Appendix 4E

Preliminary final report

Incitec Pivot Limited
ABN 42 004 080 264

Financial year ended ('current period')	Previous financial year ended ('previous corresponding period')
30 September 2009	30 September 2008

Results for announcement to the market

Extracts of the Incitec Pivot Limited results for the financial year ended 30 September 2009 **$Amill**

Revenues from ordinary activities	up	17%	to	3,418.9
Loss from ordinary activities for the financial year	down	(130)%	to	(179.9)
Net loss for the financial year	down	(130)%	to	(179.9)

Dividends	Amount per security cents	Franked amount per security cents
Current Period		
Interim dividend	2.1	2.1
Final dividend	2.3	0.0
Previous corresponding period		
Interim dividend	10.2	10.2
Final dividend	19.5	19.5

Record date for determining entitlements to the final dividend:	**25 November 2009**
Payment date of final dividend:	**18 December 2009**

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security(1)	$0.14	($0.66)

The information should be read in conjunction with the financial report, which is set out on pages 11 to 35.

(1) 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 10).

Contents

The profit report and the financial report provide information on material factors affecting the earnings and operations of the economic entity during the financial year ended 30 September 2009.

Annual General Meeting
The Annual General Meeting will be held as follows:

Location	The Melbourne Exhibition Centre The Auditorium Level 2, 2 Clarendon Street Southbank VIC 3006
Date	23 December 2009
Time	2.00 pm
Approximate date the annual report will be available	During the week commencing 30 November 2009

Compliance Statement
This report has been prepared under accounting policies which comply with the Corporations Act 2001 (Cth), the Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001 (Cth).

This report uses the same accounting policies as the financial statements prepared under the Corporations Act 2001 (Cth). This gives a true and fair view of the matters disclosed. The financial report is based on accounts which have been audited.

For further information, please contact:

Investor Relations
Simon Atkinson
T: 03 8695 4515 M: 0405 513 768
E: simon.atkinson@incitecpivot.com.au

Incitec Pivot Limited

2009 Profit Report – Velocity delivering & strategy on track

BUSINESS PERFORMANCE – Results for the year ended 30 September 2009

Incitec Pivot Limited (IPL) has delivered a Net Profit After Tax (NPAT) excluding individually material items of $347.8M, down 46% from $647.5M in 2008.
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.

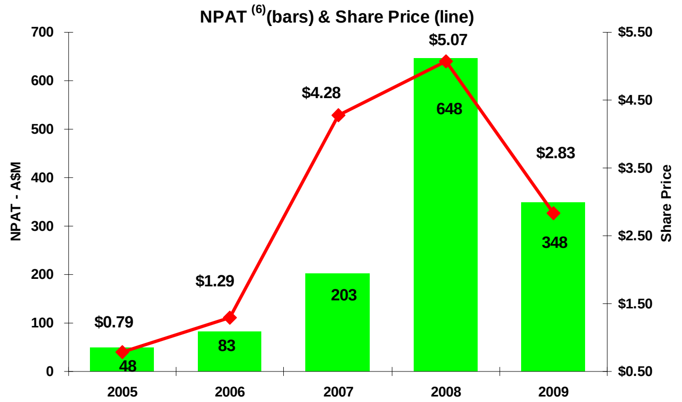
KEY FINANCIALS

- NPAT including individually material items was a loss of $179.9M (2008: $604.6M profit) inclusive of a $490.6M non-cash write-down of Dyno Nobel goodwill.
- EBIT(2) down 40% to $575.7M (2008: $955.3M).
- Year-end trade working capital down 16% to $258.9M including a record low year-end trade working capital for the Fertiliser & Industrial business of $35.9M.
- Prudent capital management with Net Debt to EBITDA of 1.97 times and interest cover of 7.5 times, conservatively within internal target levels.

SHAREHOLDER RETURNS

- Earnings per share(3) of 22.6 cents (2008: 60.5 cents(3)).
- Dividends per share of 4.4 cents (2008: 29.7 cents(3)).

Financial Summary A$M	Year ended 30 September 2009	2008	Change
Sales Revenue	3,418.9	2,918.2	17%
EBITDA (1)	743.0	1,025.6	(28%)
EBIT (2)	575.7	955.3	(40%)
NPAT - excl. individually material items	347.8	647.5	(46%)
NPAT - incl. individually material items	(179.9)	604.6	n/a
Returns excluding individually material items:			
Earnings per share (cents) (3)	22.6	60.5	(63%)
Dividends per share (cents) (3)	4.4	29.7	(85%)
Share price at 30 September ($)	2.83	5.07	(44%)
Total shareholder return (4)	(43%)	25%	
Financial Items:			
Trade Working Capital	258.9	309.6	16%
Net Debt	1,463.4	2,030.3	28%
Net Debt/EBITDA	1.97x	1.98x	1%
Interest cover (5)	7.5x	15.6x	(51%)



BUSINESS HIGHLIGHTS

EXPLOSIVES - DYNO NOBEL

- Explosives (Dyno Nobel) acquisition on track:
  - 2009 EBIT of $299.3M, 55% above 2008 proforma of $192.5M, despite challenging market conditions.
  - Cumulative Velocity program benefits delivered in 2009 of US$71.0M, 6% above the 2009 target of US$67M, largely attributable to timing of delivery.

FERTILISERS – AUSTRALIAN FERTILISERS, INDUSTRIAL & SOUTHERN CROSS

- Fertiliser manufacturing represented 100% of EBIT primarily from Gibson Island and Southern Cross (89% in 2008).
- Challenging Australian domestic conditions with Fertilisers & Industrial EBIT down 70% to $90.1M (2008: $302.6M).
- Southern Cross EBIT of $186.3M (2008: $587.0M) following the decline in global Di-Ammonium Phosphate (DAP) prices to US$366/t (2008: US$921/t). In 2009, a record 58% or 481kt of Southern Cross product was exported (2008: 38% or 318kt).

