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 2007	30 September 2006

Results for announcement to the market

Extracts of the Incitec Pivot Limited results for the finanical year ended 30 September 2007 **$Amill**

Revenues from ordinary activities	up	24%	to	1,373.2
Profit for the financial year	up	340%	to	205.3
Net profit for the financial year	up	340%	to	205.3

Dividends	Amount per security cents	Franked amount per security cents
Current Period		
Interim dividend	69	69
Final dividend		
- normal dividend	191	191
- special dividend	40	40
Previous corresponding period		
Interim dividend	22	22
Final dividend	81	81

Record date for determining entitlements to the final dividend:	**27 November 2007**
Payment date of final dividend:	**13 December 2007**

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	$6.77	$3.64

For the profit commentary and any other significant information needed by an investor to make an informed assessment of Incitec Pivot Limited's results please refer to the profit report on pages 2 to 9.

The information should be read in conjunction with the financial report, which is set out on pages 10 to 32.

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 2007.

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	20 December 2007
Time	2.00 pm
Approximate date the annual report will be available	During the week commencing 19 November 2007

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

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INCITEC PIVOT LIMITED
2007 Profit Report – Transformed IPL Delivers

Business Performance

A transformed Incitec Pivot Limited (IPL) has delivered Net Profit After Tax including individually material items of $205.3M, a 340% increase on the prior year (2006: $46.7M). The result was driven by internally generated efficiency benefits ('Tardis' program), a full year contribution from Southern Cross Fertilisers (SCF) and strong global fertiliser prices. These factors were partially offset by severe drought conditions in the Australian market that once again impacted domestic sales volumes.

Financial Highlights

- NPAT (excluding individually material items) up 145% or $119.7M to $202.5M (2006: $82.8M).
- EBIT up 148% or $186.3M to $312.5M (2006: $126.2M). Manufacturing accounted for 81% of EBIT, underscoring the strategy of "owning the product".
- Earnings per share (excluding individually material items) up 174% to 402 cents (2006: 146 cents).
- Dividend per share up 191% to 300 cents (2006: 103 cents).
- Total Shareholder Return[5] of 242% (2006: 70%).
- Financial discipline has been maintained. Strong cash-flow generation resulted in significant balance sheet capacity at year-end, with Underlying Net Debt to EBITDA[3] of 0.45 times.

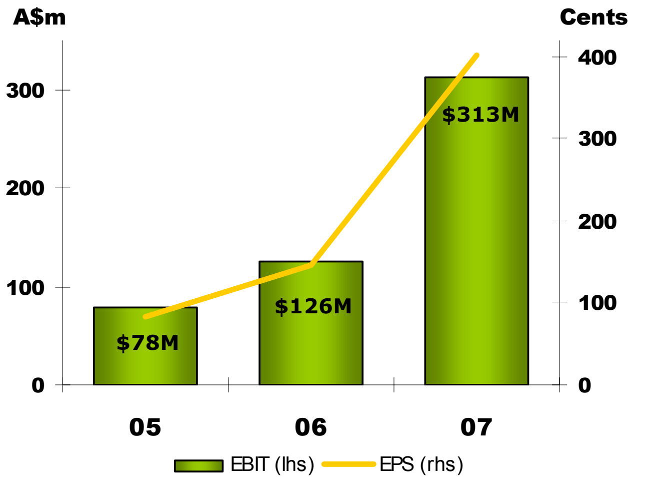
Business Highlights

- Tardis efficiency program accelerated, with the 2007 EBIT benefits of $73.6M, almost three times the initial target of $25.5M[4]. Total EBIT benefit delivered since inception of the program is $103.7M, in addition to a $155.5M reduction in working capital.
- Successful integration of SCF with record production and cash cost targets achieved ahead of schedule.
- Gibson Island planned major maintenance shut ('Reset 07') delivered on time and on budget.
- Adequate returns delivered in the base business[6] despite severe drought conditions, with EBIT of $111.6M and RONA[7] of 20.5%.
- Trade sales volumes increased 312% in line with the business strategy to grow sales beyond the domestic distribution business.

Financial Performance

A$M	Year ended 30 September 2007	2006	Change
Revenue	1,373.2	1,111.2	24%
EBITDA[1]	348.6	159.3	119%
EBIT[2]	312.5	126.2	148%
NPAT excl. individually material items	202.5	82.8	145%
NPAT incl. individually material items	205.3	46.7	340%
Returns excluding individually material items			
Return on shareholder funds	57%	16%	
Dividend per share (cents)	300	103	191%
Earnings per share (cents)	402	146	175%
Share price at 30 September ($)	85.54	25.87	231%
Total Shareholder Return	242%	70%	
Financial items			
Net debt	411.7	275.4	(49)%
Underlying Net Debt/EBITDA (times)[3]	0.45	1.73	74%
Interest cover (times)	11.5	10.3	12%

EBIT and EPS



Outlook 2008

- Strong outlook for global fertiliser prices.
- Continued strength of the Australian dollar.
- Difficult trading conditions in the domestic distribution business are expected to continue.

Definitions and Notes
1. EBITDA: EBIT + depreciation + amortisation.
2. EBIT: excludes individually material items.
3. Underlying Net Debt / EBITDA excludes shareholding in Dyno Nobel and dividend received.
4. In November 2006 a $25.5M EBIT target for 2007 was disclosed to the market comprising $8M carryover from Tardis I and $15M-$20M for Tardis II.
5. Total Shareholder Return = (Change in share price + dividend declared in financial year) / opening share price.
6. Base business: business excluding SCF
7. Return On Net Assets = EBIT/(average working capital + fixed assets + goodwill). Excludes Dyno Nobel shareholding and dividend received.

SALES

Volumes

Overall volumes increased 16% to 3,165kt (2006: 2,740kt), primarily reflecting the first full year of ownership of SCF (SCF was acquired by IPL on 1 August 2006).

Domestic Fertiliser Distribution

Severe drought conditions on the east coast of Australia for the second consecutive year had a negative impact on sales in the domestic fertiliser distribution business, with volumes down 15% or 338kt to 1,868kt (2006: 2,206kt).

Winter Crop segment
Notwithstanding strong pre-season sales and good early rains, 2007 was a disappointing season. Poor in season rainfall caused widespread crop failure and significantly reduced post-emergent nitrogen sales in the second half of the year. Total sales volume fell 142kt, or 20% from the drought affected 2006 year.

Pasture segment
Total volumes fell 12%, or 106kt with drought conditions and low livestock numbers following de-stocking.

Sugar segment
Fertiliser volumes into sugar markets increased 7kt, or 4% on 2006 reflecting the timing of planting due to rainfall.

Summer Crop segment
Sales volumes were down 43% or 97kt. Poor planting rainfall resulted in below average hectares planted. Inconsistent follow up rain resulted in reduced fertiliser application rates. Low farmer confidence and nutrient carry-over from 2006 impacted pre-plant fertiliser application rates in the second half of the financial year.

