non-current Provision - Environmental			
Carrying amount at the beginning of the financial year		46.2	17.7
Provisions made during the year	(5)	16.5	14.8
Provisions written back during the year		(0.9)	-
Transfers		(17.6)	(2.0)
Unwinding of discount		1.5	-
Foreign currency exchange differences		(1.2)	-
Carrying amount at the end of the financial year		44.5	30.5
Non-current Provision - Asset retirement obligations			
Carrying amount at the beginning of the financial year		5.2	-
Provisions made during the year		1.5	-
Provisions written back during the year		(1.9)	-
Transfers		7.4	-
Unwinding of discount		1.1	-
Foreign currency exchange differences		(0.2)	-
Carrying amount at the end of the financial year		13.1	-
Non-current Provision - Other			
Carrying amount at the beginning of the financial year		16.0	6.6
Payments made during the year		-	0.3
Transfers		(9.7)	(6.9)
Unwinding of discount		0.3	-
Foreign currency exchange differences		(0.3)	-
Carrying amount at the end of the financial year		6.3	-

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

Notes to the Financial Statements

For the year ended 30 September 2009

	Notes	Consolidated		Company	
		2009 \$mill	2008 \$mill	2009 \$mill	2008 \$mill
24. Deferred tax liabilities					
The balance comprises temporary differences attributable to:					
Inventories		0.9	1.2	0.6	0.6
Property, plant and equipment		228.6	209.9	12.7	13.1
Intangible assets		133.7	134.0	0.8	1.0
Financial assets at fair value		9.9	5.8	9.8	5.8
Cash flow hedges		8.7	5.5	-	0.2
Foreign exchange (losses) / gains		4.5	(2.6)	-	-
Provision		32.8	-	16.0	-
Other		71.5	72.5	0.3	0.3
Deferred tax liabilities		490.6	426.3	40.2	21.0
Set-off of deferred tax liabilities pursuant to set-off provisions	(19)	(177.8)	(45.9)	(40.2)	(21.0)
Net deferred tax liabilities		312.8	380.4	-	-
Movements:					
Opening balance at 1 October		426.3	46.8	21.0	30.0
Charged / (credited) to the income statements		109.3	15.8	14.0	(2.7)
Charged / (credited) to equity		4.2	(6.4)	4.2	(6.3)
Acquisition of subsidiaries		-	318.7	-	-
Foreign exchange (losses) / gains		(50.2)	51.4	-	-
Adjustments in respect of prior years		1.0	-	1.0	-
Closing balance at 30 September		490.6	426.3	40.2	21.0

Notes to the Financial Statements

For the year ended 30 September 2009

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

	Notes	Consolidated 2009 \$mill	2008 \$mill	Company 2009 \$mill	2008 \$mill
Present value of defined benefit obligations at beginning of the year		287.3	77.5	64.5	77.5
Present value of defined benefit obligations acquired		-	186.3	-	-
Current service cost		7.5	3.9	2.1	2.1
Past service benefit		(1.0)	-	-	-
Interest cost		17.5	9.4	4.0	4.9
Actuarial (gains) / losses		16.0	(5.9)	(4.4)	(5.9)
Contributions by plan participants		1.7	1.0	1.8	1.0
Benefits paid		(24.7)	(20.1)	(7.4)	(15.1)
Foreign exchange differences on foreign plans		(15.9)	35.2	-	-
Present value of defined benefit obligations at end of the year		288.4	287.3	60.6	64.5

(c) Reconciliation of the fair value of plan assets

Fair value of plan assets at beginning of the year		220.9	79.9	62.5	79.9
Fair value of plan assets acquired		-	163.6	-	-
Expected return on plan assets		16.1	11.2	4.5	5.7
Actuarial gains / (losses)		(17.3)	(43.9)	(7.0)	(10.8)
Employer contributions		9.8	4.4	1.0	1.2
Contributions by plan participants		1.5	1.6	1.5	1.6
Benefits paid		(24.7)	(20.0)	(7.4)	(15.1)
Foreign exchange differences on foreign plans		(9.5)	24.1	-	-
Fair value of plan assets at end of the year		196.8	220.9	55.1	62.5

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

Present value of funded defined benefit obligations at end of year		287.6	287.3	59.8	64.5
Tax provision		0.8	0.4	0.8	0.4
Total value of funded defined benefit obligations at end of year		288.4	287.7	60.6	64.9
Fair value of plan assets at end of year		(196.8)	(220.9)	(55.1)	(62.5)
Net liability recognised in balance sheets at end of year		91.6	66.8	5.5	2.4

(e) Expense recognised in income statements

Current service cost		7.5	3.9	2.1	2.1
Past service benefit		(1.0)	-	-	-
Interest cost		17.5	9.4	4.0	4.9
Expected return on plan assets		(16.1)	(11.2)	(4.5)	(5.7)
Expense recognised in income statements	(5)	7.9	2.1	1.6	1.3

Notes to the Financial Statements

For the year ended 30 September 2009

25. Retirement benefit obligations (continued)

	Consolidated		Company	
	2009	2008	2009	2008
	\$mill	\$mill	\$mill	\$mill
(f) Amounts recognised in the statements of comprehensive income				
Actuarial (gains) / losses (before income tax)	33.3	38.0	2.6	4.9
(g) Cumulative amount recognised in the statements of comprehensive income				
Cumulative amount of actuarial (gains) / losses	68.7	35.4	5.0	2.4

(h) Plan Assets

The percentage invested in each asset class at the reporting date:

Equities	61%	55%	45%	49%
Fixed Interest Securities	25%	30%	13%	14%
Property	6%	8%	15%	13%
Other	8%	7%	27%	24%

(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	(1.3)	(32.7)	(2.5)	(5.1)
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(l) Principal actuarial assumptions at the reporting date

Discount rate (net of tax)	4.0% - 8.0%	4.5% - 8.2%	5.3%	4.5%
Expected rate of return on plan assets	5.6% - 8.0%	7.0% - 8.5%	7.7%	7.5%
Future salary increases	2.0% - 5.0%	2.0% - 5.6%	4.0%	4.3%
Medical cost trend rate	5.0% - 8.5%	5.0% - 9.0%	0%	0%
Future inflation	2.1% - 4.0%	2.5%	2.1%	2.5%

(m) Historical Information

	2009	2008	2007	2006	2005
Present value of defined benefit obligation	288.4	287.7	77.2	75.1	75.3
Fair value of plan assets	(196.8)	(220.9)	(79.9)	(72.2)	(72.0)
(Surplus) / Deficit in plan	91.6	66.8	(2.7)	2.9	3.3
Experience adjustment - plan liabilities	3.7	7.9	(4.4)	(2.9)	(4.2)
Experience adjustment - plan assets	(2.9)	(10.9)	3.7	3.3	4.6

(n) Expected Contributions

Expected contributions in year ending 30 September 2009:

Expected employer contributions	11.3
Expected contribution by plan participants	0.7

Notes to the Financial Statements

For the year ended 30 September 2009

	Consolidated / Company	
	2009	2008
	\$mill	\$mill
26. Issued capital		
Share Capital		
Ordinary shares authorised and issued - 1,612,536,335 (2008: 1,217,230,560) ⁽¹⁾	3,217.8	2,267.7
	3,217.8	2,267.7

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

Date	Details	Number of Shares	\$mill
30 September 2008	Balance at the end of the previous financial year	1,217,230,560	2,267.7
	Shares issued during the period		
24 November 2008	Shares issued (institutional issue)	327,600,000	819.0
18 December 2008	Shares issued (retail issue)	33,073,604	82.7
19 December 2008	Shares issued (Nitromak purchase 1)	20,374,444	49.1
11 May 2009	Shares issued (Nitromak purchase 2)	1,482,729	3.5
7 July 2009	Shares issued (Dividend Reinvestment Plan and underwriter issue)	12,774,998	33.6
	Transaction costs of issued shares		(37.8)
30 September 2009	Balance at the end of the financial year	1,612,536,335	3,217.8

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

Terms and conditions

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

Shares issued during financial year

On 24 November 2008, 327,600,000 ordinary shares (\$819.0m) were issued under the institutional entitlement offer.

On 18 December 2008, 33,073,604 ordinary shares (\$82.7m) were issued under the retail entitlement offer.

On 19 December 2008, 20,374,444 ordinary shares (\$49.1m) were issued to fund Incitec Pivot's final component of the purchase price consideration in respect of its 50% interest in Nitromak.

On 11 May 2009, an additional 1,482,729 ordinary shares (\$3.5m) were issued to fund the final, conditional tranche of the purchase price payable by Incitec Pivot in respect of its 50% interest in Nitromak.

On 7 July 2009, 3,378,748 ordinary shares (\$8.8m) were issued to Dividend Reinvestment Plan (DRP) participants and 9,396,250 (\$24.8m) to the underwriter to fund the interim dividend payment.

Notes to the Financial Statements

For the year ended 30 September 2009

	Company	
	2009	2008
	\$mill	\$mill
27. Dividends		
Dividends paid or declared in respect of the year ended 30 September were:		
Ordinary Shares		
Final dividend of 9.55 cents per share ⁽¹⁾ , fully franked at 30%, paid 13 December 2007	-	96.3
Final 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
Final dividend of 19.5 cents per share, fully franked at 30%, paid 14 November 2008	237.4	-
Interim dividend of 2.1 cents per share ⁽²⁾ , fully franked at 30%, paid 7 July 2009	33.6	-
Total ordinary share dividends	271.0	219.3

Subsequent event

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

- Final dividend of 2.3 cents per share, unfranked to be paid on 18 December 2009 **37.1**

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.

(2) Dividends were paid by a Dividend Reinvestment Plan which was fully underwritten.

Franking credits

Franking credits available to shareholders of the Company amount to negative \$15.1m (2008: \$195.1m) at the 30% (2008 at 30%) corporate tax rate after allowing for tax receivable 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 2009

28. Business combination

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 \$2,460.8m, including \$37.1m of transaction costs. During 2007 the Company acquired 13.2% of the shares in Dyno Nobel Limited for \$256.2m. Dyno Nobel Limited manufactures and sells industrial explosives and related products and services to mining, quarrying and construction industries.