CAPITAL MANAGEMENT

- As at 30 September 2009, IPL has A$2.34Bn of committed financing facilities in place against which A$1.46Bn has been drawn, net of cash on hand.
- IPL has attained three investment grade credit ratings: long term credit ratings of BBB stable outlook from Standard & Poor's and Fitch, and a Baa3 (stable outlook) long term credit rating from Moody's.

2010 OUTLOOK

- Business conditions are expected to be soft in the first half of 2010 given the prevailing A$/US$ currency, and timing of both global fertiliser demand and seasonal conditions in North America.
- Medium and long term industry fundamentals remain intact for both explosives and fertilisers.
- Explosives business structurally robust and well positioned to leverage continued Australian mining growth and a cyclical rebound in North America.
- Continuing benefits from the Velocity program, with US$60M targeted for 2010.
- Domestic conditions in certain segments of the Australian Fertiliser Distribution business are expected to remain challenging.
- Moranbah project slowed. Consistent with the February 2009 announcement of a 12-month delay, an update on Moranbah will be made in the March quarter of 2010.

Definitions and Notes

(1) EBITDA: EBIT + depreciation + amortisation.
(2) EBIT: Earnings before interest and tax, and excluding individually material items.
(3) 2008 & 2009 EPS exclude individually material items. 2008 EPS based on a diluted 1,069,506,540 weighted average number of issued shares and 2009 based on 1,541,925,068 shares. The total number of issued shares at 30 September 2009 was 1,612,536,335.
(4) Total Shareholder Return = (Change in share price + dividend declared in financial year) / opening share price.
(5) Interest cover = EBITDA/borrowing costs.
(6) NPAT excluding individually material items.

SALES VOLUMES

Explosives nitrogen sales volume increased 238% to 2,494kst reflecting a full year of sales from Explosives (acquired June 2008), and Fertiliser sales volumes declined 20% to 2,662kt (2008: 3,330kt).

<u>Explosives</u>
On a proforma basis, Explosives sales volume increased 1% to 2,494kst[5] in 2009 (2008 proforma: 2,478kst). Asia Pacific sales volumes increased 26% to 603kst in line with the increase in supply to Moranbah foundation customers and increased coal market demand. North American nitrogen sales into explosives were down 14% to 1,323kst driven by a contraction in activity across all market segments. North America nitrogen sales into agriculture increased 22% to 567kst following the commissioning of the Cheyenne Ammonium Nitrate expansion.

<u>Australian Fertiliser Distribution</u>
Drought conditions continued to ease on the east coast of Australia throughout 2009.

Overall sales volumes fell 29% or 589kt to 1,423kt (2008: 2,012kt) with Winter Crop sales declining by 25% or 188kt. While area planted in 2009 was consistent with 2008, application rates declined as farmers drew down on in-soil nutrient levels. In the Pasture segment there was a 38% or 332kt decline in sales volume following a collapse in dairy prices combined with poor seasonal conditions. IPL's Australian east coast market share was maintained.

<u>SCI Trade</u>
SCI Trade tonnes were 13% or 54kt lower at 376kt (2008: 430kt) in line with limited international trading opportunities throughout 2009.

<u>Industrial</u>
Industrial tonnes decreased 20% or 68kt to 275kt (2008: 343kt) mainly due to lower sales of sulphuric acid, urea and ammonia reflecting weaker industrial activity.

<u>Southern Cross</u>
Total sales volumes were 4kt lower at 824kt (2008:828kt). Of the 824kt sales volume in 2009, 481kt (58%) was exported (2008: 312kt or 38%), 235kt (29%) was sold through the Australian Fertiliser Distribution business (2008: 34% or 283kt), with the 108kt (13%) balance sold to Australian wholesale customers (2008: 233kt or 28%).

2009 production was 861kt, being 11% below nameplate capacity of 970ktpa due to rail line outages during the monsoon season.

Sales Summary	Year ended 30 September		
	2009	2008	Change
Tonnes '000's			
Australian Fertiliser Distribution	1,423	2,012	(29%)
SCI Trade	376	430	(13%)
Industrial	275	343	(20%)
Tonnes - Base Business	2,074	2,785	(26%)
Southern Cross	824	828	(1%)
Inter-company eliminations	(235)	(283)	17%
Tonnes - Fertilisers	**2,662**	**3,330**	**(20%)**
Tonnes - Explosives (Nitrogen kst)	**2,494**	**737**	**238%**
Sales Revenue A$M			
Australian Fertiliser Distribution	938.7	1,320.5	(29%)
SCI Trade	191.6	294.0	(35%)
Industrial	112.4	112.0	0%
Sales Revenue - Base Business	**1,242.6**	**1,726.5**	**(28%)**
Southern Cross	485.0	896.0	(46%)
Inter-company eliminations	(136.4)	(275.2)	50%
Sales Revenue - Fertilisers	**1,591.3**	**2,347.3**	**(32%)**
Sales Revenue - Explosives	**1,827.6**	**570.9**	**220%**
Total sales revenue	**3,418.9**	**2,918.2**	**17%**
Average fertiliser price per tonne (1)	598	705	(15%)
Middle East Granular Urea (US$/t) (2)	339	456	(26%)
Average DAP Tampa (US$/t) (3)	366	921	(60%)
Average exchange rate - cents A$/US$ (4)	70.7	96.8	(27%)

SALES REVENUE

Overall sales revenue increased by $501M or 17% to $3,419M (2008: $2,918M), primarily reflecting a full year revenue contribution from the Explosives business.

The average delivered fertiliser price decreased to $598/t (2008: $705/t) reflecting lower global fertiliser prices, net of the favourable impact of a favourable A$ throughout the year. The average DAP price achieved was US$366/t, a 60% decrease on the US $921/t realised in 2009 but in line with the 2007 achieved price of US$364/t.

The realised urea price of US$339/t was US$117/t lower than 2008 (US$456/t) reflecting global pricing during the year, although the impact on profitability was moderated by the lower $A.

Explosives sales declined 15% compared to proforma 2008 with North American sales down 18% or US$220M partly offset by Asia Pacific sales which were up 10% or US$34M.