Below average water availability in the crucial cotton market resulted in the smallest plant for over 20 years. The 2007 rice plant was approximately 25% of the five-year average.

Sales Summary

	Year ended 30 September		
	2007	**2006**	**Change**
000's (Tonnes)			
Fertiliser distribution	1,868	2,206	(15)%
Industrial	325	298	9%
Trade	972	236	312%
Total	**3,165**	**2,740**	**16%**
A$M			
Fertiliser distribution	867	959	(10)%
Industrial	82	77	7%
Trade	424	75	462%
Total	**1,373**	**1,111**	**24%**
Other			
Average exchange rate	81.3	74.6	(9)%
Middle East Granular Urea (USD/t)	264	245	8%
FOB Tampa DAP (USD/t)[1]	364	260	39%

Industrial

Industrial tonnes increased 9% to 325kt (2006: 298kt) with some ammonia production diverted to industrial customers as a result of the drought.

Trade

Trade sales of 972kt increased by 736kt (2006: 236kt) consistent with the business strategy. External sales from SCF totalled 645kt with robust global demand supported by record production. In response to soft domestic pasture demand, 101kt of single superphosphate was exported to new markets in South America.

Revenue

Total sales revenue increased by $262M or 24% to $1,373M (2006: $1,111M). Total volume increased by 16% (refer above) and price/mix was favourable by 8% reflecting higher global fertiliser prices, net of the impact of the strengthening A$.

Global fertiliser prices were at record levels in 2007 in response to growing demand for food, fibre, feed and fuel.

Definitions and Notes
1. 2006 comparative is for 2 months to 30 September.

INCOME STATEMENT

EARNINGS BEFORE INTEREST AND TAX

EBIT increased 148% to $312.5M (2006: $126.2M). Quality of earnings also improved with EBIT margin doubling from 11.4% in 2006 to 22.8% in 2007.

Positive factors include:

- $157M: increase in full year earnings from SCF (excluding Tardis efficiencies).
- $73.6M: Tardis program efficiences.
- $12.4M: increased contribution from the trading business (excluding SCF product).
- $10.1M: profit from asset sales, dividend from the Dyno Nobel investment and other income.
- $1.3M net benefit from higher global urea prices, partially offset by higher A$ ($7M benefit from higher prices offset by $5.7M impact of higher A$).

Negative factors include:

- $46.9M: negative drought impact on sales volume and mix in the base business.
- $10.1M: reduced manufacturing margin from the Gibson Island plant during Reset 07.
- $12.6M: negative movement of fixed costs being released from stock due to a significant decline in inventory holdings.

The positive overall result reflects the benefit of the business strategy adopted by IPL in 2005. Specific achievements against each element of the strategy include:

- Lowest cost base: Tardis efficiency savings.
- Own the product: SCF purchase and Gibson Island Reset 07.
- Trading model: growing sales beyond IPL's domestic distribution business.
- Supply chain engine: step change in working capital.

DEPRECIATION

Depreciation expense increased by $3.0M to $36.1M (2006: $33.1M). The impact of a full year of SCF was partially offset by a lower depreciation charge following the sale and leaseback of assets (with a compensating increase in lease costs, included in EBIT, of $3.5M).

Earnings Summary

A$M	Year ended 30 September 2007	2006	Change
EBITDA	348.6	159.3	119%
Depreciation	(36.1)	(33.1)	(9)%
EBIT	312.5	126.2	148%
Borrowing Costs	(28.8)	(12.9)	(123)%
Tax Expense	(81.2)	(30.5)	(166)%
NPAT - excl individually material items	**202.5**	**82.8**	**145%**
Individually material items after tax	2.8	(36.1)	NA
NPAT - incl individually material items	**205.3**	**46.7**	**340%**
EBIT Margin (EBIT/Sales)	22.8%	11.4%	

Borrowing Costs

A$M	Year ended 30 September 2007	2006	Change
Net interest	25.5	12.3	(107)%
Interest - Dyno Nobel shareholding	1.8	-	NA
Total	**27.3**	**12.3**	**(122)%**
Non-cash unwinding of discounts	1.5	0.6	(150)%
Total interest expense	**28.8**	**12.9**	**(123)%**

BORROWING COSTS

Total 2007 borrowing costs were up $15.9M to $28.8M (2006: $12.9M). The increase reflects:

- An increase in net interest of 107% to $25.5M (2006: $12.3M) due to higher debt following the share buy-back and acquisition of SCF in 2006.
- $1.8M interest expense attributable to the investment in Dyno Nobel. The investment was EPS positive in 2007 after dividend income of $3.0M.
- A non-cash expense of $1.5M (2006: $0.6M) was incurred reflecting the unwinding of discounts on non-current provisions.

TAX

Tax expense (excluding individually material items) of $81.2M was 166% up on 2006 in line with improved earnings (2006: $30.5M). The effective tax rate was 29% (2006: 27%).

INDIVIDUALLY MATERIAL ITEMS

2007 individually material items were a net gain after tax of $2.8M. This includes a gain of $9.5M on the sale and leaseback of the Ammonia Linehaul Fleet. This gain was partially offset by business restructuring costs.

Further restructuring costs of $7M after tax will be reported as individually material items in the 2008 year.

RETURNS TO SHAREHOLDERS

Directors have declared a final dividend of 231 cents per share comprising a normal dividend of 191cps and a special dividend of 40cps, both fully franked. This brings the total 2007 dividend to 300cps, fully franked (2006:103 cps, fully franked).

The total 2007 dividend represents a payout ratio of 75% of NPAT excluding individually material items and 100% of franking credits have been returned to shareholders. Excluding the special dividend of 40cps, the pay-out ratio is 65% (2006: 65% pay-out ratio).

Total shareholder return was 242% for 2007 (2006: 70%) assuming shares were held for the full year.

SHAREHOLDER CALENDAR

Record for final dividends	27 November 2007
2007 final dividend paid	13 December 2007
Annual General Meeting	20 December 2007

Individually material items

A$M after tax	2007
One-off gain on sale/leaseback Ammonia Linehaul Fleet	9.5
Business restructuring costs	(4.8)
Wallaroo cleanup provision	(1.9)
Total	**2.8**

Returns to shareholders

	Year ended 30 September		
	2007	**2006**	**Change**
Cents per share			
Final Dividend			
- normal	191	81	136%
- special	40		
- sub-total	231	81	185%
% Franked	100%	100%	
Total Dividend			
- normal	260	103	152%
- special	40		
- sub-total	300	103	191%
% Franked	100%	100%	
Payout ratio normal (1)	65%	65%	
Payout ratio including special (1)	75%	65%	
Dividend Yield			
- opening share price on 1 October	11.6%	6.5%	
- closing share price on 30 September	3.5%	4.0%	
Share Price at 30 September ($)			
- Opening 1 October	25.87	15.82	63.5%
- Closing 30 September	85.54	25.87	230.7%
Total Shareholder Return(2)	242%	70%	

Definitions and Notes
1. % of NPAT excluding individually material items.
2. Total Shareholder Return = (Change in share price + dividend declared in financial year) / opening share price.

