

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 2010

30 September 2009

Results for announcement to the market

Extracts of the Incitec Pivot Limited results for the financial year ended 30 September 2010

\$Amill

Revenues from ordinary activities	down	(14.3) %	to	2,931.7
Profit for the financial year	up	A\$631.9 mill	to	410.5
Net profit for the financial year	up	A\$631.9 mill	to	410.5
Dividends		Amount per security cents		Franked amount per security cents
Current Period				
Interim dividend		1.8		0.0
Final dividend		6.0		0.0
Previous corresponding period				
Interim dividend		2.1		2.1
Final dividend		2.3		0.0
Record date for determining entitlements to the final dividend:		24 November 2010		
Payment date of final dividend:		17 December 2010		

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security⁽¹⁾	\$0.37	\$0.12

The information should be read in conjunction with the financial report, which is set out on pages 14 to 40.

(1) Comparative information has been restated to reflect the correction to deferred tax assets as described in Note 1 (xxvii) to the Financial Statements.

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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 2010.

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	21 December 2010
Time	2.00 pm
Approximate date the annual report will be available	During the week commencing 29 November 2010

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.

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Incitec Pivot Limited

STRONG RESULTS DELIVERED

Results for the year ended 30 September 2010

BUSINESS PERFORMANCE

In the face of mixed market conditions, Incitec Pivot Limited (IPL) has delivered Net Profit After Tax (NPAT), including individually material items (IMIs)⁽¹⁾, of \$410.5M, compared with a loss of \$221.4M⁽²⁾ for the previous year. NPAT excluding individually material items was up \$95.0M to \$442.8M (2009: \$347.8M).

KEY FINANCIALS

- NPAT excluding individually material items increased by 27% to \$442.8M (2009: \$347.8M).
- EBIT⁽⁴⁾ improved to \$648.3M (2009: \$575.7M), following strong performance in all segments, despite mixed market conditions.
- Operating cash flows improved by \$191.5M to \$528.9M inflow (2009: inflow of \$337.4M), as the business maintains a strong focus on cash generation.
- Net debt has reduced by \$366.3M to \$1.1Bn (2009: \$1.5Bn).
- Improved credit metrics: net debt/EBITDA ratio improved to 1.39 times (2009: 1.97 times); and interest cover improved to 12.2 times (2009: 6.4 times⁽⁹⁾).
- The mix of earnings was 50% Explosives and 50% Fertilisers, highlighting IPL's balanced portfolio.

SHAREHOLDER RETURNS

- Earnings per share⁽⁵⁾ excluding individually material items up 21% to 27.3 cents (2009: 22.6 cents). Earnings per share⁽⁵⁾ including individually material items up to 25.3 cents (2009: loss of 14.4 cents⁽⁶⁾).
- Total dividend per share for 2010 increased by 77% to 7.8 cents (2009: 4.4 cents). The dividend represents a pay-out of 29% of available profits excluding IMIs.
- 12 month TSR (Total Shareholder Return)⁽⁷⁾ for the year was 30% (2009: negative 43%).
- The dividend reinvestment plan has been suspended at this time, as a result of strong cash flows.

BUSINESS HIGHLIGHTS

EBIT improvement (in local currency) was achieved across all business units, delivering a 13% improvement on 2009. Highlights were:

Explosives

- Dyno Nobel Americas delivered EBIT of US\$147.9M (2009: US\$145.4M), notwithstanding continued challenging conditions in the US market.
- Dyno Nobel Asia Pacific achieved a 60% or \$66.2M increase in EBIT results and delivered A\$176.0M (2009: A\$109.8M), based on lower costs to supply Moranbah foundation customers (2010: \$24.0M vs 2009: \$43.2M), growth in

Financial Summary A\$M	Year ended 30 September		
	2010	2009	Change
Sales Revenue	2,931.7	3,418.9	(14%)
EBITDA ⁽³⁾	787.3	743.0	6%
EBIT ⁽⁴⁾	648.3	575.7	13%
NPAT - exc. individually material items ⁽¹⁾	442.8	347.8	27%
NPAT - inc. individually material items ⁽¹⁾⁽²⁾	410.5	(221.4)	
Shareholder Returns			
Earnings per share (cents) exc. IMIs ⁽⁵⁾	27.3	22.6	21%
Earnings per share (cents) inc. IMIs ⁽⁵⁾⁽⁶⁾	25.3	(14.4)	
Total Dividend per share (cents)	7.8	4.4	77%
Share price at 30 September (\$)	3.59	2.83	27%
Total Shareholder Return ⁽⁷⁾	30%	(43%)	
Financial Items			
Operating cash flow s	529.0	337.4	57%
Net debt	1,097.1	1,463.4	25%
Net Debt/EBITDA ⁽⁸⁾	1.39	1.97	29%

underlying volumes and improved business efficiency.