Definitions and Notes
(1) Average price excludes Dyno Nobel revenue.
(2) Middle East Granular Urea is the weighted average of the international price lagged by 3 months plus achieved export prices.
(3) DAP Tampa based on the weighted average achieved price for the period.
(4) Average exchange rate is the achieved USD/AUD on SCO sales.
(5) Kst = thousand short tons (short ton = 0.9 metric tonnes).

EARNINGS BEFORE INTEREST & TAX (EBIT)[3]

Total EBIT decreased 40% to $575.7M (2008: $955.3M). Earnings from Fertilisers were down 68% to $276.4M (2008: $875.8M) partly offset by a full year's earnings from Explosives.

The mix of earnings for the year was 52% explosives and 48% fertilisers, demonstrating the benefits of the business model with a common nitrogen manufacturing core and two diversified downstream market exposures.

Explosives - Dyno Nobel

Explosives contributed EBIT of A$299.3M, including US$71.0M or A$95.6M in Velocity program benefits, increased earnings from Asia Pacific, increased earnings from the Cheyenne ammonium nitrate plant expansion in Wyoming, USA. The result includes a A$18.4M benefit from the write-back of the Moranbah provision with costs incurred and volumes supplied lower than provisioned.

Fertilisers & Industrial Chemicals[1]

EBIT delivered of $90.1M was 70% or $212.5M lower (2008: $302.6M) comprising:

- -$87.8M: Decline in Australian Fertiliser Distribution business volumes and contraction in margins.
- -$17.2M: Fertiliser inventory write-downs.
- -$29.1M: SCI Trading, reflecting a mix of lower volume at a reduced traded margin of A$20/t.
- -$28.2M: Contraction of SSP margins following the collapse of dairy prices and a fall in phosphate rock prices.
- -$50.2M: Contraction in manufactured nitrogen margins consistent with global prices.

Southern Cross

EBIT was down 67% or $386.9M to $186.3M (2008: $573.2M). The main reconciling items were:

- -$646.8M: US$555/t decrease in realised DAP price to US$366/t (2008: US$921/t).
- +$323.6M: Impact of lower A$, down 26.1cents to 70.7c (2008: 96.8c).
- -$4.1M: Lower sales volumes.
- -$70.0M: Reduction in freight margins by US$60/t.
- +$10.4M: Other, including release of profit in stock partly offset by higher sulphur costs.

Definitions and Notes

(1) Fertilisers & Industrial Chemicals comprises the Australian Fertiliser Distribution, Industrial, and SCI Trading businesses, Gibson Island nitrogen plant and the Geelong, Portland and Cockle Creek SSP plants.
(2) EBITDA: EBIT + depreciation + amortisation.
(3) EBIT: Earnings before interest and tax, and excluding individually material items.
(4) Interest cover = EBITDA / net interest expense.
(5) Based on last 12-months historical EBITDA/Net Debt at point in time.

Earnings Summary A$M	Year ended 30 September 2009	 2008	 Change
EBIT			
Fertilisers & Industrial Chemicals [1]	90.1	302.6	(70%)
Southern Cross	186.3	573.2	(67%)
EBIT - Fertilisers	**276.4**	**875.8**	**(68%)**
Explosives - Dyno Nobel	299.3	79.5	277%
EBIT - Total	**575.7**	**955.3**	**(40%)**
Borrowing costs	(107.6)	(80.6)	(33%)
Tax expense	(120.3)	(227.2)	47%
NPAT - excl. individually material items	**347.8**	**647.5**	**(46%)**
Individually material items after tax	(527.7)	(42.9)	
NPAT - incl. individually material items	**(179.9)**	**604.6**	
EBIT/sales - Fertiliser business	**17.4%**	**37.3%**	
EBIT/sales - Explosives business	**16.4%**	**13.9%**	
EBIT/sales - Total IPL	**16.8%**	**32.7%**	

Southern Cross A$M	Year ended 30 September 2009	 2008	 Change
Production volume - kts	860.9	847.3	2%
Sales volume - kts	823.8	828.4	(1%)
Sales revenue	485.0	896.0	(46%)
EBIT	**186.3**	**573.2**	**(67%)**
Average DAP Tampa (US$/t)	**366**	**921**	**(60%)**
Average DAP Tampa (A$/t)	**518**	**951**	**(46%)**
Average exchange rate - cents A$/US$	**70.7**	**96.8**	**(27%)**

Borrowing Costs A$M	Year ended 30 September 2009	 2008	 Change
Net interest expense	(98.5)	(65.9)	(49%)
Non-cash unwinding of discounts	(9.1)	(14.7)	38%
Total borrowing costs	**(107.6)**	**(80.6)**	**(33%)**
Interest cover [5]	**7.5x**	**15.6x**	**(51%)**
Net debt/EBITDA [2][5]	**1.97**	**1.98**	**1%**

EBIT

IPL total EBIT decreased by 40% to $575.7M (2008: $955.3M). While the EBIT margin declined to 17.4% (2008: 32.7%) reflecting lower fertiliser manufacturing margins for DAP, Urea and SSP, Explosives margins improved, as a result of the delivery of Velocity program benefits.

BORROWING COSTS

Total borrowing costs increased to $107.6M (2008: $80.6M). The increase primarily reflects higher average borrowings in 2009 following the completion of the Dyno Nobel acquisition in June 2008.

Total business interest cover reduced to 7.5 times (2008: 15.6 times).

TAX

Tax expense (excluding tax on individually material items) of $120.3M was 48% lower than 2008 in line with reduced earnings (2008: $227.2M).

EXPLOSIVES (Dyno Nobel)

Comparison to pro-forma[1] 2008:

Volumes:

Sales volumes increased 1% compared to 2008 with increased sales volume in Asia Pacific (Bowen Basin coal and contracted sales to Moranbah foundation customers) and increased nitrogen sales into the agriculture segment in North America following the Cheyenne expansion, offset by weaker volumes across all explosives segments in North America.