SOUTHERN CROSS FERTILISERS (SCF)

2007 v 2006:

EBIT increased by $190.1M to $200.9M. 2006 EBIT of $10.8M reflected two months of ownership by IPL. 2007 earnings included $40.4M of Tardis efficiencies, double the November 2006 plan, and 36% higher than forecast in May 2007.

2007 v Pro-forma Earnings

Full year pro-forma earnings at acquisition were estimated at $60.5M assuming volumes of 907ktpa, ammonium phosphate pricing of US$247/t and an A$/US$ exchange rate of 75.8 cents.

2007 EBIT of $200.9M was $140.4M or 232% above 2006 pro-forma. Record production and sales volumes, strong global fertiliser prices, and internally generated business efficiency gains combined to drive this result.

Production
2007 production was 978kt – the highest level on record and above nameplate capacity of 975kt.

EBIT
EBIT was $140.4M higher than pro-forma estimates, with the main reconciling items being:
+$140M: 2007 realised DAP price of US$364/t, US$117t above pro-forma.
-$4.3M: Increased sulphur raw material costs.
-$35.6M: Impact of higher A$ - 5.5c to 81.3c.
+$40.4M: Tardis efficiencies - $21.4M from higher production and sales volumes and the balance from efficiencies across the cost bar.

Acquisition Metrics
SCF was acquired on 1 August 2006 for $155.3M. Based on 2007 earnings:
- The business was acquired on a multiple of 0.74 times EBITDA.
- Acquisition debt has been retired from operating cash inflows at the end of year one.

Performance v Actual

A$M	12 mths to 30-Sep 2007	2 mths to 30-Sep 2006	$M Change
Production (tonnes)	978	164	814
Revenue[1]	519.6	54.9	464.7
EBITDA	208.9	12.1	196.8
EBIT	200.9	10.8	190.1

Performance v Pro-forma

A$M	Actual 2007	Proforma 2006	Change
Production (tonnes)	978	907	8%
Sales (tonnes)	970	907	7%
Revenue[1]	519.6	335.9	55%
EBIT	200.9	60.5	232%
FOB Tampa DAP (USD/t)	364	247	47%
Average exchange rate	81.3	75.8	(7)%

Definitions and Notes
1. Includes inter-company sales

BALANCE SHEET

Incitec Pivot has maintained strong financial discipline in 2007, once again finishing the year with a strong balance sheet position. The business continues to focus on reducing capital intensity to boost shareholder returns.

Trade Working Capital (TWC) declined by $31.8M to $121.3M (2006: $153.1M). This was achieved notwithstanding a negative impact of $17M from higher fertiliser prices on inventory balances.

TWC excluding SCF was $53.5M lower than 2006, taking Tardis supply chain cash savings to $155.5M.

Net change in property, plant and equipment was $61M. Major capital projects included Gibson Island Reset 07 and the SCF gypsum cell construction.

Tax assets reduced to a liability of $6.5M (2006: asset of $49.3M). Major movements include higher tax payable at year end in line with increased profitability, recognition of a tax liability for unrealised gains on the Dyno Nobel Limited (DXL) investment and a timing difference related to the up front tax deductibility of the Gibson Island Reset 07.

In August 2007, IPL made a 13.2% strategic investment in DXL for consideration (including transaction costs) of $257.1M. This investment was marked to market at year-end, resulting in a carrying value of $291.2M.

Net debt increased by $136.3M to $411.7M (2006: $275.4M). This reflects the investment in DXL offset by operating cash flow.

Gearing, as measured by Underlying Net Debt / EBITDA, of 0.45 times was well below IPL's long-term range of 3.0 to 4.0 times.

Balance Sheet

	Year ended 30 September		
A$M	**2007**	**2006**	**Change**
Trade working capital	121.3	153.1	31.8
Net PP&E	502.1	441.1	61.0
Goodwill	183.8	183.8	0.0
Investment in Dyno Nobel	291.2	0.0	291.2
Environmental and restructuring	(74.4)	(86.0)	11.6
Tax (liabilities)/assets	(6.5)	49.3	(55.8)
Net other liabilities	(70.8)	(85.9)	15.1
NET ASSETS	**946.7**	**655.4**	**291.3**
Net Debt			
- Underlying	154.6	275.4	120.8
- Investment in Dyno Nobel	257.1	0.0	(257.1)
Total	411.7	275.4	(136.3)
Equity	535.0	380.0	155.0
CAPITALISATION	**946.7**	**655.4**	**291.3**
Underlying Net Debt/EBITDA (times)	0.45	1.73	74%

CASH FLOW

Strong earnings performance has once again been reflected in cash flow.

Net operating cash flows increased by $70.5M to $259.2M (2006: $188.7M). Major factors were:

- EBITDA up $189.3M to $348.6M (2006: $159.3M).
- Interest payments increased by $15.4M to $25.9M (2006: $10.5M), reflecting higher net debt balances through the year following the acquisition of SCF and the share buy-back.
- Tax paid was $37.8M (2006: $12.9M) reflecting earnings improvements in 2006 and 2007.
- Reduction in trade working capital resulted in a cash inflow of $33.7M (2006: $95.8M).
- Business integration and restructuring costs paid were $29.5M (2006: $17.7M). Tardis restructuring costs (excluding capital expenditure) were $18.9M and Orica exit costs were $10.6M.
- Environmental and site clean up expenditure of $6.1M (2006: $11.1M).

Net investing cash outflows were up $165M to $319.9M (2006: $154.9M). Major items include:

- Purchase of 13.2% strategic investment in Dyno Nobel for $257M, including transaction costs.
- Net capital expenditure was $62.9M (2006: $21.4M) comprising capital spending of $91.6M offset by asset sales of $28.7M. Major items of capital spending were:
  - Gibson Island: Reset 07 $42.1M and water saving initiatives $4.3M
  - SCF gypsum cell $9.0M
  - Business integration spending of $5.5M (Tardis $3.6M and Orica separation $1.9M)
  - Sustenance $30.7M

Cash Flow

A$M	Year ended 30 September		
	2007	2006	Change
Net operating cash flows			
EBITDA	348.6	159.3	189.3
Net interest paid	(25.9)	(10.5)	(15.4)
Net income tax paid	(37.8)	(12.9)	(24.9)
Trade working capital movement	33.7	95.8	(62.1)
Business integration and restructuring	(29.5)	(17.7)	(11.8)
Environmental and site clean up	(6.1)	(11.1)	5.0
Other	(23.8)	(14.2)	(9.6)
Operating cash flow	**259.2**	**188.7**	**70.5**
Net investing cash flows			
Capital spending	(91.6)	(28.0)	(63.6)
Proceeds from asset sales	28.7	6.6	22.1
Purchase of SCF	-	(155.3)	155.3
Purchase of Dyno Nobel shares	(257.0)	-	(257.0)
Sale of QGC investment	0.0	21.8	(21.8)
Investing cash flow	**(319.9)**	**(154.9)**	**(165.0)**
Net financing cash flows			
(Decrease)/increase in net debt	136.3	8.1	128.2
Dividends paid	(75.6)	(41.9)	(33.7)
Financing cash flow	**60.7**	**(33.8)**	**94.5**

CULTURE AND VALUES

The IPL Board endorsed the Company's Values developed by employees through a series of workshops held in late 2006.