- The Velocity business efficiency program delivered incremental benefits of US\$69.2M in 2010, 15% ahead of target for the year. Total program benefits delivered to date are now US\$140.2M.
- Moranbah construction successfully restarted, and the project remains on track for beneficial production by the end of March 2012. The project was 50% complete at year end.

Fertilisers

- IPF earnings up 20% to \$112.4M (2009: \$94.0M) with improved volumes and business improvement initiatives being offset by the combined impact of lower global urea prices and foreign exchange.
- Southern Cross International EBIT results of \$222.6M (2009: \$183.3M) benefited from improving global DAP price, and supply made to meet increased domestic demand vs exports. A strong manufacturing performance has been delivered at Phosphate Hill following the planned maintenance turnaround in March 2010.
- Successful investment in Quantum Fertilisers, with 902kt of fertiliser traded since start-up in December 2009. Future opportunity to trade 2mt Perdaman urea offtake per annum from 2014.

2011 OUTLOOK

Continued earnings momentum in the IPL Group, driven by business improvements in explosives and positive conditions in fertilisers.

Explosives

- Performance of the Dyno Nobel Americas business is expected to be impacted by continuing tough US economic conditions, with only a gradual improvement in macro economic conditions forecast for 2011. In particular, the quarry and construction sector is late cycle. The Velocity business efficiency program is expected to continue to drive internal efficiency improvements.
- Dyno Nobel Asia Pacific is expected to deliver modest market growth while this business remains in transition pending the completion of the Moranbah project, with continued focus on efficiency and sourcing of product for Moranbah foundation customers.

Fertilisers

- Favourable domestic growing conditions across much of the east coast of Australia, strong soft commodity prices are expected to support an increase in acreage planted, although farmers will continue to be challenged by the higher A\$. The domestic market is expected to continue to be very competitive. Production at Gibson Island will be impacted by a 40 day scheduled maintenance turnaround in February 2011.
- SCI earnings momentum should be driven by full year of production at Phosphate Hill, and a full year of earnings contribution from Quantum Fertilisers. Strong global demand for DAP anticipated, supported by strong soft commodity prices.

Comments on outlook are subject to global fertiliser pricing and movements in foreign exchange rates. The US economy will have a significant impact on the earnings from Dyno Nobel Americas.

SENSITIVITIES

The sensitivities have been recalculated based on the 2010 achieved Urea and DAP prices, realised A\$/US\$ currency translation, and targeted 2011 Urea and DAP production and Velocity program benefits.

2011 Full Year EBIT Sensitivities

A\$M

Urea - Middle East Granular Urea (FOB) ⁽¹⁾	+/- US\$10/t = +/- A\$4.8M
DAP - Di-Ammonium Phosphate Tampa (FOB) ⁽²⁾	+/- US\$10/t = +/- A\$11.5M
Forex - transactional (DAP & Urea) ⁽³⁾	+/- 1 cent = A\$7.2M
Forex - translation of Explosives earnings ⁽⁴⁾	+/- 1 cent = A\$1.8M

Assumptions:

- (1) 405kt urea equivalent sales at the FY 2010 realised price of US\$272
- (2) 970kt DAP sales at the FY 2010 realised price of US\$423
- (3) DAP & Urea based on assumptions 1 and 2; sensitivity is pre-hedging
- (4) Based on FY 2010 USD earnings of US\$147.9M

GROUP EARNINGS BEFORE INTEREST & TAX (EBIT)

Total EBIT increased by 13% to \$648.3M (2009: \$575.7M), reflecting improved earnings from both Explosives and Fertilisers.

The mix of earnings in the period was 50% Explosives and 50% Fertilisers (2009: Explosives 50%; Fertilisers 50%⁽¹¹⁾).

EBIT/Sales margin has improved to 22% (2009: 17%), demonstrating the impact of the continuing focus on efficiency, driving an improvement in quality of earnings in the business.