(b) Purchase consideration

	2008	Consolidated Amendments	2009
	\$mill	\$mill	\$mill
Consideration paid, satisfied in cash	551.9	(1.0)	550.9
Less cash acquired	(25.5)	-	(25.5)
Net cash outflow	526.4	(1.0)	525.4
Add back cash acquired	25.5	-	25.5
Shares issued	1,908.9	-	1,908.9
Original investment (13.2%)	256.2	-	256.2
Purchase consideration	2,717.0	(1.0)	2,716.0

(c) Assets and liabilities acquired

Since 30 September 2008 the following amendments to the fair value of assets and liabilities have been recognised due to additional information obtained during the year in relation to the provisional fair values recognised:

	Dyno Nobel pre acquisition carrying amounts \$mill	Initial Fair Value adjustments \$mill	Provisional Fair values as at 16 June 2008 \$mill	Additional Fair Value adjustments \$mill	Final Fair Value \$mill
Acquiree's net assets at the acquisition date					
Cash and cash equivalents	25.2	0.3	25.5	-	25.5
Trade and other receivables	356.4	1.3	357.7	-	357.7
Inventories	169.6	8.1	177.7	(1.4)	176.3
Equity accounted investments	123.9	103.6	227.5	-	227.5
Property, plant and equipment	624.1	290.3	914.4	(17.1)	897.3
Intangibles					
- Goodwill	179.6	(179.6)	-	-	-
- Software	-	27.6	27.6	(1.1)	26.5
- Non compete	2.0	(2.0)	-	-	-
- Patents	22.4	1.7	24.1	-	24.1
- Customer contracts	-	159.9	159.9	-	159.9
- Trademarks	-	41.0	41.0	-	41.0
- Dyno brand name	-	241.5	241.5	-	241.5
Deferred tax assets	152.3	95.6	247.9	59.9	307.8
Trade payables	(67.9)	(2.6)	(70.5)	-	(70.5)
Other assets / (liabilities)	(246.7)	(541.0)	(787.7)	(42.9)	(830.6)
Step-up Preference Shares	-	(345.0)	(345.0)	-	(345.0)
Tax liabilities	3.7	(4.7)	(1.0)	(43.0)	(44.0)
Deferred tax liabilities	-	(271.7)	(271.7)	(47.0)	(318.7)
Provisions	(48.3)	(8.6)	(56.9)	-	(56.9)
Interest bearing liabilities	(852.4)	(5.6)	(858.0)	-	(858.0)
Net identifiable assets and liabilities	443.9	(389.9)	54.0	(92.6)	(38.6)
Less consideration			2,717.0	(1.0)	2,716.0
Goodwill on acquisition recognised			2,663.0	91.6	2,754.6

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 2009

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

	Notes	Consolidated		Company	
		2009 \$mill	2008 \$mill	2009 \$mill	2008 \$mill
Reconciliation of cash					
Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the Statements of Financial Position as follows:					
Cash	(10)	125.2	479.7	93.1	400.4
Bank overdraft	(21)	-	(11.0)	-	-
		125.2	468.7	93.1	400.4
Reconciliation of profit for the financial year to net cash flows from operating activities					
Profit / (loss) for the financial year		(179.9)	604.6	257.9	183.9
Depreciation and amortisation	(5)	170.5	70.3	25.6	22.3
Depreciation of capital spares		-	1.0	-	1.0
Write-down of property, plant and equipment	(5)	80.4	0.4	0.3	-
Profit on share equity accounted investments	(16)	(25.0)	(6.7)	-	-
Net (profit) / loss on sale of property, plant and equipment	(4)	(13.3)	(2.9)	(5.5)	(3.0)
Impairment of investment in a controlled entity		-	-	163.7	-
Impairment of goodwill		490.6	-	-	-
Loss on transactional contracts		-	0.6	-	0.1
Foreign exchange difference on loans with foreign controlled entities		-	-	-	7.7
Non-cash share based payment transactions		3.8	3.0	-	-
Right to receive rock		-	2.9	-	2.9
Unwinding of discount on provisions	(5)	9.1	16.2	1.9	1.4
Changes in assets and liabilities					
(increase) / decrease in receivables and other assets		209.8	(63.3)	84.9	(135.5)
(increase) / decrease in inventories		293.1	(249.9)	263.1	(245.9)
(increase) / decrease in deferred tax assets		(30.9)	(19.1)	(55.8)	(22.5)
increase / (decrease) in deferred tax liabilities		(21.6)	135.8	-	0.7
increase / (decrease) in net interest payable		6.3	1.4	(3.7)	2.4
increase / (decrease) in payables and provisions		(427.0)	281.3	(276.9)	848.2
increase / (decrease) in income taxes payable		(228.5)	47.0	(243.2)	(44.8)
Net cash flows from operating activities		337.4	822.6	212.3	618.9

Notes to the Financial Statements

For the year ended 30 September 2009

	Consolidated		Company	
	2009	2008	2009	2008
	\$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	89.2	93.4	1.3	0.3
later than one, no later than five years	23.1	-	-	-
	112.3	93.4	1.3	0.3

Share of capital expenditure commitments of the joint venture operation:

no later than one year	2.4	18.3	-	-
	114.7	111.7	1.3	0.3

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	54.6	43.1	26.2	17.6
later than one, no later than five years	111.0	96.3	54.5	39.0
later than five years	56.5	62.8	30.4	34.1
	222.1	202.2	111.1	90.7

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	2.2	3.6	-	-
later than one, no later than five years	3.7	5.4	-	-
	5.9	9.0	-	-
Less future finance charges	-	(0.9)	-	-
Present value of minimum lease payments provided for as a liability	5.9	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	61.0	31.9	29.6	-
later than one, no later than five years	222.6	115.5	97.4	-
later than five years	147.4	175.5	-	-
	431.0	322.9	127.0	-

Notes to the Financial Statements

For the year ended 30 September 2009

31. Contingent liabilities

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

Contracts, claims, guarantees and warranties

- Under a Deed of Cross Guarantee dated 30 September 2008, entered into in accordance with ASIC Class Order 98/1418 (as amended), each company which is party to the Deed has covenanted with the Trustee (or the Alternative Trustee as applicable) of the Deed to guarantee the payment of any debts of the other companies which are party to the Deed which might arise on the winding up of those companies. The entities which are party to the Deed are disclosed in the commentary to Note 37, Investments in controlled entities.
- Consolidated Statements of Financial Position and Income Statements for the closed group is shown in Note 38, 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 2009

32. Financial risk management

Overview

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

- Market risk (foreign exchange, interest rate, equity price and commodity 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 establish a framework for identifying, analysing and managing the financial risks faced by the Consolidated entity. These policies set appropriate financial risk limits and controls, identify permitted derivative instruments and provide guidance on how financial risks and adherence to limits are to be monitored and reported.

Financial risk management policies and systems are reviewed regularly to ensure they remain appropriate given changes in market conditions and/or the 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. 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, cash flows and/or value of its holdings of derivative instruments. The objective of market risk management is to manage market risk exposures within acceptable parameters, while optimising the return on risk. To achieve this objective an "insurance based" approach is often taken whereby the Consolidated entity will pay a premium to limit the impact of unfavourable market movements while allowing at least partial participation in favourable movements.

For some market risks, primarily commodity price risks, there is either no specific derivative market available or the derivative market is illiquid and expensive. In some cases, derivative markets exist but contain unacceptable levels of basis risk (the risk that the change in price of a hedge may not match the change in price of the item it hedges). In these circumstances, the Consolidated entity chooses not to hedge using derivatives.

Further details of the Consolidated entity's financial risk management structures are outlined below, including information as to whether hedge accounting has been applied.

i. Foreign exchange risk - transactional

The Consolidated entity is exposed to foreign exchange movements on sales and purchases denominated, either directly or indirectly, in foreign currency (primarily in United States dollars). Where these exposures are significant and cannot be eliminated by varying contract terms or other business arrangements, formal hedging strategies are implemented within Board approved policy. The formal hedging strategies involve collating and consolidating exposure levels centrally, and hedging specific transactions, after taking into account offsetting exposures, by entering into derivative contracts with highly rated financial institutions. The Consolidated entity's principal transactional foreign exchange risks can be split into two main categories: short term contractual exposures and longer term forecast exposures.

Notes to the Financial Statements

For the year ended 30 September 2009

32. Financial risk management (continued)

A. Market risk (continued)

i. Foreign exchange risk – transactional (continued)

Short term contractual exposures: As the Consolidated entity both imports and exports fertilisers and raw materials in foreign currency, its profitability is impacted by foreign exchange movements. Timing differences between receipts and payments of foreign currency are managed using swaps. Where there is a net excess or shortfall of foreign currency, forward foreign exchange contracts are taken out to hedge those exposures. The Consolidated entity achieves hedge accounting for these derivatives. The table below shows the outstanding forward foreign exchange contracts as at 30 September 2009:

Term	Weighted average AUD/USD strike rate		Forward FX contract AUD mill	
	2009	2008	2009	2008
Buy USD / Sell AUD	0.7093	0.7941	186.1	286.4
Buy EUR / Sell AUD	-	0.5688	-	31.7

Longer term forecast exposures: The profitability of Southern Cross Fertilisers Pty Limited, a wholly owned subsidiary of the Company, is impacted by foreign exchange movement due to the manufacturing inputs (gas, electricity, labour) being denominated in Australian dollars, whilst the manufactured outputs (phosphate based fertilisers) are sold either in United States dollars or in Australian dollars based on an import parity formula impacted by the rate of exchange.

The amount of anticipated future sales is forecast in light of plant capacities, current conditions in domestic agricultural and industrial markets, commitments from customers and historical seasonal impacts. Policies approved by the Board of Directors limit the percentage of forecast sales that can be hedged with the percentage reducing as the time horizon increases.

The Consolidated entity has purchased a series of average rate AUD Call/USD Put options to protect a portion of next year's forecast exposure. The market value of options is recorded in the Statements of Financial Position at year end and any movements in the market value from purchase price to year end value are recorded through the Income Statements. Favourable outcomes on the hedge will occur when the average exchange rate for the hedged period (calculated on a daily basis) 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 increases in the AUD/USD exchange rate beyond the strike rate of the options.