These Values are captured as "Own.Breakout.Deliver":

- Treat the Business as Our Own
- Value People – Respect, Recognise and Reward
- Zero Harm for Everyone Everywhere
- Care for the Community & Our Environment

These are about 'ownership'.

- Challenge and Improve the Status Quo

This is about breaking out, thinking differently.

- Deliver on Our Promises

This is about delivering what we say we will.

"Own.Breakout.Deliver" embodies the guiding principles the business draws on in its day-to-day decision-making.

The Values are now being rolled out through a Company-wide "Living the Values" program.

HEALTH, SAFETY, ENVIRONMENT AND THE COMMUNITY (HSEC)

In 2007 Incitec Pivot improved its performance on health, safety, the environment and the community. The all worker recordable case rate (number of injuries and illnesses per 200,000 hours worked) was 0.98, a 25% improvement on a pro-forma basis from 2006. The result was also pleasing in light of the reduction in the overall potential severity of the injuries incurred.

Environmental performance improved further in 2007 across all measurable elements. Notably, significant work and investment went into securing alternative water supplies for the Gibson Island Operations. A desalination plant and a recycled water plant were commissioned, resulting in a 25% reduction of water use from Brisbane's water supply. The plants will ultimately provide a zero discharge capability for the site in the medium term. In addition, for the third year in a row, there were no losses of containment greater than a Category 2 severity.

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Financial Report

Contents

Consolidated Income Statements
For the year ended 30 September 2007

	Notes	**September 2007 $mill**	September 2006 $mill
Revenue	(4)	**1,373.2**	1,111.2
Other income (incl. Individually material items)	(4)	**34.6**	14.9
Operating expenses			
Changes in inventories of finished goods and work in progress		**(59.7)**	4.0
Raw materials and consumables used and finished goods purchased for resale		**(575.2)**	(724.5)
Employee expenses (incl. Individually material items)		**(119.3)**	(91.1)
Depreciation and amortisation expense		**(36.1)**	(33.1)
Borrowing and finance costs		**(34.1)**	(14.9)
Purchased services (incl. Individually material items)		**(78.0)**	(58.2)
Repairs and maintenance		**(49.7)**	(33.8)
Outgoing freight		**(123.6)**	(40.1)
Lease payments - operating leases		**(29.4)**	(13.9)
Asset write-downs, clean-up and environmental provisions (incl. Individually material items)		**(4.2)**	(35.4)
Other expenses (incl. Individually material items)		**(10.8)**	(25.8)
		(1,120.1)	(1,066.8)
Profit before income tax		**287.7**	59.3
Income tax expense		**(82.4)**	(12.6)
Profit for the financial year		**205.3**	46.7

		cents	cents
Earnings per share			
Basic earnings per share from continuing operations	(6)	**407.1**	82.6
Diluted earnings per share from continuing operations	(6)	**407.1**	82.6

The above Income Statements are to be read in conjunction with the Notes to the Financial Statements set out on pages 15 to 32.

Consolidated Balance Sheets

For the year ended 30 September 2007

	Notes	September 2007 $mill	Restated [1] September 2006 $mill
Current assets			
Cash and cash equivalents		**218.3**	161.7
Trade and other receivables		**167.4**	121.3
Other financial assets		**292.1**	2.0
Inventories		**221.7**	300.6
Other assets		**4.5**	8.9
Assets classified as held for sale		**5.0**	2.9
Total current assets		**909.0**	597.4
Non-current assets			
Trade and other receivables		**0.4**	0.3
Other financial assets		**1.6**	-
Property, plant and equipment		**502.1**	441.1
Intangible assets		**193.7**	196.2
Deferred tax assets		**28.6**	68.6
Retirement benefit surplus		**2.7**	-
Other assets		**1.2**	0.9
Total non-current assets		**730.3**	707.1
Total assets		**1,639.3**	1,304.5
Current liabilities			
Trade and other payables		**281.4**	283.1
Interest bearing liabilities		**-**	7.1
Other financial liabilities		**9.1**	5.7
Current tax liabilities		**35.1**	19.2
Provisions		**31.2**	48.2
Total current liabilities		**356.8**	363.3
Non-current liabilities			
Trade and other payables		**52.8**	64.0
Interest bearing liabilities		**630.0**	430.0
Other financial liabilities		**-**	1.8
Retirement benefit obligation		**-**	3.4
Provisions		**64.7**	62.0
Total non-current liabilities		**747.5**	561.2
Total liabilities		**1,104.3**	924.5
Net assets		**535.0**	380.0
Equity			
Issued capital	(7)	**360.8**	360.8
Reserves	(8)	**17.7**	(5.8)
Retained earnings	(8)	**156.5**	25.0
Total equity		**535.0**	380.0

The above Balance Sheets are to be read in conjunction with the Notes to the Financial Statements set out on pages 15 to 32.

(1) Comparative information has been restated to reflect the amendments to provisional asset and liability fair values on acquisition of Southern Cross Fertilisers Pty Limited in the prior financial year (see Note 11).

Consolidated Statements of Recognised Income and Expense

For the year ended 30 September 2007

	Notes	**September 2007 $mill**	September 2006 $mill
Cash flow hedges			
Effect of prior year change in accounting policy - financial instruments		**-**	(5.2)
Changes in fair value of cash-flow hedges	(8)	**2.4**	(4.2)
Losses in cash-flow hedges transferred to income statement	(8)	**(2.0)**	0.6
Actuarial gains on defined benefit plans		**1.1**	0.7
Change in fair value of assets held as available for sale		**24.6**	-
Net income/(expense) recognised directly in equity		**26.1**	(8.1)
Profit for the financial year		**205.3**	46.7
Total recognised income and expense for the financial year		**231.4**	38.6

Other movements in equity arising from transactions with owners as owners are set out in Notes 8 and 9. The amounts recognised directly in equity are disclosed net of tax.

The above Statements of Recognised Income and Expense are to be read in conjunction with the Notes to the Financial Statements set out on pages 15 to 32.