Sales Revenue:

Sales revenue declined 15% compared to 2008. Major movements comprised:

Nitrogen - Explosives

Nitrogen sales revenue was down 12%:

In North America, ammonium nitrate sales revenue declined by 19% comprising:

- Coal segment – revenue down 3% due to reduced overall electricity generation and switching from coal to cheaper gas fired power generation.
- Quarry & construction - sales revenue down 29% on lower commercial and residential construction.
- Metals - sales revenue down 27% primarily driven by lower sales into iron ore.

In Asia Pacific, sales were up by 10% on 2008 largely reflecting more favourable weather conditions in the Bowen Basin in 2009 and the supply to Moranbah foundation customers (at zero profit) which commenced in the second half of 2008. By segment:

- Sales revenue from the Coal segment was 37% higher including tonnes supplied under the Moranbah foundation contracts.
- Sales revenue from the Metals segment was 11% lower in line with lower imported AN selling prices in the segment.

Nitrogen - Agriculture

Sales revenue from Nitrogen sales into agriculture was down 9% with higher volumes following commissioning of the Cheyenne ammonium nitrate plant expansion, offset by a lower nitrogen prices in 2009.

EBIT:

EBIT was up 27% to US$222.2M (2008 proforma: US$174.8M), with Velocity program benefits and earnings from the Cheyenne expansion more than offsetting volume declines in North America.

On an A$ basis, earnings were up 55% to $299.3M (pcp: $192.5M).

Definitions and Notes

(1) Proforma is Dyno Nobel earnings for the period 1 October 2007 to 31 September 2008.
(2) Translation exchange rate is the average exchange rate used for the translation of Dyno Nobel earnings.
(3) Short tons = 0.9 metric tonnes.

Explosives - Dyno Nobel A$M	Year ended 30 September Actual 2009	 Proforma 2008	 Change
Volume - kst [3]			
Nitrogen Explosives	1,926.2	2,013.7	(4%)
Nitrogen Agriculture	567.7	464.2	22%
	2,493.9	**2,477.9**	**1%**
US$			
Revenue	1,324.7	1,558.9	(15%)
Velocity Benefits	71.0	9.0	n/a
EBIT	**222.2**	**174.8**	**27%**
A$			
Revenue	1,827.6	1,717.1	6%
Velocity Benefits	95.6	9.9	n/a
EBIT	**299.3**	**192.5**	**55%**
Translation exch. rate - cents A$/US$ [2]	**74.2**	**90.8**	**18%**

VELOCITY PROGRAM

In 2008, the Dyno Nobel Velocity program was launched to deliver a step-change in business profitability and efficiency. The Velocity program involves multiple initiatives across five streams and is targeted to deliver US$204M by 2012.

PROGRAM STATUS

As at 30 September 2009, the Velocity program delivered US$71M compared to the 2009 target of US$67M**:**

US$M - Cumulative	**2009 Actual**	**2009 Target**
1. Overhead reduction	31.8	30.0
2. Plant efficiency	9.9	9.8
3. Cost to serve	18.4	16.6
4. Global supply chain	10.9	10.6
Total profit improvement	71.0	67.0
5. Asset optimisation	73.5	70.0

Additionally:

- In 2009, 169 initiatives delivered US$71.0M in EBIT benefits and US$73.5M in cash through asset optimisation.
- There are currently a further 253 initiatives in progress for the 2010 year.
- Savings have been delivered following the reduction of 316 FTE's.
- 100% of the 48 US sites have been optimised.

PROGRAM OUTLOOK

The timing of the delivery of the US$204M program target has been revised in light of current softness in the North American market. The revised cumulative targets are now:

US$M	**Original Target**	**Revised Target**	**Cumulative Target**
2008 - Actual	9.0	9.0	9.0
2009 - Actual	58.0	62.0	71.0
2010	84.0	60.0	131.0
2011	53.0	38.0	169.0
2012	0.0	35.0	204.0

INDIVIDUALLY MATERIAL ITEMS

2009 individually material items were a net loss after tax of $527.7M primarily comprising:

- $58.9M: Write-down in imported phosphate rock. Following the collapse of dairy prices, demand for farming inputs into the intensive pasture market, such as single super-phosphate (SSP), declined significantly. Through the year global phosphate rock prices also fell. Consequently, the imported phosphate rock component of manufactured SSP and rock on hand has been written down to net realisable value in accordance with AIFRS requirements.
- $13.6M: Cockle Creek early closure - in January 2009, IPL announced that the Cockle Creek SSP plant would be closed 10-months earlier than scheduled. Consequently, the remaining balance of non-depreciated assets and decommissioning costs have been expensed together with a $6.6M net realisable value adjustment for re-sale of raw materials at Cockle Creek that were stranded by the decision to close early.
- $10.6M: Redundancy costs incurred through the restructuring of manufacturing operations.
- $38.0M: Dyno Nobel integration and restructuring costs incurred as part of the Velocity program.
- $56.0M: Write-down of asset carrying values following the cessation of AN manufacturing at Maitland and Battle Mountain, and electric detonator assembly at Port Ewen.
- $490.6M: Non-cash mark-to market write-down in the carrying value of the Dyno Nobel goodwill. In accordance with AIFRS requirements, the Dyno Nobel carrying value has been marked-to-market for changes in the weighted average cost of capital and the current cyclical softness in the North American explosives market.
- $158.7M: Recognition of prior and current year tax benefits associated with foreign exchange losses related to US dollar debt.

2010 individually material items are expected to include 2010 costs incurred of approximately US$75M in relation to the Velocity program and cessation of AN manufacturing at Maitland and Battle Mountain.