The table below summarises the foreign currency option contracts taken out to hedge sales of the output of Southern Cross Fertilisers Pty Ltd:

Term	Weighted average AUD/USD strike rate		Contract amounts AUD mill	
	2009	2008	2009	2008
Average rate options not later than one year	0.8400	-	238.1	-
Vanilla European options not later than one year	-	0.8434	-	567.2

From time to time, the Consolidated entity may look to reduce premium costs by transacting collars or selling floors against existing bought positions. Board approved policies prevent the Consolidated entity from selling naked options. No collars or sold floor positions existed at year end.

Notes to the Financial Statements

For the year ended 30 September 2009

32. Financial risk management (continued)

A. Market risk (continued)

ii. Foreign exchange risk – translational

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

The Consolidated entity manages the impact of the translation risk by a combination of borrowing in the same currency as the net foreign assets and by using cross currency swaps to create 'synthetic' foreign currency debt. The cross currency swaps pay and receive floating rates of interest with quarterly rate resets. 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 summarises the cross currency swaps.

Term	Receive AUD / Pay USD mill	
	2009	2008
not later than one year	AUD 484.2 / USD 412.4	-
later than one year, no later than five years	AUD 1,279.8 / USD 999.5	-

iii. Interest rate risk

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 policies determined by the Board of Directors using approved derivative instruments.

The Consolidated entity's interest rate risk arises from long term borrowings in Australian and United States dollars. Out of the AUD1,588.6m of Interest Bearing Liabilities at the reporting date, AUD240.1m had a fixed interest rate.

As discussed in the Note 32A (ii) above, the Consolidated entity has a preference for debt denominated in United States dollars. Within the foreseeable future, the Consolidated entity anticipates that it will have at least USD500.0m of debt borrowed directly in United States dollars. This funding could come from a variety of sources including bank debt or other debt capital markets. Drawings under the Consolidated entity's existing Syndicated facility and Working Capital facility may occur in either AUD or USD. As this anticipated debt will be priced with reference to base USD interest rates existing at a future point in time, the Consolidated entity is exposed to the risk that base USD interest rates will increase. To protect against this risk, the Consolidated entity has entered into a series of forward starting Treasury Locks. Details of these Treasury Locks are detailed below.

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

Term	Contract amounts		Fixed Rate	
	2009	2008	2009	2008
0-5 years	-	-	-	-
5-7 years	USD100.0m	-	3.29%	-
7-15 years	USD400.0m	-	3.74%	-

Notes to the Financial Statements

For the year ended 30 September 2009

32. Financial risk management (continued)

A. Market risk (continued)

iv. Commodity risk

The Consolidated entity is exposed to changes in commodity prices by virtue of its operations. Where possible, the Consolidated entity manages some of that risk by negotiating appropriate contractual terms with its suppliers and customers.

Natural gas represents a significant raw material cost for the Consolidated entity's ammonia and nitrogen based manufacturing. In order to manage the price risk associated with natural gas in Australia, the Consolidated entity has entered into long term fixed price contracts for the supply of gas. In the United States, the Consolidated entity aims, where possible, to mitigate some of its exposure to natural gas price risk by entering into contracts with its customers which pass on the risk of natural gas price movements. Alternatively, the Consolidated entity has used fixed price derivatives for managing its gas price risk for periods shorter than one year during the year.

The table below summarises the fixed price derivatives outstanding as at 30 September 2009:

	Months hedged	Monthly volume (mmbtu)	Fixed rate USD
Contract	10	100,000	7.78

The Consolidated entity is exposed to price volatility on the commodities it sells. These exposures can be categorised into three main areas: ammonium nitrate, ammonium phosphate and urea.

The Consolidated entity aims to manage its price risk exposure to ammonium nitrate by entering into long term contracts with its customers with fixed sales prices that are adjusted for changes to input costs such as natural gas and for movements in CPI.

The market for ammonium phosphates and urea is generally based on spot prices with minimal ability to contract for long terms. For these commodities, no specific derivative market is available. The following table details the Consolidated entity's EBIT sensitivity to price movements for these commodities, based on manufactured tonnes sold in 2009.

<u>Fertiliser Price Sensitivity</u>	<u>+ / - USD10 AUD mill</u>
Middle East Granular Urea (MEGU) FOB/t	5.3
Diammonium Phosphate (DAP) Tampa FOB/t	11.7

v. Equity price risk

Refer to Note 14.

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 the Consolidated entity's financial commitments in a timely manner. The Consolidated entity's forecast liquidity requirements are continually reassessed based on regular forecasting of capital requirements including extensive stress testing of critical assumptions such as input costs, sales prices, volumes and exchange rates.

Typically the Consolidated entity holds a minimum liquidity buffer of AUD200.0m 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 committed lines of credit:

- Unsecured bank overdraft facilities denominated in AUD and foreign currencies. Interest is payable at a base rate plus a margin.
- An unsecured short term AUD420.0m (amortising) working capital facility maturing in October 2010. This is a multicurrency facility drawable in AUD and USD with interest payable at BBSY/LIBOR plus a margin. This facility is revolving in nature, refer to Note 21. Repayment can be redrawn at the Company's discretion.

Notes to the Financial Statements

For the year ended 30 September 2009

32. Financial risk management (continued)

B. Liquidity risk (continued)

- An unsecured Syndicated facility agreement of AUD1,680.0m for 3 years, maturing September 2011. This is a multicurrency facility drawable in AUD and USD with interest payable at BBSY/LIBOR plus a margin. This facility is revolving in nature whereby repayment can be redrawn at the Company's discretion.
- A participation facility of AUD240.1m (amortising) maturing in June 2013, the carrying amount of the facility is secured against certain assets operated by Southern Cross Fertilisers Pty Ltd. The facility is denominated in AUD and has a fixed nominal interest rate of 8.93% for the term of the facility.

At year end, the Consolidated entity has committed undrawn lines of AUD817.5m and cash of AUD125.2m.

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 Statements of Financial Position 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 currently operate, have an influence on credit risk. Credit risk on sales to overseas customers is negated by way of entering into irrevocable letters 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 Consolidated 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, where applicable, and reports from external ratings agencies. Based on this 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 with a limit greater than AUD0.5m and on an as needs basis if an increase is required. 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.

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 the Consolidated entity will be exposed to at any one time.

The Consolidated entity establishes an allowance for impairment that represents its estimate of probable losses in respect of trade and other receivables.

Financial Instruments

The Group limits its exposure to credit risk created by investing in financial instruments by only investing in liquid securities and only with counterparties that have a credit rating of at least 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 2009, the sum of all contracts with a positive replacement cost was AUD144.4m (2008 AUD2.7m).

Notes to the Financial Statements

For the year ended 30 September 2009

32. Financial risk management (continued)

C. Credit risk (continued)

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 a 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 Working Capital facility (AUD420.0m) and the Syndicated facility (AUD1,680.0m) have been measured and are within the debt covenant targets for the year ended 30 September 2009.

Notes to the Financial Statements

For the year ended 30 September 2009

33. Financial instruments

A. Foreign exchange risk

The Consolidated entity's exposure to foreign exchange risk at balance date was based on notional amounts as follows:

Consolidated	30 September 2009				30 September 2008			
	USD \$mill	CAD \$mill	Peso \$mill	EUR \$mill	USD \$mill	CAD \$mill	Peso \$mill	EUR \$mill
Trade receivables	80.8	51.1	36.3	-	137.8	75.3	24.2	-
Trade payables	(155.6)	(8.5)	(4.7)	-	(318.8)	(16.6)	(15.4)	(18.6)
Interest bearing liabilities	(171.6)	-	-	-	(1,581.1)	-	-	-
Gross balance sheet exposure	(246.4)	42.6	31.6	-	(1,762.1)	58.7	8.8	(18.6)
Forward exchange contracts	-	-	-	-	(227.4)	-	-	-
Net exposure	(246.4)	42.6	31.6	-	(1,989.5)	58.7	8.8	(18.6)

Company	30 September 2009				30 September 2008			
	USD \$mill	CAD \$mill	Peso \$mill	EUR \$mill	USD \$mill	CAD \$mill	Peso \$mill	EUR \$mill
Trade receivables	0.7	-	-	-	-	-	-	-
Trade payables	(111.1)	-	-	-	(265.1)	-	-	(18.0)
Interest bearing liabilities	-	-	-	-	(1,581.1)	-	-	-
Gross balance sheet exposure	(110.4)	-	-	-	(1,846.2)	-	-	(18.0)
Forward exchange contracts	-	-	-	-	(227.4)	-	-	-
Net exposure	(110.4)	-	-	-	(2,073.6)	-	-	(18.0)

The following significant exchange rates applied during the year:

	Average rate 2009	Balance date spot rate 2009	Average rate 2008	Balance date spot rate 2008
USD	0.7321	0.8744	0.9082	0.8015

B. Interest rate risk

At the reporting date the interest rate profile of the Consolidated entity and the Company's interest bearing financial instruments were:

	Consolidated 2009 \$mill	2008 \$mill	Company 2009 \$mill	2008 \$mill
Variable rate instruments				
- Financial liabilities	1,348.5	2,176.6	47.2	180.5
Fixed rate instruments				
- Financial liabilities	240.1	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 AUD21.7m assuming all the variables were held constant in particular foreign exchange rates.

Notes to the Financial Statements

For the year ended 30 September 2009

33. Financial instruments (continued)

C. Credit risk

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

	Consolidated		Company	
	2009	2008	2009	2008
	\$mill	\$mill	\$mill	\$mill
Trade receivables	275.3	490.5	74.7	159.8
Other receivables	79.8	137.1	1,166.7	30.9
Cash and cash equivalents	125.2	479.7	93.1	400.4
Limited recourse receivables sold	-	3.0	-	3.0
Forward exchange contracts	-	0.6	-	0.6
Cross currency swaps	147.6	-	-	-
Option contracts	12.6	-	12.6	-
	640.5	1,110.9	1,347.1	594.7

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

	Consolidated		Company	
	2009	2008	2009	2008
	\$mill	\$mill	\$mill	\$mill
Australia	127.4	232.1	74.7	159.8
Europe	0.9	1.0	-	-
USA	73.9	153.7	-	-
Canada	55.8	92.9	-	-
Asia	13.0	10.2	-	-
Other	4.3	0.6	-	-
	275.3	490.5	74.7	159.8

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

	2009	2008	2009	2008
	\$mill	\$mill	\$mill	\$mill
Wholesale customer	66.2	167.6	50.9	139.3
End user customer	209.1	322.9	23.8	20.5
	275.3	490.5	74.7	159.8

Notes to the Financial Statements

For the year ended 30 September 2009

33. Financial instruments (continued)

C. Credit risk (continued)

As at the end of September 2009 and 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.