Consolidated Cash Flow Statements

For the year ended 30 September 2007

	September 2007 $mill Inflows/ (Outflows)	September 2006 $mill Inflows/ (Outflows)
Cash flows from operating activities		
Receipts from customers	**1,332.1**	1,181.6
Payments to suppliers and employees	**(1,015.2)**	(969.7)
Interest received	**4.5**	1.5
Borrowing costs paid	**(30.4)**	(12.0)
Rental income	**0.1**	0.1
Other trading revenue received	**5.9**	0.2
Income taxes paid	**(37.8)**	(12.9)
Net cash flows from operating activities	**259.2**	188.8
Cash flows from investing activities		
Payments for property, plant and equipment and intangibles	**(91.6)**	(28.0)
Payments for purchase of subsidiary, net of cash acquired	**-**	(155.3)
Payments for purchase of investments	**(257.0)**	-
Proceeds from sale of investments	**-**	21.8
Proceeds from sale of property, plant and equipment	**28.7**	6.6
Net cash flows from investing activities	**(319.9)**	(154.9)
Cash flows from financing activities		
Repayments of borrowings	**(182.1)**	(89.2)
Proceeds from borrowings	**375.0**	430.0
Payments for share buy-back transaction	**-**	(174.5)
Dividends paid	**(75.6)**	(41.9)
Net cash flows from financing activities	**117.3**	124.4
Net increase in cash and cash equivalents held	**56.6**	158.3
Cash and cash equivalents at the beginning of the financial year	**161.7**	3.4
Cash and cash equivalents at the end of the financial year	**218.3**	161.7

The above Cash Flow Statements are to be read in conjunction with the Notes to the Financial Statements set out on pages 15 to 32.

Notes to the Financial Statements
For the year ended 30 September 2007

1. Significant accounting policies

Incitec Pivot Limited is a company domiciled in Australia. The consolidated financial report was authorised for issue by the directors on 14 November 2007.

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

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

(i) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Acounting Standards Board and the Corporations Act 2001 (Cth). International Financial Reporting Standards (IFRS) form the basis of AASB adopted by the Australian Acounting Standards Board, and for the purpose of this report are called Australian equivalents to IFRS (AIFRS) to distinguish from previous Australian GAAP.

Compliance with IFRS

The financial reports of the Consolidated entity also comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board. A statement of compliance with IFRS cannot be made for the parent entity financial statements as the Company has elected to apply the relief provided to parent entities by AASB 132 *Financial Instruments: Presentation and Disclosure* in respect of certain disclosure requirements.

Historical cost convention

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

The financial report is presented in Australian dollars.

Critical accounting estimates

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

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

Early adoption of standards

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

- AASB 101 *Presentation of Financial Statements*
- AASB 1048 *Interpretation and Application of Standards*
- AASB 123 Borrowing Costs
- AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments amending AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards,* AASB 2 *Share-based Payment,* AASB 3 *Business Combinations,* AASB 4 *Insurance Contracts,* AASB 5 *Non-current Assets Held for Sale and Discontinued Operations,* AASB 6 *Exploration for and Evaluation of Mineral Resources,* AASB 7 *Financial Instruments: Disclosures,* AASB 101 *Presentation of Financial Statements,* AASB 102 *Inventories,* AASB 107 *Cash Flow Statements,* AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors,* AASB 110 *Events after the Balance Sheet Date,* AASB 112 *Income Taxes,* AASB 114 *Segment Reporting,* AASB 116 *Property Plant and Equipment,* AASB 117 *Leases,* AASB 118 *Revenue,* AASB 119 *Employee Benefits,* AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance,* AASB 121 *The Effects of Changes in Foreign Exchange Rates,* AASB 127 *Consolidated and Separate Financial Statements,* AASB 128 *Investments in Associates,* AASB 129 *Financial Reporting in Hyperinflationary Economies,* AASB 130 *Disclosures in the Financial Statements of Banks and Similar Institutions,* AASB 131 *Interest in Joint Ventures,* AASB 132 *Financial Instruments: Presentation,* AASB 133 *Earnings per Share,* AASB 134 *Interim Financial Reporting,* AASB 136 *Impairment of Assets,* AASB 137 *Provisions, Contingent Liabilities and Contingent Assets,* AASB 138 *Intangible Assets,* AASB 139 *Financial Instruments: Recognition and Measurement,* AASB 141 *Agriculture,* AASB 1023 *General Insurance Contracts,* AASB 1038 *Life Insurance Contracts and Interpretation* 113 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*
- AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 *Borrowing Costs amending* AASB 1 *First Time Adoption of Australian Equivalents to International Financial,* AASB 101 *Presentation of Financial Statements,* AASB 107 *Cash Flow Statements,* AASB 111 *Construction Contracts,* AASB 116 *Property Plant and Equipment,* AASB 138 *Intangible Assets, Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities and Interpretation 12 Service Concession Arrangements*
- AASB 2007-7 Amendments to Australian Accounting Standards: AASB 1 *First Time Adoption of Australian Equivalents to International Financial,* AASB 2 Share-based Payment, AASB 4 Insurance Contracts, AASB 5 *Non-current Assets Held for Sale and Discontinued Operations,* AASB 107 *Cash Flow Statements and* AASB 128 *Investments in Associates*
- Interpretation 10 *Interim Financial Reporting and Impairment*
- Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*
- Interpretation 13 *Customer Loyalty Programmes*
- Interpretation 14 *AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

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

Issued Standards not early adopted

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

- AASB 7 *Financial Instruments: Disclosure* (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.

Notes to the Financial Statements
For the year ended 30 September 2007

1. Significant accounting policies (continued)

- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139, AASB 1, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.
- 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.

The Consolidated entity plans to adopt AASB 8 in the 2010 financial year. The initial application of AASB 8 is not expected to have an impact on the financial results of the Company and the Consolidated entity as the standard is concerned only with disclosures.

(ii) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Incitec Pivot Limited as at 30 September 2007 and the results of all subsidiaries for the year then ended. Subsidiaries are all those entities (including special purpose entities) over which the Consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated entity controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated entity. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Consolidated entity (refer to Note 1(xiv)).

Inter-company transactions, balances and unrealised gains on transactions between consolidated companies are eliminated. Unrealised losses are also eliminated unless the transaction provides 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.

(iii) Revenue recognition

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

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

Interest income is recognised as it accrues.

Dividends 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.

(v) Share based payments

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

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

The fair value is allocated to the Income Statement evenly over the period from grant date to the date when an entitlement to an award, in the form of a loan waiver, arises. The amount recognised as an expense is adjusted to reflect the actual number of shares treated as options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting. The interest bearing loans are not recognised on the balance sheet.

(vi) Taxation

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustments to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for; initial recognition of goodwill, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date. A deferred tax asset will be recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

Tax Consolidation

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

Due to the effect of applying Interpretation 1052 *Tax Consolidation Accounting* and the existence of a tax funding agreement between

Notes to the Financial Statements

For the year ended 30 September 2007

1. Significant accounting policies (continued)

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.