Individually Material Items A$M	Year ended 30 September Gross	 Tax	 Net
Fertiliser, Industrial & Corporate			
Phos rock write-down to NRV	(84.2)	25.3	(58.9)
Environmental clean-up	(12.9)	3.9	(9.0)
Cockle Creek plant early closure	(19.4)	5.8	(13.6)
Geelong plant closure	(6.2)	1.9	(4.3)
Manufacturing restructure	(15.1)	4.5	(10.6)
Dyno Nobel			
Velocity - integration & restructuring	(58.0)	20.0	(38.0)
Velocity - cessation of manufacturing activity	(88.6)	32.6	(56.0)
Write-down of Dyno Nobel goodwill	(490.6)	-	(490.6)
Corporate			
Tax - recognition of USD forex losses	-	158.7	158.7
Borrowing costs - bridge facility	(7.7)	2.3	(5.4)
Total	**(782.7)**	**255.0**	**(527.7)**

Returns to Shareholders Cents per share (cps)	Year ended 30 September 2009	 2008	 Change
Final Dividend	2.3	19.5	-88%
Franking (%)	0%	100%	
Total Dividend	4.4	29.7	-85%
Franking (%)	48%	100%	-52%
Dividend payout ratio (1)	20%	55%	
Record date: 25 November 2009			
Payment date: 18 December 2009			

RETURNS TO SHAREHOLDERS

IPL will pay a final unfranked dividend of 2.3 cents per share on 18 December 2009 taking the total 2009 dividend to 4.4cps, 48% franked (2008: 29.7 cps fully franked).

Consistent with Board policy, the 2009 dividend returns all available franking credits to shareholders and represents a pay-out ratio of 20% of NPAT excluding individually material items.

Given that all available franking credits have been returned to shareholders and taking into account forecast tax payments for 2010, it is unlikely that there will be sufficient franking credits to pay a fully franked 2010 interim dividend.

Definitions and Notes

(1) 2008 dividend payout ratio takes into account the $21.0M distributed to Dyno Nobel shareholders by way of the acquisition conversion ratio adjustment .

BALANCE SHEET

Financial discipline has been maintained in 2009, and is reflected in the closing balance sheet.

Fertilisers, Industrial & Corporate

Improvements in asset intensity across the business continued in 2009:

- Trade working capital at year end was a record low of $36M, a 51% or $38M reduction on 2008 of $74M.
- Average trade working capital to sales(1) was 14%**,** a reasonable result given the unprecedented decline in demand during the year.

Explosives (Dyno Nobel)

- Trade working capital at year end was $223M, a 5% or $12M reduction on 2008 of $236M.
- The net investment in property plant and equipment increased primarily reflecting capital expenditure on the Moranbah project.
- Intangibles reduced by the $490.6M write down in goodwill carrying value and the foreign currency impact on the US$ carrying value of goodwill.

Corporate

- Future tax benefits recognised resulting in a $250M increase in tax assets for the year.

Overall

Net Debt to EBITDA(2) of 1.97 times (2008: 1.95 times) was below IPL's long-term range of up to 2.5 times.

NET DEBT

IPL net debt was $1,463M at 30 September 2009, a $567M decrease since September 2008, primarily comprising:

- +$337M: Operating cash flows.
- +$864M: Rights issue, net of costs.
- -$36M: Increase in foreign currency translation on US$ denominated debt net of cross currency derivative gains.
- -$18M: Borrowing costs.
- -$237M: 2008 final and 2009 interim dividend paid.
- -$343M: Net investment in sustenance and growth capex (including Moranbah).

Definitions and Notes

(1) Average trade working capital to sales based on 13 month average working capital/annual sales.

(2) Based on last 12 month (LTM) historical EBITDA / Net debt at point in time.

Balance Sheet A$M		**Year ended 30 September 2009**	**2008**	**Change**
Fertilisers, Industrial & Corporate				
Trade working capital		36	74	(38)
Net property plant and equipment		544	544	(0)
Intangibles		189	190	(2)
Net other liabilities		(51)	(63)	12
	Sub-total	**718**	**745**	**(27)**
Dyno Nobel				
Trade working capital		223	236	(13)
Net property plant and equipment		1,119	1,127	(8)
Intangibles		2,964	3,772	(808)
Net other liabilities		(129)	(351)	222
	Sub-total	**4,177**	**4,784**	**(607)**
Corporate				
Environmental & restructuring		(125)	(110)	(15)
Tax assets/(liabilities)		74	(234)	308
	Sub-total	**(51)**	**(344)**	**293**
NET ASSETS		**4,844**	**5,185**	**(341)**
Net Debt		**1,463**	**2,030**	**567**
Equity		3,381	3,155	226
Total Capitalisation		**4,844**	**5,185**	**(341)**
Nebt Debt / EBITDA(2)		**1.97x**	**1.98x**	**1%**

Borrowing Facilities

As at 30 September 2009, IPL has $2.34Bn of committed financing facilities in place:

1. Syndicated Facility
   - *Committed: A$1.68Bn*
   - *Term: 3 years (bullet)*
   - *Matures: September 2011*
2. Working Capital Facility
   - *Committed: A$0.42Bn*
   - *Term: 19 months (amortising/step down)*
   - *Matures: October 2010*
3. Participation Agreement
   - *Committed: A$0.24Bn*
   - *Term: 5 years (amortising)*
   - *Matures: June 2013*

EBIT Sensitivities

The sensitivities have been recalculated based on the 2009 achieved Urea and DAP prices, realised A$/US$ currency translation, and targeted 2010 Urea and DAP production and Velocity program benefits.

EBIT Sensitivities A$M	
Urea - Middle East Granular Urea FOB (1)	+/- US$10/t = +/- A$5.5M
DAP - Di-Ammonium Phosphate Tampa FOB (2)	+/- US$10/t = +/- A$13.7M
Forex - transactional (DAP & Urea) (3)	+/- 1 cent = +/- $A9.5M
Forex - translation of Explosives & Velocity earnings (4)	+/- 1 cent = +/- $A3.6M

Assumptions:
(1) 405kt urea equivalent sales at 2009 achieved price of US$339/t @ A$/US$ 0.7321
(2) 970kt DAP sales at the 2009 realised price of US$366/t @ A$/US$ 0.707
(3) DAP & Urea based on assumptions 1 and 2
(4) Based on 2009 US$ Explosives earnings & 2010 Velocity target of US$60M

CASH FLOW

Net operating cash flows of $337.4M (2008: $822.6M). Major factors were:

- EBITDA reduced to $743.0M, (2008: $1,025.6M).
- Interest payments increased by $30.0M to $92.2M (2008: $62.2M), reflecting increased debt following the June 2008 acquisition of Dyno Nobel.
- Tax paid was $146.3M (2008: $76.3M), reflecting the lag in tax payments from the 2008 year.
- The investment in working capital in the Fertilisers business fell by $37.8M.
- The investment in working capital in the Explosives business fell by $12.5M.
- Business integration and restructuring costs paid were $87.4M (2008: $62.1M), primarily comprising costs of integrating and restructuring the Dyno Nobel business.
- Environmental and site clean up expenditure was $11.5M (2008: $17.2M).
- Profits generated by Dyno Nobel joint ventures and not distributed during the period were $19.8M.
- Proceeds from foreign currency option premium and non-cash profits on derivatives were $12.6M (2008: 25.5M).
- Incurred $43.2M meeting Moranbah contractual sales obligations, $18.4M lower than provided for due to lower AN prices and volume.

Net investing cash outflows declined by $461.5M to $342.5M (2008: $804.0M). Major factors were:

Fertilisers capital expenditure:

- Sustenance of $38.9M (2008: $41.7M) held at depreciation levels.
- Plant shut down expenditure of $11.5M in advance of the planned Southern Cross turnaround in March 2010 and Gibson Island turnaround in 2011.
- Proceeds from surplus asset sales of $9.8M.

Explosives capital expenditure:

- Sustenance and minor growth of $54.4M.
- Moranbah AN project expenditure of $262M.
- Final Cheyenne Ammonium Nitrate expansion expenditure of $20.4M.
- Proceed from surplus asset sales of $42.7M.

Cash Flow Items A$M	Year ended 30 September 2009	 2008	 Change
Net operating cash flows			
EBITDA	743.0	1,025.6	(282.6)
Net interest paid	(92.2)	(62.2)	(30.0)
Net income tax paid	(146.3)	(76.3)	(70.0)
TWC Movement - Fertilisers	37.8	47.4	(9.6)
TWC Movement - Explosives	13.0	0.0	13.0
Business integration and restructuring	(87.4)	(62.1)	(25.3)
Environmental and site clean up	(11.5)	(17.2)	5.7
Dyno profit from associates	(19.8)	(6.7)	(13.1)
Foreign currency option premiums	(12.6)	(25.5)	12.9
Net Moranbah non-cash provision release	(18.4)	0.0	(18.4)
Moranbah customer contract costs	(43.2)	0.0	(43.2)
Other	(25.0)	(0.4)	(24.5)
Operating cash flows	**337.4**	**822.6**	**(485.2)**
Net investing cash flows			
Fertiliser business			
Sustenance	(38.9)	(41.7)	2.8
Tardis supply chain	0.0	(8.0)	8.0
Plant shut down expenditure	(11.5)	(28.0)	16.5
Growth	0.0	(5.3)	5.3
Proceeds from surplus asset sales	9.8	9.8	0.0
Sub-total	**(40.6)**	**(73.2)**	**32.6**
Explosives business			
Sustenance	(54.4)	(47.7)	(6.7)
Growth - Moranbah	(262.0)	(81.0)	(181.0)
Growth - Cheyenne	(20.4)	(15.7)	(4.7)
Growth - Velocity	(5.8)	0.0	(5.8)
Proceeds from surplus asset sales - Velocity	42.7	0.0	42.7
Sub-total	**(299.9)**	**(144.4)**	**(155.5)**
Purchase of Dyno Nobel	1.0	(563.5)	564.5
Investments - CNX	(3.0)	(22.9)	19.9
Investing cash flows	**(342.5)**	**(804.0)**	**461.5**
Net financing cash flows			
(Decrease)/increase in net debt	(566.7)	569.2	(543.8)
Equity raising	901.7	0.0	901.7
Equity raising fees	(37.8)	0.0	766.2
Dividends paid	(237.4)	(219.3)	(237.4)
Forex translation on debt & derivatives	(36.4)	0.0	(36.4)
DXL SPS repayment & distribution	0.0	(358.8)	358.8
Borrowing costs	(18.3)	(7.7)	(10.6)
Share issuance costs	0.0	(2.0)	2.0
Financing cash flows	**5.1**	**(18.6)**	**313.8**

Net financing cash flows were an inflow of $5.1M (2008: outflow $18.6M) reflecting:

- $566.7M: decrease in net debt (2008:$569.2M increase).
- $901.7M: gross proceeds from the November 2008 rights issue, less costs of $37.8M.
- $36.4M: being the impact of foreign currency translation on US$ denominated debt net of cross currency derivatives. At September 2009, the majority of drawings against facilities was in A$, with the US$ asset hedge created via swaps.
- $237.4M: dividends paid (2008: $219.3m).
- $18.3M: borrowing costs for 3-year Syndicated Facility and 19-month Working Capital Facility.

MORANBAH PROJECT

On 28 July 2008, IPL announced that it would proceed with the construction of a 330ktpa fully integrated ammonium nitrate complex at Moranbah in central Queensland, Australia at a cash cost of A$935M. The complex comprises ammonia, nitric acid and ammonium nitrate plants and includes infrastructure, utilities and housing.

The plant is at the bottom of the cost curve by virtue of its back-to-gas ammonia position and its geographic location. The project is based in the heart of Australia's largest metallurgical coal region in the Bowen Basin and adjacent to some of the largest coal mines in the world. Foundation customer contracts are in place with three of the largest global mining houses, each operating large export orientated operations. The scale, sector competitiveness and leverage of these foundation customers to the Asian hard commodity markets presents Moranbah with a high quality, sustainable and growing customer base.

MORANBAH STATUS

On 3 February 2009, IPL announced that, following a revised near-term ammonium nitrate (AN) demand outlook for coal in the Bowen Basin, to slow the project to better align supply with demand in the Queensland footprint.