Impairment losses

The aging of Trade Receivables at the reporting date was:

Consolidated	Gross	Impairment	Gross	Impairment
	2009	2009	2008	2008
	\$mill	\$mill	\$mill	\$mill
Current	212.4	-	359.3	-
Past due 0 - 30 days	30.2	-	96.3	2.0
Past due 31 - 120 days	39.5	6.8	48.2	11.3
Total	282.1	6.8	503.8	13.3
Company				
Current	73.6	-	142.7	-
Past due 0 - 30 days	1.5	0.4	17.8	1.4
Past due 31 - 120 days	-	-	1.1	0.4
Total	75.1	0.4	161.6	1.8

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

Notes	Consolidated		Company	
	2009	2008	2009	2008
	\$mill	\$mill	\$mill	\$mill
Balance at 1 October	13.3	0.5	1.8	0.5
Impairment losses recognised / (released)	(0.4)	12.8	(1.3)	1.3
Write-offs recognised during the year	(6.0)	-	(0.1)	-
Foreign exchange movements	(0.1)	-	-	-
Balance at 30 September	6.8	13.3	0.4	1.8

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.

Notes to the Financial Statements

For the year ended 30 September 2009

33. Financial instruments (continued)

D. Liquidity risk – financial liabilities

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

Consolidated	Carrying amount \$mill	Contractual cash flows ⁽¹⁾ \$mill	6 months or less ⁽¹⁾ \$mill	6 - 12 months ⁽¹⁾ \$mill	1 - 2 years ⁽¹⁾ \$mill	2 - 5 years ⁽¹⁾ \$mill	more than 5 years ⁽¹⁾ \$mill
30 September 2009							
Non-derivative financial liabilities							
Interest bearing liabilities	1,588.6	1,588.6	90.2	342.0	1,023.8	132.6	-
Derivative financial liabilities							
Interest rate contracts	12.9	12.9	12.9	-	-	-	-
Total	1,601.5	1,601.5	103.1	342.0	1,023.8	132.6	-
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	-
Company							
30 September 2009							
Non-derivative financial liabilities							
Interest bearing liabilities	47.2	47.2	47.2	-	-	-	-
Derivative financial liabilities							
Interest rate contracts	12.9	12.9	12.9	-	-	-	-
Total	60.1	60.1	60.1	-	-	-	-
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	-	-	-

(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 2009

33. Financial instruments (continued)

E. Liquidity risk – cash flow hedges

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

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 contracts 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 the Income Statement:

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 2009							
Option, interest contracts and cross currency swaps							
- Assets	160.2	160.2	(5.9)	30.2	105.1	30.8	-
- Liabilities	12.9	12.9	12.9	-	-	-	-
Total	147.3	147.3	(18.8)	30.2	105.1	30.8	-
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)	-	-	-
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 2009							
Option contracts							
- Assets	12.6	12.6	5.6	7.0	-	-	-
- Liabilities	12.9	12.9	12.9	-	-	-	-
Total	(0.3)	(0.3)	(7.3)	7.0	-	-	-
30 September 2008							
Option contracts							
- Assets	-	-	-	-	-	-	-
- Liabilities	13.8	-	-	-	-	-	-
Total	(13.8)	-	-	-	-	-	-

Notes to the Financial Statements

For the year ended 30 September 2009

33. Financial instruments (continued)

F. Fair values

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

Consolidated	Carrying amount	Fair value	Carrying amount	Fair value
	2009 \$mill	2009 \$mill	2008 \$mill	2008 \$mill
Available for sale financial assets	46.9	46.9	30.3	30.3
Loans and receivables	355.1	355.1	627.6	627.6
Cash and cash equivalents	125.2	125.2	479.7	479.7
Cross currency interest rate swaps	147.6	147.6	-	-
Option and commodity contracts	12.6	12.6	(16.2)	(16.2)
Other forward exchange contracts	-	-	0.6	0.6
Trade and other payables	(1,063.3)	(1,063.3)	(1,608.9)	(1,608.9)
Financial liabilities	(1,588.6)	(1,588.6)	(2,510.0)	(2,510.0)
Interest rate contracts	(12.9)	(12.9)	-	-
Total	(1,977.4)	(1,977.4)	(2,996.9)	(2,996.9)

Company	Carrying amount	Fair value	Carrying amount	Fair value
	2009 \$mill	2009 \$mill	2008 \$mill	2008 \$mill
Available for sale financial assets	46.9	46.9	30.3	30.3
Loans and receivables	1,241.4	1,241.4	357.2	357.2
Cash and cash equivalents	93.1	93.1	400.4	400.4
Investments in controlled entities	3,080.2	3,080.2	2,896.7	2,896.7
Option contracts	12.6	12.6	(13.8)	(13.8)
Other forward exchange contracts	-	-	0.6	0.6
Trade and other payables	(1,493.7)	(1,493.7)	(1,507.0)	(1,507.0)
Financial liabilities	(47.2)	(47.2)	(180.5)	(180.5)
Interest rate contracts	(12.9)	(12.9)	-	-
Total	2,920.4	2,920.4	1,983.9	1,983.9

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.

i. Investments in equity securities

The fair value of financial assets available for sale is determined based on the quoted bid price at the reporting date.

ii. Derivatives

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

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

iii. Trade and other receivables & Trade and other payables

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

iv. Financial liabilities designated at Fair value through the Income Statement

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

Method of discounting

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

Notes to the Financial Statements

For the year ended 30 September 2009

34. Related party disclosures

Subsidiaries

Interest in subsidiaries is set out in Note 37.

Jointly controlled entities

Interest in jointly controlled entities is set out in Note 16.

Key management personnel

Disclosures relating to key management personnel are set out in Note 35.

Transactions with related parties are as follows:

Consolidated	Notes	Jointly controlled entities ⁽¹⁾		Related parties ⁽²⁾	
		2009	2008	2009	2008
		\$mill	\$mill	\$mill	\$mill
Sales of goods / services		242.6	94.7	-	-
Purchase of goods / services		(30.7)	(7.0)	-	-
Interest income	(4)	1.6	-	-	-
Interest expense	(5)	(0.5)	-	-	-
Dividend income	(16)	5.2	0.3	-	-
Loan forgiveness		-	-	-	-

Company	Notes	Jointly controlled entities ⁽¹⁾		Related parties ⁽²⁾	
		2009	2008	2009	2008
		\$mill	\$mill	\$mill	\$mill
Sales of goods / services		-	-	162.8	125.7
Purchase of goods / services		-	-	(385.4)	(521.0)
Interest income	(4)	-	-	-	-
Interest expense	(5)	-	-	-	-
Dividend income	(4)	-	-	414.4	190.3
Loan forgiveness		-	-	-	(3.6)

(1) Jointly controlled entities transactions represent amounts which do not eliminate on consolidation.

(2) Transactions between Company and its subsidiaries are eliminated on consolidation.

Outstanding balances arising from sales / purchases of goods and services with related parties are on normal current terms and are as follows:

Consolidated	Notes	Jointly controlled entities		Related parties	
		2009	2008	2009	2008
		\$mill	\$mill	\$mill	\$mill
Amounts owing to related parties	(20)	0.2	-	-	-
Amounts owing from related parties	(11)	19.4	50.5	-	-

Company	Notes	Jointly controlled entities		Related parties	
		2009	2008	2009	2008
		\$mill	\$mill	\$mill	\$mill
Amounts owing to related parties	(20)	-	-	404.0	623.0
Amounts owing from related parties	(11)	-	0.3	-	-

Notes to the Financial Statements

For the year ended 30 September 2009

35. Key management personnel disclosures

(a) Key Management Personnel

The following were key management personnel of the Company and 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 (1)	
A C Larkin	
A D McCallum	
J Marlay	
G Smorgon (2)	

Executive directors	
J E Fazzino (3)	Managing Director & Chief Executive Officer (3)
J Segal (4)	Former Managing Director & Chief Executive Officer

Executives	
K J Gleeson	General Counsel & Company Secretary
D A Roe (5)	General Manager Business Development
B C Walsh	General Manager Global Manufacturing
A Grace	General Manager Major Projects
J D Whiteside	General Manager Supply Chain & Trading
P Barber (6)	General Manager Australian Fertilisers
K Lynch	General Manager Human Resources
J Rintel	General Manager Strategy & Business Development
D Brinker	General Manager Explosives
G Brinkworth (7)	General Manager Incitec Pivot Fertilisers

- (1) Mr Healey retired as a non-executive director on 19 December 2008.
- (2) Mr Smorgon was appointed as a non-executive director on 19 December 2008.
- (3) Mr Fazzino was appointed Acting Chief Executive Officer on 8 May 2009 and was appointed as Managing Director & Chief Executive Officer on 29 July 2009. Mr Fazzino was Finance Director & Chief Financial Officer to 29 July 2009.
- (4) Mr Segal ceased to be employed by the Company, as Managing Director & Chief Executive Officer, on 8 May 2009.
- (5) Mr Roe ceased to be a member of the Executive Team on 30 September 2008.
- (6) Mr Barber ceased to be employed by the Company on 31 December 2008.
- (7) Mr Brinkworth was appointed as an executive on 17 November 2008.

All of the above persons were also key management persons during the year ended 30 September 2008 with the following exceptions:

- Mr Lynch commenced his appointment on 18 February 2008 and Mr Rintel and Mr Brinker commenced their appointments on 1 June 2008, and accordingly were not key management personnel for the entire reporting period.
- Mr Smorgon and Mr Brinkworth who commenced their appointments in the year ended 30 September 2009.