Collectibility of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An impairment loss is recognised 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 loss 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.

Derecognition

Where substantially all risks and rewards relating to these facilities have been transferred to the financial institution, the receivable is derecognised. Where this has not occurred, the receivable and the equivalent interest bearing liability have been recognised in the balance sheet.

(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.

Regular 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) classified as held for sale

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

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

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

(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 are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised at the present value of the minimum lease payments and amortised on a straight-line basis over the period during which benefits are expected to flow from the use of the leased assets. A corresponding liability is established and each lease payment is allocated between finance charges and reduction of the liability.

Operating leases are not capitalised and lease rental payments are recognised in profit and loss on a straight line basis over the term of the lease.

(xiii) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Consolidated entity's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment

Notes to the Financial Statements
For the year ended 30 September 2007

1. Significant accounting policies (continued)

annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Research and development

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

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

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

(iii) Other intangible assets

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

(iv) Subsequent expenditure

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

(v) Amortisation

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

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

(xiv) Business combinations

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

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(xv) Interest-bearing borrowings

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

(xvi) Provisions

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

(i) Environmental

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

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

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

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

(ii) Decommissioning

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

Notes to the Financial Statements
For the year ended 30 September 2007

1. Significant accounting policies (continued)

(iii) Employee entitlements

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

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

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

(iv) Retirement Benefit Obligation
Contributions to defined contribution superannuation funds are taken to the Income Statement in the year in which the expense is incurred.
For defined benefit schemes, the cost of providing superannuation is charged to the Income Statement so as to recognise current and past service costs, interest cost on defined benefit obligations, and the effect of any curtailments or settlements, net of expected returns on plan assets.
All actuarial gains and losses as at 1 October 2004, the date of transition to AIFRS, were recognised in retained earnings. All actuarial gains and losses that arise subsequent to 1 October 2004 are recognised directly in equity.
The Consolidated entity's net obligation in respect of defined benefit superannuation plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating the terms of the Consolidated entity's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

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

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

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

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

(xviii) Foreign currency transactions
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.
Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement.

(xix) Derivative financial instruments
The Consolidated entity uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Consolidated entity does not hold or issue derivative financial instruments for trading purposes.
Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.
Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Income Statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

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

Cash flow hedges
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity.
When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.
If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified into the Income Statement in the same period or periods during which the asset acquired or liability assumed affects the Income Statement.
For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the Income Statement in the same period or periods during which the hedged forecast transaction affects the Income Statement. The ineffective part of any gain or loss is recognised immediately in the Income Statement.
When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship

Notes to the Financial Statements

For the year ended 30 September 2007

1. Significant accounting policies (continued)

but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Income Statement.

Hedge of monetary assets and liabilities

When a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognised in the Income Statement.

Anticipated transactions

Foreign currency transactions are translated at the exchange rate prevailing at the date of the transaction. Foreign currency receivables and payables outstanding at balance date are translated at the exchange rates current at that date.

Exchange gains and losses on retranslation of outstanding receivable and payables are taken to the Income Statement.

Where hedge transactions are designated as a hedge of the anticipated purchase or sale of goods or services, purchase of qualifying assets, or an anticipated interest transaction, gains and losses, on the hedge arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the Income Statement.

The net amount receivable or payable under open swaps, forward rate agreements and futures contracts and the associated deferred gains or losses are not recorded in the Income Statement until the hedged transaction matures. The net receivables or payables are then revalued using the foreign currency, interest or commodity rates current at balance date.

When the anticipated transaction is no longer expected to occur as designated, the deferred gains and losses relating to the hedged transaction are recognised immediately in the Income Statement.

Gains and losses that arise prior to and upon the maturity of transactions entered into under hedge strategies are deferred and included in the measurement of the hedged anticipated transaction if the transaction is still expected to occur as designated. If the anticipated transaction is no longer expected to occur as designated, the gains and losses are recognised immediately in the Income Statement.

(xx) Cash and cash equivalents

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

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

(xxiii) Impairment of assets

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

The recoverable amount of an asset (excl. receivables – refer to 1 viii) is determined as the higher of net selling price 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 cash generating units 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

Notes to the Financial Statements
For the year ended 30 September 2007

1. Significant accounting policies (continued)

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 Balance Sheet.

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.

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 entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

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

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

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

(i) Impairment of assets

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

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

(ii) Impairment of goodwill

The Consolidated entity tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1 (xiii). The recoverable amounts of cash-generating units 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. 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 realization may change due to future operating performance and other factors.

(iv) Environmental and Restructuring provisions

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

(v) Retirement Benefit obligations

A liability or asset in respect of defined benefit superannuation plans is recognised in the balance sheet, 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

Notes to the Financial Statements
For the year ended 30 September 2007

2. Critical accounting estimates and judgements (continued)

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.

3. Segment report

During the years ended 30 September 2007 and 30 September 2006, the Consolidated entity operated in one business segment in which the principal activities were the manufacture, trading and distribution of fertilisers and chemicals, and in one geographic location, Australia.

Notes to the Financial Statements
For the year ended 30 September 2007

	2007 $mill	2006 $mill
4. Revenue and other income		
Revenue		
External sales	**1,373.2**	1,088.9
Sales to entities subject to common control	**-**	22.3
Total Revenue	**1,373.2**	1,111.2
Other income		
Dividend income		
external parties	**3.0**	-
Interest income		
external parties	**5.3**	2.0
Other income	**3.2**	0.4
From outside operating activities		
Gain from Sale & Leaseback of BIGN Assets	**13.5**	-
Gain on write back of acquisition provisions	**2.4**	-
Realised gain on listed investment held at fair value through profit and loss	**-**	9.5
Net gain on sale of property, plant and equipment	**7.2**	3.0
Total other income	**34.6**	14.9
Total revenue and other income	**1,407.8**	1,126.1