The construction workforce was demobilised and a skeleton crew was retained on site to preserve the value of construction to date. Advanced design engineering work has continued and has reached an advanced stage. By continuing the advanced design engineering and procurement activities during the delay period, the project is now at a point where all critical equipment items will be available in advance of site construction activities. This will reduce the risk of construction delays and lead to a more efficient and cost effective construction phase.

The advanced design engineering work, combined with value improvement opportunities identified and scoped with the Alliance partners, provides confidence that the cost to complete will enable IPL to generate shareholder value.

MORANBAH UPDATE

There is no change to the 12-month delay announced in February 2009.

Further Information
Investor Relations: Simon Atkinson
T: +61 3 8695 4555 M: +61 405 513 768
E: simon.atkinson@incitecpivot.com.au
Media: Stewart Murrihy
T: +61 3 8695 4582 M: +61 418 121 064

HEALTH SAFETY AND THE ENVIRONMENT

Health & Safety

Zero Harm is a core value for IPL. Subsequent to our commitment to Zero Harm, the number of global recordable incidents dropped to 102 in 2009 (2008: 118). Approximately 80% of all IPL sites completed the year with zero recordable injuries. While an improvement, IPL is committed in its pursuit of further improvement. In 2010, a global reorganisation of the HSE structure will result in HSE professionals reporting directly to line management and the global HSE management system will be relaunched, among other strategic developments.

Environment

During the year IPL's increasing transparency around our Sustainability performance included the publication of the first Sustainability Report and first Carbon Disclosure Project questionnaire. Internally this reporting is supported by a new environmental management system in Australia which will be implemented in North America in 2010.

IPL has a global carbon footprint of approximately 3.2m tonnes of CO2 Equivalent (including electricity consumption) of which approximately 1.2m tonnes of CO2 Equivalent is in Australia. IPL is classified as a 'large emitter' in relation to Australia's National Greenhouse and Energy Reporting System, the proposed Carbon Pollution Reduction Scheme and the American Clean Energy and Security Act (HR 2454). IPL also conducts annual energy efficiency reviews to maximise emission and cost savings. During 2009, efficiency reviews at our two manufacturing facilities in Queensland (Gibson Island and Phosphate Hill) yielded potential energy savings of 0.98 petajoules (PJ) of energy of which 0.36PJ have been implemented.

CULTURE & VALUES

The IPL Company Values are captured as "Own.Breakout.Deliver":

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

Financial Report

Contents

Consolidated Income Statements

For the year ended 30 September 2009

	Notes	**September 2009 $mill**	September 2008 $mill
Revenue	(4)	**3,418.9**	2,918.2
Other and financial income	(4)	**47.4**	17.5
Operating expenses			
Changes in inventories of finished goods and work in progress		**(231.9)**	243.7
Raw materials and consumables used and finished goods purchased for resale		**(1,545.1)**	(1,478.1)
Employee expenses		**(548.6)**	(259.8)
Depreciation and amortisation expense		**(170.5)**	(70.3)
Financial expenses		**(126.1)**	(95.2)
Purchased services		**(188.9)**	(165.9)
Repairs and maintenance		**(122.3)**	(67.7)
Outgoing freight		**(173.6)**	(140.6)
Lease payments - operating leases		**(52.5)**	(36.2)
Profit on share equity accounted investments		**25.0**	6.7
Asset write-downs, clean-up and environmental provisions		**(590.1)**	(5.0)
Other expenses		**(56.3)**	(30.8)
		(3,780.9)	(2,099.2)
Profit / (loss) before income tax		**(314.6)**	836.5
Income tax benefit / (Income tax expense)		**134.7**	(231.9)
Profit / (loss) for the financial year		**(179.9)**	604.6

		cents	cents
Earnings per share			
Basic earnings / (loss) per share	(6)	**(11.7)**	56.5
Diluted earnings / (loss) per share	(6)	**(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 17 to 35.

Consolidated Statements of Comprehensive Income

For the year ended 30 September 2009

	September 2009 $mill	September 2008 $mill
Profit / (loss) for the financial year	**(179.9)**	604.6
Other comprehensive income		
Cash flow hedging reserve		
Changes in fair value of cash-flow hedges	**(15.9)**	(2.0)
Profit / (loss) in cash-flow hedges transferred to income statement	**2.2**	(1.5)
Income tax on movements in the cash-flow hedging reserve	**4.4**	1.1
	(9.3)	(2.4)
Fair value reserve		
Change in fair value of assets held as available for sale	**14.2**	(16.9)
Income tax on change in fair value of assets held as available for sale	**(4.2)**	5.1
	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	**(33.3)**	(38.0)
Income tax on actuarial (losses) / gains on defined benefit plans	**12.7**	11.9
	(20.6)	(26.1)
Total other comprehensive income / (expense)	**(277.2)**	330.9
Total comprehensive income / (expense) for the financial year	**(457.1)**	935.5

The above Statements of Comprehensive Income are to be read in conjunction with the Notes to the Financial Statements set out on pages 17 to 35.

Consolidated Statements of Financial Position

As at 30 September 2009

	Notes	September 2009 $mill	Restated (i) September 2008 $mill
Current assets			
Cash and cash equivalents		**125.2**	479.7
Trade and other receivables		**323.0**	625.3
Other financial assets		**71.2**	30.3
Inventories		**397.1**	675.2
Current tax assets		**32.4**	-
Other assets		**30.7**	51.7
Fixed assets classified as held for sale		**54.3**	4.8
Total current assets		**1,033.9**	1,867.0
Non-current assets			
Trade and other receivables		**32.1**	2.3
Investments accounted for using the equity method		**254.0**	311.2
Other financial assets		**135.9**	0.6
Property, plant and equipment		**1,663.4**	1,670.6
Intangible assets		**3,153.0**	3,962.1
Deferred tax assets		**354.2**	371.5
Other assets		**4.7**	0.1
Total non-current assets		**5,597.3**	6,318.4
Total assets		**6,631.2**	8,185.4
Current liabilities			
Trade and other payables		**636.7**	1,132.0
Interest bearing liabilities		**432.2**	2,238.8
Other financial liabilities		**12.9**	16.2
Current tax liabilities		**-**	225.3
Provisions		**93.4**	88.6
Total current liabilities		**1,175.2**	3,700.9
Non-current liabilities			
Trade and other payables		**426.6**	520.0
Interest bearing liabilities		**1,156.4**	271.2
Deferred tax liabilities		**312.8**	380.4
Retirement benefit obligation		**91.6**	66.8
Provisions		**87.5**	90.8
Total non-current liabilities		**2,074.9**	1,329.2
Total liabilities		**3,250.1**	5,030.1
Net assets		**3,381.1**	3,155.3
Equity			
Issued capital	(8)	**3,217.8**	2,267.7
Reserves		**119.1**	371.9
Retained earnings		**44.2**	515.7
Total equity		**3,381.1**	3,155.3