On 16 October 2009, Mr Lynch ceased to be employed by the Company.

On 23 October 2009, Mr Frank Micallef was appointed as Chief Financial Officer. Prior to this Mr Micallef was Incitec Pivot's General Manager Treasury and Chief Financial Officer for Incitec Pivot's trading business, Southern Cross International.

Notes to the Financial Statements

For the year ended 30 September 2009

35. Key management personnel disclosures (continued)

(b) Key management personnel compensation

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

	Consolidated		Company	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Short-term employee benefits	8,875	13,030	7,591	12,032
Post-employment benefits	284	192	229	185
Other long-term benefits	635	578	635	578
Termination benefits	168	-	168	-
Share-based payments	2,093	1,919	-	-
	12,055	15,719	8,623	12,795

Individual directors and executives compensation disclosures

Information regarding the compensation for individual directors and executives and some equity instruments disclosures as required by Corporations Regulations 2M.3.03, is 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' and executives' interests existing at year-end.

(c) Loans to key management personnel

Details regarding loans outstanding at the reporting date to key management personnel and their related parties, where the individual's aggregate loan balance exceeded \$100,000 at any time in the reporting period, are as follows:

	Balance	Balance	Interest not charged	Highest balance in period
	1 October 2008	30 September 2009		
	USD'000	USD'000	USD'000	USD'000
Mr D Brinker	-	-	8.8	257.6

The unsecured bridge loan to Mr D Brinker issued during the year ended 30 September 2009 amounted to USD257,600 (2008: USDnil). The interest free bridge loan was required to be repaid in full 347 days after the issue date. During the year, Mr D Brinker repaid the loan in full (2008: USDnil).

There are no other loans to key management personnel.

(d) 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 \$7,992 (2008: \$1,907) from the Company, the balance owing at 30 September 2009 was \$nil (2008: \$nil).
- (2) The spouse of Mr Fazzino, the Managing Director & Chief Executive Officer, is a partner in the accountancy and tax firm PricewaterhouseCoopers from which the Company purchased services of \$5,725,573 during the year (2008: \$6,077,920). Mr Fazzino's spouse does not directly provide these services.

Notes to the Financial Statements

For the year ended 30 September 2009

35. Key management personnel disclosures (continued)

(e) Movements in shareholdings of directors and executives

(1) Movements in shares in the Company

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

	Year	Number of Shares (E)			
		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	2009	74,000	26,000	-	100,000
	2008	100,000	-	(26,000)	74,000
A D McCallum	2009	156,360	85,141	(25,000)	216,501
	2008	156,360	-	-	156,360
J Marlay	2009	20,000	17,693	-	37,693
	2008	20,000	-	-	20,000
A C Larkin	2009	-	5,000	-	5,000
	2008	-	-	-	-
G Smorgon	2009	-	-	-	-
	2008	-	-	-	-
- Former					
B Healey	2009	20,000	20,000	(40,000)	-
	2008	20,000	-	-	20,000
Executive directors					
- Current					
J E Fazzino	2009	1,845,420	-	-	1,845,420
	2008	1,708,080	137,340	-	1,845,420
- Former					
J Segal	2009	2,134,120	104,000	(2,238,120)	-
	2008	1,772,820	361,300	-	2,134,120
Executives					
- Current					
K J Gleeson	2009	671,620	-	(284,020)	387,600
	2008	584,840	86,780	-	671,620
B C Walsh	2009	797,100	-	(367,720)	429,380
	2008	700,680	96,420	-	797,100
A Grace	2009	528,420	-	(100,000)	428,420
	2008	521,000	141,400	(133,980)	528,420
J Whiteside	2009	524,860	-	(223,940)	300,920
	2008	457,340	67,520	-	524,860
K Lynch	2009	53,240	-	-	53,240
	2008	-	53,240	-	53,240
J Rintel	2009	117,120	-	-	117,120
	2008	101,960	15,160	-	117,120
D Brinker (1)	2009	66,680	-	-	66,680
	2008	-	66,680	-	66,680
G Brinkworth (2)	2009	-	-	-	-
	2008	-	-	-	-
- Former					
P Barber (3)	2009	120,080	15,544	(135,624)	-
	2008	-	120,080	-	120,080
D A Roe (4)	2009	-	-	-	-
	2008	518,980	77,040	-	596,020

Notes to the Financial Statements

For the year ended 30 September 2009

35. Key management personnel disclosures (continued)

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

(1) Movements in shares in the Company (continued)

- (A) Represents the holding at 1 October 2008 and 1 October 2009 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 30 September 2009 and their related parties. This includes fully paid ordinary shares, shares acquired under the Employee Share Ownership Plan (ESOP) and shares, treated as options, for the purposes of remuneration which have been disclosed in section E of the Remuneration Report and the movements disclosed in this Note. Details of the ESOP are set out in Note 36, Share based payments.
- (B) Represents shares acquired during the year by directors and executives and their related parties while they are directors or executives of the Company.
- (C) Represents shares disposed of during the year. This includes fully paid ordinary shares, shares acquired under the ESOP and shares, treated as options, issued under the Long Term Incentive Performance Plans. In the case of directors or executives who ceased their directorship or employment during the years ended 30 September 2009 and 30 September 2008, all shares were treated as disposed as at the relevant date of cessation.
- (D) Represents the holding at 30 September 2009 and 30 September 2008 of shares in the Company for current directors and executives.
- (E) For 2008, the number of shares have been restated as a result of the 20:1 share split approved by shareholders in September 2008.
- (1) At 30 September 2009 Mr Brinker holds 16,250 shares in the Company through an (unsponsored) American Depository Receipt.
- (2) Mr Brinkworth's employment commenced on 17 November 2008. Mr Brinkworth does not hold any shares in the Company.
- (3) On 31 December 2008, Mr Barber ceased employment with the Company. In respect of 84,280 shares, treated as options, granted under the LTI performance plan 2007/10, these were forfeited and sold on market, in accordance with the rules of the plan on Mr Barber ceasing employment.
- (4) At 30 September 2008, Mr Roe ceased to be a member of the Executive Team.

Notes to the Financial Statements

For the year ended 30 September 2009

35. Key management personnel disclosures (continued)

(e) 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:

	Year	Number of Shares (treated as options) (F)				Closing balance (E)
		Opening balance (A)	Granted as compensation (B)	Exercised during the year (C)	Other Changes (D)	
The Company - Incitec Pivot						
Executive directors						
- Current						
JE Fazzino	2009	1,059,820	-	(449,700)	-	610,120
	2008	922,580	137,240	-	-	1,059,820
- Former						
J Segal (1)	2009	2,133,160	-	(651,940)	(361,200)	1,120,020
	2008	1,771,960	361,200	-	-	2,133,160
Executives						
- Current						
K J Gleeson	2009	669,360	-	(284,020)	-	385,340
	2008	582,680	86,680	-	-	669,360
B C Walsh	2009	743,720	-	(315,560)	-	428,160
	2008	647,400	96,320	-	-	743,720
A Grace	2009	491,480	-	(206,700)	-	284,780
	2008	424,060	67,420	-	-	491,480
J D Whiteside	2009	520,620	-	(220,900)	-	299,720
	2008	453,200	67,420	-	-	520,620
K Lynch	2009	53,240	-	-	-	53,240
	2008	-	53,240	-	-	53,240
J Rintel (2)	2009	117,120	-	(49,700)	-	67,420
	2008	101,960	15,160	-	-	117,120
D Brinker	2009	66,680	-	-	-	66,680
	2008	-	66,680	-	-	66,680
G Brinkworth (3)	2009	-	-	-	-	-
	2008	-	-	-	-	-
- Former						
P Barber (4)	2009	84,280	-	-	(84,280)	-
	2008	-	84,280	-	-	84,280
D A Roe (5)	2009	-	-	-	-	-
	2008	517,940	77,040	-	-	594,980

- (A) Represents the holding at 1 October 2008 and 1 October 2009 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 and 30 September 2009. 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. 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.
- (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.
- (D) Represents shares, treated as options, that were forfeited 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 unless otherwise indicated.

Notes to the Financial Statements

For the year ended 30 September 2009

35. Key management personnel disclosures (continued)

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

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

- (E) Represents the holding at 30 September 2009 and 30 September 2008 of shares, treated as options, unless otherwise indicated.
- (F) For 2008, 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.
- (1) On 8 May 2009, Mr Segal ceased employment with the Company. In respect of the 651,940 shares, treated as options, exercised during the financial year, these shares were granted in 2006 to Mr Segal as a retention award. In respect of 361,200 shares, treated as options, granted under the LTI performance plan 2007/10, these were forfeited and sold on market, in accordance with the rules of the plan on Mr Segal ceasing employment. In respect of the 1,120,020 shares, treated as options, granted under the LTI performance plan 2006/09 Mr Segal continued to hold these shares subject to the existing holding lock over these shares. In accordance with the rules of this plan, Mr Segal became entitled to an award in full on the achievement of the TSR Stretch performance measure pro rata to his employment during the period.
- (2) Mr Rintel's shares, treated as options, exercised during the financial year were granted under the LTI performance plan 2006/09 prior to his appointment as an executive.
- (3) Mr Brinkworth's employment commenced on 17 November 2008 and he is not a participant in either the LTI performance plan 2006/09 or the LTI performance plan 2007/10.
- (4) Mr Barber's employment commenced on 10 September 2007 and he was not a participant in the LTI performance plan 2006/09. In respect of shares, treated as options, granted under the LTI performance plan 2007/10, these were forfeited in accordance with the rules of the plan on Mr Barber ceasing employment on 31 December 2008.
- (5) At 30 September 2008, Mr Roe ceased to be a member of the Executive Team.