Notes to the Financial Statements
For the year ended 30 September 2007

	2007 Gross $mill	**2007** Tax $mill	**2007** Net $mill	2006 Gross $mill	2006 Tax $mill	2006 Net $mill
5. Individually material items						
Profit includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the Consolidated entity:						
Business restructuring costs (1)						
employee redundancies and allowances	**(2.2)**	**0.7**	**(1.5)**	-	-	-
restructuring and other direct costs	**(0.8)**	**0.2**	**(0.6)**	(3.4)	1.0	(2.4)
demolition	**-**	**-**	**-**	(0.7)	0.2	(0.5)
asset write-downs (8)	**-**	**-**	**-**	(5.0)	1.5	(3.5)
Total business restructuring	**(3.0)**	**0.9**	**(2.1)**	(9.1)	2.7	(6.4)
Business restructuring costs - Separation and Integration (2)						
restructuring and other direct costs	**(6.3)**	**1.9**	**(4.4)**	(8.2)	2.4	(5.8)
employee redundancies and allowances	**-**	**-**	**-**	(3.8)	1.2	(2.6)
Total business restructuring	**(6.3)**	**1.9**	**(4.4)**	(12.0)	3.6	(8.4)
Clean-up and closure costs (3)						
environmental clean-up	**(2.7)**	**0.8**	**(1.9)**	(21.0)	6.3	(14.7)
closure and demolition	**-**	**-**	**-**	(8.7)	2.6	(6.1)
redundancy	**-**	**-**	**-**	(1.8)	0.6	(1.2)
Total Clean-up and closure costs	**(2.7)**	**0.8**	**(1.9)**	(31.5)	9.5	(22.0)
Other						
Gain from Sale & Leaseback of BIGN Assets (4)	**13.5**	**(4.0)**	**9.5**	-	-	-
Gain on write back of acquisition provisions (5)	**2.4**	**(0.7)**	**1.7**	-	-	-
Realised gain from investment in listed company held at fair value through profit and loss (6)	**-**	**-**	**-**	9.5	(1.1)	8.4
Litigation ruling and dispute (7)	**-**	**-**	**-**	(11.0)	3.3	(7.7)
Total Other	**15.9**	**(4.7)**	**11.2**	(1.5)	2.2	0.7
Individually material items	**3.9**	**(1.1)**	**2.8**	(54.1)	18.0	(36.1)

(1) 2005 saw a significant rationalisation of the fertiliser industry, following which the Company incurred significant expenditure in reacting to the changed industry dynamics including developing and implementing a new business model and embarking on a major restructuring of the business. Additional provisions have been recognised in relation to further redundancies announced during the year, as well as other direct costs.

(2) Additional provisions for restructuring costs have been created during this year in relation to the separation from Orica during May 2006, and acquisition of Southern Cross Fertilisers Pty Limited in August 2006.

(3) An extra provision has been recognised in relation to the costs associated with soil and groundwater remediation and demolition works at the Wallaroo site. During 2006 a provision was recognised in relation to the costs associated with dismantling the manufacturing facility, remediating the site, demolition works and redundancies at Cockle Creek.

(4) As part of a restructuring of the BigN business, a sale and leaseback transaction was completed on the BigN mobile fleet during the year.

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

(6) Realised gains in relation to an investment previously held for resale in the listed gas producer Queensland Gas Company Limited. The investment was sold during August 2006.

(7) Represents payments made in respect of the dispute in the 2005 proceedings with Elders Limited for which orders were made by the Supreme Court of South Australia in favour of Elders Limited in April 2006. Payments in the order of $11 million (gross), $7.7 million (net of tax) were subsequently made during the year ended 30 September 2006.

(8) During 2006 a review of the long term manufacturing strategy around ammonium phosphates was undertaken and as a result, the manufacturing plant at Kooragang Island was closed during the year.

Notes to the Financial Statements
For the year ended 30 September 2007

	2007 Cents per share	2006 Cents per share
6. Earnings per share (EPS)		
Basic earnings per share		
including individually material items	**407.1**	82.6
excluding individually material items	**401.6**	146.5
Diluted earnings per share		
including individually material items	**407.1**	82.6
excluding individually material items	**401.6**	146.5

	Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share (1)	**50,423,885**	56,515,861

	$mill	$mill
Earnings used in the calculation of basic and diluted earnings per share including individually material items	**205.3**	46.7
Reconciliation of earnings used in the calculation of basic and diluted earnings per share excluding individually material items		
Profit for the financial year	**205.3**	46.7
(Deduct) / Add back individually material items after income tax	**(2.8)**	36.1
Earnings used in calculation of basic and diluted EPS excluding individually material items	**202.5**	82.8

(1) 7,857,142 shares were bought back during the year ended 30 September 2006.

Notes to the Financial Statements
For the year ended 30 September 2007

	2007 $mill	2006 $mill
7. Issued Capital		
Share capital		
Ordinary shares authorised and issued - 50,423,885 (2006 - 50,423,885) (1)	**360.8**	360.8
	360.8	360.8

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

Date	Details	Number of Shares	$mill
30 September 2006	Balance at the end of the previous financial year	**50,423,885**	**360.8**
30 September 2007	Balance at the end of the financial year	**50,423,885**	**360.8**

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 shareholder's meetings.

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

Notes to the Financial Statements

For the year ended 30 September 2007

	Notes	2007 $mill	2006 $mill
8. Reserves and retained earnings			
Reserves			
Share-based payments		**(8.0)**	(6.5)
Cash flow hedging		**1.1**	0.7
Fair value reserve		**24.6**	-
Reserves at the end of the financial year		**17.7**	(5.8)
Movement in reserves during the financial year			
Share-based payments			
Balance at the beginning of the financial year		**(6.5)**	(1.5)
Option expense		**1.8**	0.2
Loan repayments		**2.2**	0.5
Shareholder loans		**(5.5)**	(5.7)
Balance at the end of the financial year		**(8.0)**	(6.5)
Cash Flow Hedging Reserve			
Balance at the beginning of the financial year		**0.7**	-
Recognition of fair value of cash flow hedging instruments upon adoption of AASB 139		**-**	4.3
Balance at the beginning of the financial year restated		**0.7**	4.3
Changes in fair value of cash-flow hedges		**2.4**	(4.2)
Losses transferred to income statement		**(2.0)**	0.6
Balance at the end of the financial year		**1.1**	0.7
Fair Value Reserve			
Balance at the beginning of the financial year		**-**	-
Changes in fair value of investment		**24.6**	-
Balance at the end of the financial year		**24.6**	-
Movement in retained earnings during the financial year			
Retained earnings at the beginning of the financial year		**25.0**	29.0
Recognition of fair value of embedded derivative upon adoption of AASB 139		**-**	(9.5)
Retained earnings at the beginning of the financial year restated		**25.0**	19.5
Profit for the financial year		**205.3**	46.7
Less dividends paid			
2005 Final special dividend	(9)	**-**	(29.1)
2006 Interim dividend	(9)	**-**	(12.8)
2006 Final dividend	(9)	**(40.8)**	-
2007 Interim dividend	(9)	**(34.8)**	-
Share-based payment transactions			
Dividends received as loan repayment		**0.7**	0.1
Actuarial gains on defined benefit plans		**1.1**	0.7
Retained earnings at the end of the financial year		**156.5**	25.0

Share-based payments reserve: The share-based payments reserve represents the amount receivable from employees in relation to non-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.