The above Statements of Financial Position are to be read in conjunction with the Notes to the Financial Statements set out on pages 17 to 35.

(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 10).

Consolidated Cash Flow Statements

For the year ended 30 September 2009

	September 2009 $mill Inflows/ (Outflows)	September 2008 $mill Inflows/ (Outflows)
Cash flows from operating activities		
Receipts from customers	**3,878.5**	2,911.1
Payments to suppliers and employees	**(3,330.6)**	(1,957.7)
Interest received	**23.6**	14.9
Financial expenses paid	**(115.8)**	(77.1)
Other revenue received	**28.0**	7.7
Income taxes paid	**(146.3)**	(76.3)
Net cash flows from operating activities	**337.4**	822.6
Cash flows from investing activities		
Payments for property, plant and equipment and intangibles	**(393.0)**	(227.4)
Payments for purchase of subsidiaries, net of cash acquired	**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)
Proceeds from sale of property, plant and equipment	**52.5**	9.8
Net cash flows from investing activities	**(342.5)**	(804.0)
Cash flows from financing activities		
Repayments of borrowings	**(4,232.4)**	(1,569.0)
Proceeds from borrowings	**2,972.6**	2,395.3
Payment of borrowing costs	**(18.3)**	(7.7)
Proceeds from shares issued	**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)
Dividends paid	**(237.4)**	(219.3)
Net cash flows from financing activities	**(345.3)**	238.5
Net increase in cash and cash equivalents held	**(350.4)**	257.1
Cash and cash equivalents at the beginning of the financial year	**479.7**	218.3
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	**125.2**	479.7

The above Cash Flow Statements are to be read in conjunction with the Notes to the Financial Statements set out on pages 17 to 35.

Consolidated Statements of Changes in Equity

For the year ended 30 September 2009

	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 17 to 35.

Cash flow hedging reserve: The cash flow hedging reserve comprises of 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

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 are not part of the Consolidated entity (Refer Note (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 shared 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 an 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, 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 hedge 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

Notes to the Financial Statements
For the year ended 30 September 2009

1. Significant accounting policies (continued)

(xix) Derivative financial instruments (continued)

Hedging (continued)

hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Cash flow hedges

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

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

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

(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 swaps 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 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.

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 (vi) to the financial statements for further details of the accounting policy relating to environmental and restructuring provisions.

(v) Retirement Benefit obligations

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity. Refer Note 1 (xvi) (iv) to the financial statements for further details of the accounting policy relating to retirement benefit obligations. 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 9 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)**
Loss before interest and related income tax expense	**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)

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

4. Revenue and other income

	September 2009 $mill	September 2008 $mill
Revenue		
External sales	**3,418.9**	2,918.2
Total revenue	**3,418.9**	2,918.2
Other income		
Net foreign exchange gains	**-**	2.2
Royalty income	**22.9**	-
Net gain on sale of property, plant and equipment	**13.3**	2.9
Other income	**0.4**	3.6
Other income	**36.6**	8.7
Financial income		
Interest income from external parties	**9.2**	-
Interest income from joint ventures and associates	**1.6**	-
Interest income on bank deposits	**-**	7.3
Profit in cash-flow hedges transferred from equity	**-**	1.5
Total financial income	**10.8**	8.8
Total other and financial income	**47.4**	17.5

Notes to the Financial Statements

For the year ended 30 September 2009

5. Individually material items

Profit includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:

	2009			2008		
	Gross $mill	**Tax $mill**	**Net $mill**	Gross $mill	Tax $mill	Net $mill
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 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.

Notes to the Financial Statements

For the year ended 30 September 2009

	Notes	2009 Cents per share	2008 Cents per share [2]
6. 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 for the financial year		**(179.9)**	604.6
(Deduct) / add back individually material items after income tax	(5)	**527.7**	42.9
Earnings / (losses) 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 to the Financial Statements

For the year ended 30 September 2009

7. 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	1
IRECO Midwest, Inc.	Delivery of explosives and related products	50%	USA	
Wampum Hardware Company	Delivery of explosives and related products	50%	USA	
Pepin-IRECO, Inc	Delivery of explosives and related products	50%	USA	
Midland Powder Company	Delivery of explosives and related products	50%	USA	
Mine Equipment & Mill Supply Co.	Delivery of explosives and related products	50%	USA	
Controlled Explosives Inc.	Delivery of explosives and related products	50%	USA	
Western Explosives Systems Company	Delivery of explosives and related products	50%	USA	
DetNet Detonadores Electronico Limitada	Delivery of explosives and related products	50%	Chile	
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	
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
Nitro Mak Makine Kimya – Nitro Nobel Sanayi Anonim Sirketi	Manufacturing of initiating systems	50%	Turkey	3,5

Refer to footnote descriptions on next page.

Notes to the Financial Statements

For the year ended 30 September 2009

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

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.'

Summarised financial information of jointly controlled entities and associates:

	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)	**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	**(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

Notes to the Financial Statements
For the year ended 30 September 2009

	2009 $mill	2008 $mill
8. 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

	2009 $mill	2008 $mill
9. 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, not franked 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 loss. 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

10. 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	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

11. 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 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

12. 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 16 November 2009, the Consolidated entity announced 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.