Notes to the Financial Statements

For the year ended 30 September 2009

35. Key management personnel disclosures (continued)

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

(3) Movements in rights, treated as options, over equity instruments in the Company

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

	Year	Number of Rights (treated as options)				Closing balance (E)
		Opening balance (A)	Granted as compensation (B)	Exercised during the year (C)	Other Changes (D)	
The Company - Incitec Pivot						
Executive directors						
- Current						
JE Fazzino	2009	-	222,482	-	-	222,482
	2008	-	-	-	-	-
- Former						
J Segal (1)	2009	-	597,190	-	(597,190)	-
	2008	-	-	-	-	-
Executives						
- Current						
K J Gleeson	2009	-	128,806	-	-	128,806
	2008	-	-	-	-	-
B C Walsh	2009	-	140,515	-	-	140,515
	2008	-	-	-	-	-
A Grace	2009	-	105,386	-	-	105,386
	2008	-	-	-	-	-
J D Whiteside	2009	-	105,386	-	-	105,386
	2008	-	-	-	-	-
K Lynch	2009	-	128,806	-	-	128,806
	2008	-	-	-	-	-
J Rintel	2009	-	81,967	-	-	81,967
	2008	-	-	-	-	-
D Brinker (2)	2009	-	207,738	-	-	207,738
	2008	-	-	-	-	-
G Brinkworth	2009	-	98,361	-	-	98,361
	2008	-	-	-	-	-
- Former						
P Barber (3)	2009	-	-	-	-	-
	2008	-	-	-	-	-
D A Roe (4)	2009	-	-	-	-	-
	2008	-	-	-	-	-

- (A) Represents the holding at 1 October 2008 and 1 October 2009 of rights, treated as options, over shares in Incitec Pivot held by executive directors and executives who were directors and executives of the Company during the year ended 30 September 2008 and 30 September 2009. Further details of these rights, which are treated as options, for the purposes of remuneration have been disclosed in section E of the Remuneration Report and relate to rights allocated under the LTI plans as referred to in sections B and E of the Remuneration Report.
- (B) Represents rights, 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 rights, treated as options, previously granted as compensation, were exercised during the reporting period. Refer to sections B and E of the Remuneration Report for further details.
- (D) Represents rights, treated as options, that were forfeited. 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 rights, treated as options, were forfeited as at the relevant date of cessation, in accordance with the plan rules.
- (E) Represents the holding at 30 September 2009 and 30 September 2008 of rights, treated as options.
- (1) On 8 May 2009, Mr Segal ceased employment with the Company. In respect of the 597,190 rights, treated as options, granted under the LTI performance rights plan 2008/11, these were forfeited in accordance with the rules of the plan.
- (2) Mr Brinker is not a participant in the LTI performance rights plan 2008/11. However, as a non-Australian executive, Mr Brinker participates in the LTI performance cash plan 2008/11.
- (3) Mr Barber did not participate in the LTI performance rights plan 2008/11.
- (4) On 30 September 2008, Mr Roe ceased to be a member of the Executive Team.

Notes to the Financial Statements

For the year ended 30 September 2009

36. Share based payments

(a) Long Term Incentive Plans (LTIs)

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.

Long Term Incentive Performance Rights Plan

During the year, the Company established a LTI performance rights plan 2008/11 under the Long Term Incentive Performance Rights Plan rules. The performance period for this plan is based on a three year performance cycle from 1 October 2008 to 30 September 2011.

This plan has the following features:

- **Performance rights:** A performance right entitles the participant to acquire an ordinary share in the Company for no consideration at a later date subject to the satisfaction of certain performance and service conditions. As no share is issued until exercise, performance rights have no dividend entitlement.
- **Allocation:** The decision to grant performance rights is made annually by the Board. Grants of performance rights to participants are based on a percentage of the relevant participant's fixed annual remuneration.
- **Performance criteria:** The performance rights only become exercisable if certain conditions are met. The conditions focus on performance of the Company and include a condition relating to duration of employment. The performance condition is based on Incitec Pivot's 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, assuming the dividends are reinvested in the Company's shares (Absolute TSR). The Board has adopted Absolute 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 returns to shareholders thereby aligning executives' performance with the creation of shareholder value. Further, as the Company's two key business segments are explosives and fertilisers, there is no logical comparator group which would make a relative TSR measure appropriate, and a more general comparator group, such as companies in the S&P/ASX 100 index would not ensure alignment between executives' performance and value delivered to shareholders. For the performance condition to be satisfied in full, Absolute TSR must be at least 20% per annum compounded over the three year period. In setting this at 20%, the Board considers it has established an aggressive target to promote behaviour to achieve superior performance. If, at the end of the relevant performance period:
 - Absolute TSR is equal to or less than 10% per annum compounded over the performance period, none of the performance rights vest;
 - Absolute TSR is between 10% and 20% per annum compounded over the performance period, an increasing proportion of the performance rights will vest from zero on a straight line basis; and
 - Absolute TSR is greater than 20% per annum compounded over the performance period, all of the performance rights will vest.
- **Exercise period:** Upon vesting of the performance rights, the participant has a two-year exercise period which commences three years after the grant date. This period may be reduced if the employee ceases to be employed by a member of the Consolidated entity.
- **Lapse:** Performance rights will lapse (and not be able to be exercised and converted into shares) if they are not exercised within five years from their grant date. Performance rights will also lapse if the performance conditions are not satisfied during the performance period or, in certain circumstances, if a participant ceases to be employed by the Company during the performance period.

Long Term Incentive Performance Cash Plan

For overseas executives and senior employees, the Consolidated entity through its offshore entities operates a long term incentive performance cash plan. The LTI performance cash plan 2008/11 is designed to deliver a similar benefit to employees on achievement of sustained performance over the three year period, and with similar conditions, as the Long Term Incentive Performance Rights Plan.

Notes to the Financial Statements

For the year ended 30 September 2009

36. Share based payments (continued)

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

Long Term Incentive Performance Plans (loan-backed share-based)

The LTI performance plan 2007/10, LTI performance plan 2006/09 and the LTI interim performance plan 2006/08 have the following features:

- **Loan backed plan:** At the commencement of the relevant performance period (typically three years) the Company, through its wholly owned subsidiary, Incitec Pivot LTI Plan Company Pty Limited, provides to participants limited recourse loans bearing interest at the fringe benefits tax benchmark rate (currently 5.85%) 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 three months after the expiry of the performance period, unless extended by the Company.

The Board set the criteria for the granting of awards under each of the above 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, the criteria was based on the achievement at 30 September 2008 of a cumulative Net Profit After Tax (NPAT) target. For the LTI performance plan 2006/09 and the LTI performance plan 2007/2010, the criteria was based on Absolute TSR per annum compounded 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.

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 Southern Cross Fertilisers Pty Limited. Accordingly, Mr Segal received a retention award in 2006 in the form of a limited recourse, interest free unsecured loan by Incitec Pivot for \$722,000 which was applied in the purchase of 651,940 shares on market. On 8 May 2009, Mr Segal ceased employment with the Company and in accordance with the terms of the retention award, the shares vested during the financial year and the loan for \$722,000 applied in the purchase of those shares on market was forgiven in full.

Notes to the Financial Statements

For the year ended 30 September 2009

36. Share based payments (continued)

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

Set out below are summaries for:

- 2009, of shares and rights, treated as options, under the LTI interim performance plan 2006/08, LTI performance plan 2006/09, the LTI performance plan 2007/10, the LTI performance rights plan 2008/11, the LTI performance cash plan 2008/11 and in relation to Mr Segal, in respect of his retention award; and
- 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.

Consolidated - 2009

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							
05 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 Sep 08	\$1.27	2,697,640	-	(2,697,640)	-	-
Total			2,697,640	-	(2,697,640)	-	-
LTI performance plan - 2006/09							
01 Dec 06	30 Sep 09	\$1.21	4,209,900	-	-	(33,300)	4,176,600
Total			4,209,900	-	-	(33,300)	4,176,600
LTI performance plan - 2007/10							
12 Nov 07	30 Sep 10	\$4.41	1,796,560	-	-	(492,560)	1,304,000
Total			1,796,560	-	-	(492,560)	1,304,000
LTI performance rights plan - 2008/11							
19 Dec 08	30 Sep 11	\$0	-	3,044,411	-	(655,058)	2,389,353
Total			-	3,044,411	-	(655,058)	2,389,353
LTI performance cash plan - 2008/11							
19 Dec 08	30 Sep 11	\$0	-	1,302,133	-	(153,873)	1,148,260
Total			-	1,302,133	-	(153,873)	1,148,260
Weighted average exercise price			\$1.76	-	\$1.02	\$1.66	\$1.20

Consolidated - 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							
05 Jul 06	10 May 09	\$0	651,940	-	-	-	651,940
Total			651,940	-	-	-	651,940
LTI interim performance plan - 2006/08 (1)							
17 Nov 06	30 Sep 08	\$1.27	2,697,640	-	-	-	2,697,640
Total			2,697,640	-	-	-	2,697,640
LTI performance plan - 2006/09 (1)							
01 Dec 06	30 Sep 09	\$1.21	4,209,900	-	-	-	4,209,900
Total			4,209,900	-	-	-	4,209,900
LTI performance plan - 2007/10 (2)							
12 Nov 07	30 Sep 10	\$4.41	-	1,811,000	-	(14,440)	1,796,560
Total			-	1,811,000	-	(14,440)	1,796,560
Weighted average exercise price			\$1.13	\$4.41	-	\$4.41	\$1.76

* Comparative numbers includes the effect of the 20 for 1 share split approved by shareholders in September 2008.

- (1) The opening balance has been adjusted to reflect the number of shares that were granted during the 2006/07 financial year, however, disclosed in the 2008 financial report as granted in the 2007/08 financial year.
- (2) Includes an additional 51,880 shares granted that were not disclosed in the 2008 financial report.

Notes to the Financial Statements

For the year ended 30 September 2009

36. Share based payments (continued)

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

The weighted average share price at the date of exercise of shares, treated as options, exercised during the year ended 30 September 2009 was \$1.02 (2008 - \$nil, as no shares, treated as options, were exercised).

The weighted average remaining contractual life of shares and rights, treated as options, outstanding at the end of the period was 1.73 years (2008 – 1.23 years).

Fair value of performance rights granted

LTI performance rights plan – 2008/11

In respect of the LTI performance rights plan 2008/11, the assessed fair value at grant date of the rights, treated as options, granted during the year ended 30 September 2009 was \$0.30 per right, treated as an option. The fair value at grant date is independently determined using an adjusted form of the Black-Scholes option pricing model that takes into account the exercise price, the life of the performance right, 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 performance right treated as an option.