BORROWINGS AND INTEREST

Net debt decreased to \$1,097M (2009: \$1,463M). The decrease is due to the strategy of funding the Group in US\$, strong cash flows and disciplined management of capex and trade working capital.

Net interest expense before accounting adjustments reduced by 45% to \$64.4M (2009: \$116.7M). The decrease reflects the lower debt and interest rate swap strategy.

The average interest rate achieved for the year was 4.7% (2009: 5.7%), highlighting the benefits of the US funding strategy put in place in December 2009.

Net borrowing costs are inclusive of an increase in non-cash unwinding of liabilities to \$13.8M (2009: \$9.1M), primarily relating to the estimated losses on the supply of ammonium nitrate to Moranbah foundation customers.

TAX

Tax expense (excluding tax on individually material items) increased to \$150.8M and was 25% higher than 2009 (2009: \$120.3M), in line with increased earnings, and reflects an effective tax rate of 25.3% (2009: 25.7%).

RETURNS TO SHAREHOLDERS

A fully unfranked final dividend of 6.0 cents per share will be paid on 17 December 2010. This brings the total dividend in 2010 to 7.8 cents per share, a 77% increase on the previous year.

The payout ratio has moved to 29% of NPAT excluding IMIs, up from 20% last year, and now sits in the middle of the previously announced target range of 20% to 40%.

The 2010 final dividend is unfranked due to the lack of available franking credits at this time.

The Company's dividend reinvestment plan has been suspended and will not operate at this time.

Earnings Summary A\$M	Year ended 30 September		
	2010	2009	Change
EBIT			
Fertilisers	334.4	301.6	11%
Explosives	340.7	303.7	12%
Corporate	(26.8)	(29.6)	9%
EBIT Total	648.3	575.7	13%
Borrowing costs ⁽¹⁰⁾	(53.0)	(107.6)	51%
Tax expense ⁽¹⁰⁾	(150.8)	(120.3)	(25%)
NPAT - exc. individually material items	444.5	347.8	28%
Minority interests	(1.7)	0.0	100%
NPAT - exc. individually material items attributable to shareholders	442.8	347.8	27%
Individually material items after tax	(32.3)	(569.2)	
NPAT - inc. individually material items attributable to shareholders	410.5	(221.4)	
EBITDA/Sales	27%	22%	
EBIT/Sales	22%	17%	

Borrowing Costs /Credit Metrics A\$M	Year ended 30 September		
	2010	2009	Change
Net Interest expense before accounting adjustments	64.4	116.7	45%
Non-cash unwinding of liabilities	13.8	9.1	(52%)
Total borrowing costs	78.2	125.8	38%
Less Capitalised Interest	(25.2)	(18.2)	
Net Borrowing Costs	53.0	107.6	51%
Interest cover ⁽⁹⁾	12.2	6.4	
Net debt/EBITDA ⁽⁸⁾	1.39	1.97	

Returns to Shareholders Cents per share (cps)	Year ended 30 September		
	2010	2009	Change
Final Dividend	6.0	2.3	161%
Franking (%)	0%	0%	
Total Dividend	7.8	4.4	77%
Franking (%)	0%	48%	
Dividend Payout Ratio	29%	20%	
Record date: 24 November 2010			
Dividend paid: 17 December 2010			

INDIVIDUALLY MATERIAL ITEMS

Individually material items (net of tax)⁽¹²⁾ were a cost of \$32.3M (2009: \$569.2M). Components were:

\$16.8M	Velocity integration and restructuring costs;
\$18.2M	Manufacturing restructuring costs, predominantly relating to cessation of manufacturing at Battle Mountain and Maitland, ammonium nitrate plants in the US and Canada, as announced in November 2009;
\$16.3M	Environmental remediation costs at various sites; and
(\$19.0M)	Accounting profit on acquisition of Nitromak ⁽¹⁴⁾ .

Individually Material Items A\$M	Year ended 30 September 2010		
	Gross	Tax	Net
Velocity integration & restructuring	(24.5)	7.7	(16.8)
Manufacturing & Distribution restructuring	(26.7)	8.5	(18.2)
Environmental remediation costs	(23.2)	6.9	(16.3)
Accounting acquisition profit - Nitromak	19.0	0.0	19.0
Total	(55.4)	23.1	(32.3)

BALANCE SHEET

IPL's September 2010 Balance Sheet remains strong, reflecting continuing financial discipline.