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

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 2007

	2007 $mill	2006 $mill
9. Dividends		
Dividends paid or declared in respect of the year ended 30 September were:		
Ordinary Shares		
November 2005 special dividend of 50 cents per share, fully franked at 30%, paid 9 January 2006	**-**	29.1
Interim dividend of 22 cents per share, fully franked at 30%, paid 9 June 2006	**-**	12.8
Final dividend of 81 cents per share, fully franked at 30%, paid 13 December 2006	**40.8**	-
Interim dividend of 69 cents per share, fully franked at 30%, paid 5 July 2007	**34.8**	-
Total ordinary share dividends paid in cash	**75.6**	41.9

Subsequent event

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

Ordinary shares		
Final dividend of 81 cents per share, fully franked at 30%, paid on 13 December 2006		40.8
Final dividend comprising:		
- normal dividend of 191 cents per share, fully franked at 30%, paid on 13 December 2007	**96.3**	
- special dividend of 40 cents per share, fully franked at 30%, paid on 13 December 2007	**20.2**	

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

Franking credits

Franking credits available to shareholders of the Company of $45.6m (2006 - $24.3m) at the 30% (2006 at 30%) corporate tax rate after allowing for tax payable in respect of the current year's profit. The ability to utlise the franking credits is dependent upon there being sufficient available profits to declare dividends.

Notes to the Financial Statements

For the year ended 30 September 2007

10. 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 28 September 2007, entered into in accordance with ASIC Class Order 98/1418, each company which is party to the Deed has covenanted with the Trustee (or the Alternative Trustee as applicable) of the Deed to guarantee the payment of any debts of the other companies which are party to the Deed which might arise on the winding up of those companies.
- The Consolidated entity has entered into various long-term supply contracts. For some contracts, minimum charges are payable regardless of the level of operations, but in all cases the levels of operations are expected to remain above those that would trigger minimum payments.
- There are a number of legal claims and exposures, which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items. The amount of liability, if any, which may arise cannot be reliably measured at this time. In the opinion of the directors, any further information about these matters would be prejudicial to the interests of the Company.
- There are guarantees relating to certain leases of property, plant and equipment and other agreements arising in the ordinary course of business.
- Contracts of sale covering companies and businesses, which were divested in current and prior years include normal commercial warranties and indemnities to the purchasers. The Company is not aware of any material exposure under these warranties and indemnities.
- From time to time, the Consolidated entity is subject to claims for damages arising from products and services supplied by the Consolidated entity in the normal course of business. Controlled entities have received advice of claims relating to alleged failure to supply products and services suitable for particular applications. The claims in the entities concerned are considered to be either immaterial or the entity is defending the claim with no expected financial disadvantage. No specific disclosure is considered necessary.

Environmental

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).

Notes to the Financial Statements

For the year ended 30 September 2007

10. Contingent liabilities (continued)

Cockle Creek (NSW)
The site at Cockle Creek (NSW) (owned by Incitec Fertilizers Limited) was declared and gazetted as a “remediation site” on 29 July 2005 by the Department of Environment and Conservation under the Contaminated Land Management Act, 1997. The contamination on the site arose from the use of fill material, mainly sourced from the adjacent smelter on the Pasminco site, by previous owners of the site. The Company is in discussion with the relevant regulatory authority to develop a voluntary Remediation Action Plan (“RAP”) and has confirmed its position that it intends to work cooperatively with both the regulatory authority and Pasminco Cockle Creek Smelter Pty Ltd (in administration) in relation to this site. An environmental provision has been recognised in respect of this site.

Parafield Gardens (South Australia)
The Company has entered into a voluntary arrangement with the relevant regulatory authority to investigate and remediate where appropriate land and groundwater contamination at Parafield Gardens. An environmental provision has been recognised in respect of this site.

Wallaroo (South Australia)
Wallaroo has been identified as a site requiring soil and groundwater investigation and clean up. An independent environmental auditor is working with the Company and community groups in relation to this site including the identification of the most appropriate future use of this site. An environmental provision has been recognised in respect of this site.

Other environmental matters
For sites where there are significant uncertainties with respect to what the Consolidated entity’s remediation obligations might be or what remediation techniques might be approved, no reliable estimate can presently be made of regulatory and remediation costs. In accordance with accounting policy included in Note 1(xvi) (i), no amounts have been expensed capitalised or provided for.

Taxation

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

Notes to the Financial Statements
For the year ended 30 September 2007

11. Business combination

(a) Summary of acquisition

On 1 August 2006, the Consolidated entity acquired all the shares in Southern Cross Fertilisers Pty Limited for $155.3 million, inclusive of $6.4 million of transaction costs. The company manufactures and distributes ammonium phosphate fertilisers.

	Consolidated		Company	
	2007	2006	**2007**	2006
	$mill	$mill	**$mill**	$mill
b) Purchase consideration				
Consideration paid, satisfied in cash	**-**	155.3	**-**	155.3
Plus/(less) cash acquired	**-**	-	**-**	-
Net cash outflow	**-**	155.3	**-**	155.3

c) Assets and liabilities acquired

Since 30 September 2006 the following amendments to the initial 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:

	Acquiree's carrying amount	Initial Fair Value adjustments	Provisional Fair Values as at 1 August 2006	Additional Fair Value adjustments	Final Fair Values
	$mill	$mill	$mill	$mill	$mill
Acquiree's net assets at the acquisition date					
Cash and cash equivalents	-	-	-	-	-
Trade and other receivables	44.9	(0.2)	44.7	-	44.7
Inventories	32.8	3.1	35.9	2.0	37.9
Property, plant and equipment	489.4	(291.1)	198.3	(36.8)	161.5
Deferred tax assets	9.5	20.4	29.9	26.3	56.2
Trade, other payables and other provisions	(41.5)	(1.6)	(43.1)	(0.7)	(43.8)
Provision for site restoration and mine rehabilitation	(18.6)	(4.2)	(22.8)	3.8	(19.0)
Deferred tax liabilities	(46.4)	33.7	(12.7)	10.2	(2.5)
Provision for employee entitelments	(6.2)	0.2	(6.0)	-	(6.0)
Intangible assets	0.1	0.2	0.3	(0.2)	0.1
Unfavourable contracts	-	(68.1)	(68.1)	(4.6)	(72.7)
Other liabilities	-	(1.1)	(1.1)	-	(1.1)
Net identifiable assets and liabilities	464.0	(308.7)	155.3	-	155.3
Less consideration paid in cash					155.3
Goodwill / (discount) on acquisition recognised					-

Notes to the Financial Statements

For the year ended 30 September 2007

12. Events subsequent to balance date

Since the end of the financial year, in November 2007, the directors have declared a final dividend comprising a normal dividend of 191 cents per share as well as a special dividend of 40 cents per share. These dividends are fully franked at the 30% corporate tax rate and are payable on 13 December 2007.

In addition, by an announcement lodged with the Australian Securities Exchange the market was advised on 19 October 2007 of an unscheduled outage of the urea manufacturing plant at Gibson Island, Brisbane. The total financial impact is estimated at $16 million after tax. The Company's insurer has been advised of the event and if the insurance policy responds, the total financial impact is estimated at $5.5 million after tax.

Other than the two matters reported on above, the directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2007, 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.