The model inputs for these performance rights, treated as options, granted during the year ended 30 September 2009 included:

Performance rights (treated as options) were granted at \$nil per right, have a three year life, and vest after certain Absolute TSR targets are met for the period 1 October 2008 to 30 September 2011.

Grant date	19 Dec 2008
Share price (at grant date)	\$2.45
Exercise price	\$nil
Expected price volatility of the Company's shares	40% pa
Vesting date	30 Sept 2011
Expected dividends	5.0%
Risk-free interest rate (based on Australian Government bonds) with approximately three years to maturity (as at 19 December 2008)	3.1% pa
Share price which TSR targets are measured from	\$5.61

LTI performance rights plan 2008/11

Fair value at grant date	\$0.30
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LTI performance cash plan – 2008/11

In respect of the LTI performance cash plan 2008/11 granted during the year ended 30 September 2009, the plan is designed to deliver a similar benefit to employees, and with similar conditions as the LTI performance rights plan 2008/11 outlined above, the exception being that the entitlements, treated as options, are settled in cash, and were valued at 31 March 2009, with a share price of \$2.12 at that date and a risk free interest rate of 3.4% at that date.

LTI performance cash plan 2008/11

Fair value at 31 March 2009	\$0.13
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Notes to the Financial Statements

For the year ended 30 September 2009

36. Share based payments (continued)

(b) Employee Share Ownership Plan

The Board established the Incitec Pivot Employee Share Ownership Plan (ESOP) on 28 October 2003. Administration of the plan is held with Link Market Services Limited. The Board determines which employees are eligible to receive invitations to participate in the ESOP. Invitations are 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-09	30-Sep-08	30-Sep-09	30-Sep-08
9-Sep-04	9-Sep-07	-	-	-	-
22-Dec-04	22-Dec-07	-	-	-	-
7-Mar-05	7-Mar-08	-	-	-	-
30-Jun-05	30-Jun-08	-	-	-	-
16-Sep-05	16-Sep-08	-	-	-	-
13-Jul-06	13-Jul-09	-	259	-	11,137
23-Aug-06	23-Aug-09	-	134	-	5,226
2-Jul-07	2-Jul-10	312	360	81,120	4,680
11-Jul-08	11-Jul-11	492	562	49,200	2,810

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

(c) Expenses arising from share-based payment transactions

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

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Shares and rights, treated as options, issued under Mr Segal's retention award, the LTI performance plan 2006/09, LTI performance plan 2007/10, the LTI performance rights plan 2008/11 and the LTI performance cash plan 2008/11	2,359	2,776	-	-
	2,359	2,776	-	-
Total carrying amount of liabilities for cash settled arrangements	130	-	-	-

Notes to the Financial Statements

For the year ended 30 September 2009

37. Investments in controlled entities

Name of Entity		Ownership Interest	Country of incorporation
Company			
Incitec Pivot Limited	9		Australia
Controlled Entities - operating			
Incitec Fertilizers Limited	9	100%	Australia
TOP Australia Ltd	9	100%	Australia
Southern Cross Fertilisers Pty Ltd	9	100%	Australia
Southern Cross International Pty Ltd	9	100%	Australia
Incitec Pivot LTI Plan Company Pty Limited		100%	Australia
Incitec Pivot Holdings (Hong Kong) Limited	1,2	100%	Hong Kong
Incitec Pivot Explosives Holdings Pty Limited	3,9	100%	Australia
TinLinhe Nitrogen Limited	1	100%	Hong Kong
Dynofert Limited	1	100%	Hong Kong
Coltivi Insurance Pte Limited		100%	Singapore
Queensland Operations Pty Limited	1	100%	Australia
Incitec Pivot Investments 1 Pty Ltd	1	100%	Australia
Incitec Pivot Investments 2 Pty Ltd	1	100%	Australia
Incitec Pivot US Investments		100%	USA
Incitec Pivot US Holdings Pty Ltd	1	100%	Australia
Incitec Pivot Management LLC	1	100%	USA
Incitec Pivot Finance LLC	1	100%	USA
Incitec Pivot Finance Australia Pty Ltd	1,9	100%	Australia
Dyno Nobel Pty Limited		100%	Australia
Dyno Nobel Australia LLC		100%	USA
Prime Manufacturing Ltd		75%	New Zealand
The Dyno Nobel SPS Trust		100%	Australia
The Dyno Nobel SPS LLC		100%	USA
Dyno Nobel Europe Pty Ltd		100%	Australia
Dyno Nobel Management Pty Limited		100%	Australia
Industrial Investments Australia Finance Pty Limited		100%	Australia
Te Moana Insurance Limited		100%	New Zealand
Dyno Nobel Holdings IV LLC		100%	USA
Dyno Nobel Holdings USA III, Inc.		100%	USA
Dyno Nobel Holdings USA II		100%	USA
Dyno Nobel Holdings USA II, Inc.		100%	USA
Dyno Nobel Holdings USA, Inc.		100%	USA

1) Refer to footnote description on next page.

2) Refer to footnote description on next page.

3) Refer to footnote description on next page.

9) Refer to footnote description on next page.

Notes to the Financial Statements

For the year ended 30 September 2009

37. Investments in controlled entities (continued)

Name of Entity		Ownership Interest	Country of incorporation
Dyno Nobel Inc.		100%	USA
DNX Drilling Inc.		100%	USA
Dyno Nobel Transportation Inc.		100%	USA
Independent Explosives Co. of Pennsylvania		100%	USA
IR Inc.		100%	USA
Simsbury Hopmeadow Street LLC		100%	USA
Tech Real Estate Holdings LLC		100%	USA
Tradestar Corporation		100%	USA
Dyno Nobel Explosivos Chile Limitada	5	100%	Chile
CMMPM, LLC		100%	Mexico
CMMPM, L.P.		100%	Mexico
Dyno Nobel Peru S.A.		100%	Peru
Dyno Nobel Mexico, S.A. de C.V.	4	100%	Mexico
Dyno Nobel Canada Inc.		100%	Canada
Castonguay Blasting Limited		100%	Canada
Denesoline Western Explosives Inc.	8	49%	Canada
Castonguay G.P.		100%	Canada
DNX Castonguay Inc.		100%	Canada
Dyno Nobel Nitrogen Inc.		100%	Canada
Dyno Nobel Nunavut Inc.		100%	Canada
Le Groupe Castonguay Inc.		100%	Canada
Polar Explosives 2000 Inc.		100%	Canada
Polar Explosives Ltd		84%	Canada
Dyno Nobel Asia Pacific Pty Limited	6	100%	Australia
Dampier Ammonia Pty Ltd		100%	Australia
Dampier Nitrogen Pty Ltd		100%	Australia
Dampier Urea Pty Ltd		100%	Australia
DNX Australia Pty Ltd		100%	Australia
DNX Mongolia LLC	7	100%	Mongolia
DNX PNG Ltd		100%	PNG
Dyno Nobel Administration Pty Limited		100%	Australia
Dyno Nobel Moranbah Pty Ltd		100%	Australia
Dyno Nobel Moura Pty Limited		100%	Australia
Dyno Nobel Nitrates Pty Ltd		100%	Australia
Plenty River Ammonia Holdings Pty Ltd		100%	Australia
PT DNX Indonesia		100%	Indonesia

1) These entities were incorporated during the 2009 financial year.

2) Formerly 'Incitec Pivot (Hong Kong) Holdings'.

3) Formerly 'Dyno Nobel Investments Australia Pty Ltd'.

4) Formerly 'Compania Mexicana de Mecha para Minas S.A. de C.V.'.

5) Formerly 'DNX Explosivos Chile Limitada'.

6) Formerly 'Dyno Nobel Asia Pacific Limited'.

7) In the process of being liquidated.

8) Due to legal requirements in the Canadian Northwest Territories, the Consolidated entity cannot own more than 49% of the shares in Denesoline Western Explosives Inc. However, under the joint venture agreement, the Consolidated entity is entitled to 95% of the assets and profit of Denesoline Western Explosives Inc.

9) Party to deed of cross guarantee dated 30 September 2008.

Notes to the Financial Statements

For the year ended 30 September 2009

	Closed Group	
	2009	2008
	\$mill	\$mill
38. Deed of Cross Guarantee		
Statements of Financial Position		
Current assets		
Cash and cash equivalents	93.1	400.7
Trade and other receivables	80.8	362.6
Other financial assets	59.5	30.3
Current tax assets	30.2	-
Inventories	245.7	483.6
Assets classified as held for sale	46.9	4.8
Other assets	14.7	111.9
Total current assets	570.9	1,393.9
Non-current assets		
Trade and other receivables	1,153.8	0.2
Other financial assets	2,764.4	2,299.3
Investments accounted for using the equity method	50.3	-
Property, plant and equipment	541.5	539.6
Intangible assets	188.9	190.4
Deferred tax assets	184.5	49.1
Other assets	3.3	0.1
Total non-current assets	4,886.7	3,078.7
Total assets	5,457.6	4,472.6
Current liabilities		
Trade and other payables	326.6	750.8
Interest bearing liabilities	100.9	170.0
Current tax liabilities	-	210.8
Provisions	46.3	47.7
Other financial liabilities	12.9	13.8
Total current liabilities	486.7	1,193.1
Non-current liabilities		
Trade and other payables	798.3	42.2
Interest bearing liabilities	186.4	386.9
Retirement benefit obligation	5.5	2.4
Provisions	56.2	51.4
Total non-current liabilities	1,046.4	482.9
Total liabilities	1,533.1	1,676.0
Net assets	3,924.5	2,796.6
Equity		
Issued capital	3,217.8	2,267.7
Reserves	397.3	2.3
Retained earnings	309.4	526.6
Total equity	3,924.5	2,796.6
Income Statements		
Profit / (loss) before income tax	(73.2)	837.9
Income tax benefit / (expense)	137.9	(233.9)
Profit for the financial year	64.7	604.0
Retained profits at the beginning of the financial year	526.6	148.5
Movements in retained earnings	(10.9)	(6.6)
Dividend paid	(271.0)	(219.3)
Retained profits at the end of the financial year	309.4	526.6

Entities which are party to a Deed of Cross Guarantee dated 30 September 2008, entered into in accordance with ASIC Class Order 98/1418 (as amended), are disclosed in Note 37, Investments in controlled entities. Consolidated Statements of Financial Position and Income Statements for this closed group are shown above.

Notes to the Financial Statements

For the year ended 30 September 2009

39. Events subsequent to balance date

Since the end of the financial year, in November 2009, the directors have determined to pay a final dividend of 2.3 cents per share on 18 December 2009. This dividend is unfranked.

On 13 November 2009, the Consolidated entity determined that it would cease manufacturing activities in early 2010 at its ammonium nitrate facilities in Battle Mountain, Nevada, USA and Maitland, Ontario, Canada. Distribution and warehousing activities will continue at both sites to fulfil customer requirements. Manufacturing assets have been written down to their recoverable amount as at 30 September 2009 resulting in an adverse impact to earnings before interest and tax of \$66.3m. The costs at both sites for decommissioning, mothballing, redundancy and make good will be accounted for in the 2010 financial year.

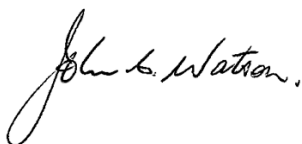
Other than the matters reported on above, the directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2009, that has affected or may affect the operations of the Consolidated entity, the result of those operations, or the state of affairs of the Consolidated entity in subsequent years, which has not been covered in this report.

Directors' Declaration

on the Financial Statements set out on pages 44 to 117

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 44 to 117, and the remuneration disclosures that are contained in the Remuneration Report on pages 12 to 31 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 2009 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 37 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 those persons performing the function of Chief Financial Officer as required by section 295A of the Corporations Act 2001 for the financial year ended 30 September 2009.



John Watson, AM
Chairman

Dated at Melbourne this 13th day of November 2009



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 2009, 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 39 and the directors' declaration 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(i), 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 2009 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(i).

Report on the remuneration report

We have audited the Remuneration Report included on pages 12 to 31 of the directors' report for the year ended 30 September 2009. 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 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Suzanne Bell

Partner

Melbourne

13 November 2009

Shareholder Statistics

As at 10 November 2009

Distribution of ordinary shareholder and shareholdings

Size of holding		Number of holders	Percentage	Number of shares	Percentage	
1	–	1,000	15,086	20.23%	8,229,082	0.51%
1,001	–	5,000	37,043	49.68%	109,587,265	6.80%
5,001	–	10,000	12,405	16.64%	93,223,669	5.78%
10,001	–	50,000	9,261	12.42%	178,259,148	11.05%
50,001	–	100,000	476	0.64%	33,073,505	2.05%
100,001 and over			296	0.40%	1,190,163,666	73.81%
Total			74,567	100.00%	1,612,536,335	100.00%

Included in the above total are 1857 shareholders holding less than a marketable parcel of shares.

The holdings of the 20 largest holders of fully paid ordinary shares represent 67.32% of that class of shares.

Twenty largest ordinary fully paid shareholders

	Number of shares	Percentage
HSBC Custody Nominees (Australia) Limited	311,503,590	19.32%
J P Morgan Nominees Australia Limited	265,406,344	16.46%
National Nominees Limited	208,571,076	12.93%
Citicorp Nominees Pty Limited	66,511,139	4.12%
Citicorp Nominees Pty Limited <CFS WSLE GEARED SHR FND A/C>	50,814,702	3.15%
ANZ Nominees Limited <CASH INCOME A/C>	32,131,504	1.99%
Cogent Nominees Pty Limited	30,243,386	1.88%
Queensland Investment Corporation	19,522,780	1.21%
Australian Foundation Investment Company Limited	17,939,104	1.11%
Citicorp Nominees Pty Limited <CFS WSLE IMPUTATION FND A/C>	13,927,838	0.86%
AMP Life Limited	11,811,586	0.73%
RBC Dexia Investor Services Australia Nominees Pty Limited <BKCUST A/C>	10,536,396	0.65%
Citicorp Nominees Pty Limited <CFS IMPUTATION FUND A/C>	9,947,220	0.62%
ANZ Nominees Limited <INCOME REINVEST PLAN A/C>	7,678,111	0.48%
Citicorp Nominees Pty Limited <CFS WSLE AUST SHARE FND A/C>	7,043,260	0.44%
UBS Wealth Management Australia Nominees Pty LTD	5,761,144	0.36%
Australian Reward Investment Alliance	4,688,861	0.29%
Citicorp Nominees Pty Limited <CFS WSLE INDUSTRIAL SHR A/C>	4,075,139	0.25%
Argo Investments Limited	3,895,530	0.24%
HSBC Custody Nominees (Australia) Limited- A/C 2	3,510,047	0.22%
Total	1,085,518,757	67.32%

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 2009	HSBC Custody Nominees (Australia) Limited	311,503,590	19.32%
10 November 2009	J P Morgan Nominees Australia Limited	265,406,344	16.46%
10 November 2009	National Nominees Limited	208,571,076	12.93%

On-market buy-back

There is no current on-market buy-back.

Five Year Financial Statistics

Incitec Pivot Limited and its controlled entities

		2009 \$mill	2008 \$mill	2007 \$mill
Sales		3,418.9	2,918.2	1,373.2
Earnings before depreciation, amortisation, net borrowing costs, individually material items and tax		743.0	1,025.6	348.6
Depreciation and amortisation (excluding individually material items)		(167.3)	(70.3)	(36.1)
Earnings before net borrowing costs, individually material items and tax (EBIT)		575.7	955.3	312.5
Net borrowing costs (excluding individually material items)		(107.6)	(80.6)	(28.8)
Individually material items before tax		(782.7)	(38.2)	3.9
Taxation revenue / (expense)		134.7	(231.9)	(82.4)
Operating profit / (loss) after tax and individually material items		(179.9)	604.6	205.3
Individually material items after tax attributable to members of Incitec Pivot		(527.7)	(42.9)	2.8
Operating profit after tax before individually material items (net of tax)		347.8	647.5	202.5
Dividends		271.0	219.3	75.6
Current assets		1,033.9	1,867.0	909.0
Property, plant and equipment		1,663.4	1,670.6	502.1
Investments		254.0	311.2	1.6
Intangibles		3,153.0	3,962.1	193.7
Other non-current assets		526.9	374.5	32.9
Total assets		6,631.2	8,185.4	1,639.3
Current borrowings and payables		1,081.8	3,612.3	325.6
Current provisions		93.4	88.6	31.2
Non-current borrowings and payables		1,987.4	1,238.4	682.8
Non-current provisions		87.5	90.8	64.7
Total liabilities		3,250.1	5,030.1	1,104.3
Net assets		3,381.1	3,155.3	535.0
Shareholders' equity		3,381.1	3,155.3	535.0
Total shareholders' equity		3,381.1	3,155.3	535.0
Ordinary Shares ⁽¹⁾	thousands	1,612,536	1,217,231	1,008,478
Number of shares on issue at year end ⁽¹⁾	thousands	1,612,536	1,217,231	1,008,478
Weighted average number of shares on issue (investor and ordinary) ⁽¹⁾	thousands	1,541,925	1,069,507	1,008,478
Earnings / (losses) per share ⁽¹⁾				
before individually material items	cents	22.6	60.5	20.1
including individually material items	cents	(11.7)	56.5	20.4
Dividends (declared)	cents	4.4	29.7	15.0
Dividends (paid)	cents	21.6	21.8	7.5
Dividend franking	%	48	100	100
Share price range – High		\$5.18	\$9.99	\$4.29
Low		\$1.74	\$4.11	\$1.19
Year end		\$2.83	\$5.07	\$4.28
Stockmarket capitalisation at year end	\$mill	4,563.5	6,171.4	4,313.3
Net tangible assets per share	\$	0.14	(0.66)	0.34
Profit margin (earnings before net borrowing costs and tax/sales)	%	16.8	32.7	22.8
Net debt	\$mill	1,463.4	2,030.3	411.7
Gearing (net debt/net debt plus equity)	%	30.2	39.2	43.5
Interest cover (earnings before net borrowing costs and tax/net borrowing costs)	times	5.4	11.9	10.9
Net capital expenditure on plant and equipment (cash flow)	\$mill	340.5	217.6	62.9
Net capital expenditure on acquisitions/(disposals) (cash flow)	\$mill	2.0	586.4	257.0
Return on average shareholders funds				
before individually material items	%	10.6	35.1	44.3
including individually material items	%	(5.5)	32.8	44.9

Note:

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

Five Year Financial Statistics

2006 \$mill	2005 \$mill
1,111.2	1,073.9
159.4	108.4
(33.1)	(30.5)
126.2	77.9
(12.9)	(9.4)
(54.1)	(47.0)
(12.6)	(7.0)
46.7	14.5
(36.1)	(33.4)
82.8	47.9
41.9	70.5
597.4	358.6
441.1	292.0
-	-
196.2	192.3
69.8	2.5
1,304.5	845.2
315.1	213.2
48.2	47.8
499.2	-
62.0	24.3
924.5	285.3
380.0	560.0
380.0	560.0
380.0	560.0
1,008,478	1,165,621
1,008,478	1,165,621
1,130,320	1,165,621
7.3	4.1
4.1	1.2
5.2	3.6
3.6	6.1
100	100
\$1.33	\$1.13
\$0.77	\$0.75
\$1.29	\$0.79
1,304.5	922.0
0.18	0.32
11.4	7.3
275.4	9.2
42.0	1.6
9.8	8.3
21.4	26.1
155.3	-
17.6	8.0
9.9	0.0

Shareholder Information

Annual General Meeting

2.00 pm Wednesday 23 December 2009
The Auditorium,
Level 2, Melbourne Exhibition Centre,
2 Clarendon Street,
Southbank Victoria,
Australia

Securities Exchange Listing

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

Share Registry

Link Market Services
Level 12, 680 George Street,
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Locked Bag A14,
Sydney South New South Wales 1235

Telephone: 1300 303 780
(for callers within Australia)
International: +61 2 8280 7765

General Facsimile: +61 2 9287 0303
Proxy Facsimile: +61 2 9287 0309
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

Auditor

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Incitec Pivot Limited