NET ASSETS

The net asset position of IPL has strengthened. When comparing current balances with September 2009:

- Trade working capital has increased by \$40M, reflecting increased debtor balances due to stronger demand and higher fertiliser prices at year end, offset by working capital improvements.
- Average trade working capital to sales ratio⁽¹³⁾ was 12.9% (2009: 17.0%), showing the discipline applied to managing working capital throughout the year.
- Net property, plant and equipment increased by \$179M, of which the majority can be attributed to the Moranbah project and planned turnarounds. The increase is net of depreciation of \$112M.
- Tax (liabilities)/assets – the net tax asset position in 2009 has decreased by \$73M to become a net tax liability at the end of 2010, reflecting the timing of tax payments.
- Intangibles decreased by \$150M, consisting of \$27M amortisation and \$285M due to the impact of the higher A\$ on US\$ denominated balances, offset by \$155M from the acquisition of Nitromak⁽¹⁴⁾ and other additions of \$6M.

Balance Sheet A\$M	30-Sep 2010	30-Sep 2009	Change
Trade Working Capital	299	259	40
Net property plant and equipment	1,853	1,674	179
Intangibles	3,003	3,153	(150)
Environmental & restructuring	(103)	(110)	7
Tax (liabilities)/assets ⁽¹²⁾	(41)	32	(73)
Net other liabilities	(303)	(205)	(98)
Net Debt	(1,097)	(1,463)	366
NET ASSETS	3,610	3,340	270
Equity	3,610	3,340	
Net Debt/EBITDA	1.39x	1.97x	

- 144A/Regulation S Bond
 - Committed: US\$800M (A\$826M)
 - Matures: December 2019
 - utilisation - US\$800M (A\$826M)
 - Proceeds of this bond were used to repay and cancel the Working Capital Facility, with remaining proceeds used to partially repay the Syndicated Facility.
- Participation Agreements
 - Committed: A\$255M
 - Mature: June 2013 and September 2014.
 - utilisation - A\$255M

NET DEBT

IPL net debt was \$1,097M at 30 September 2010, (2009: \$1,463M), with headroom available on committed facilities of \$1,077M (2009: \$817M).

As at 30 September 2010, IPL had \$2,248M of committed financing facilities in place, against which \$1,171M was drawn:

- Syndicated Facility
 - Committed: A\$1,080M
 - Matures: October 2011
 - utilisation - US\$53M (A\$55M)

In addition, the Group has a number of small facilities (such as transactional overdraft and inventory financing facilities) that are utilised from time to time. A total of \$35M had been drawn against these facilities at 30 September 2010.

CASH FLOW

Net operating cash improved by \$191.5M to an inflow of \$528.9M (2009: inflow of \$337.4M). Major factors were:

- An increase in total EBITDA of \$44.3M, reflecting increased business profitability.
- Net interest payments decreased by \$53.5M to \$38.7M (2009: \$92.2M), reflecting lower interest costs resulting from US\$ debt, combined with lower overall debt.
- Decrease in net income tax paid of \$136.0M to \$10.3M (2009: \$146.3M), reflecting the lag on tax payments associated with 2009 earnings.
- A decrease in integration and restructuring costs incurred as part of the Velocity business efficiency program.

Net investing cash outflows increased to \$401.0M (2009: outflow of \$342.5M). Major outflows were:

- The investment in the Moranbah project of \$73.9M, plus capitalised interest of \$25.2M. The total capital investment in Moranbah is now \$401.7M, plus capitalised interest of \$40.5M.
- Sustenance capital of \$198.7M. This included \$62.5M for the Phosphate Hill / Mt Isa plant turnaround, and US\$29.0M for the Cheyenne, WY USA plant turnaround. The turnaround spend at these sites was targeted in line with IPL's risk and reliability strategy.
- Acquisition of the remaining 50% of Nitromak⁽¹⁴⁾ for \$97.1M, further investment of \$1.9M in Carbon Energy Ltd (ASX.CNX), and the initial investment in Quantum Fertilisers.

Net financing cash flows were a net inflow of \$238.3M (2009: \$571.8M inflow), largely reflecting an inflow of \$201.3M resulting from realised gains on cross currency swaps.

Net debt decreased by \$366.3M.

Cash Flow Items A\$M	Year ended 30 September		
	2010	2009	Change
Net operating cash flows			
EBITDA	787.3	743.0	6%
Net interest paid	(38.7)	(92.2)	58%
Net income tax paid	(10.3)	(146.3)	93%
TWC movement (exc FX)	(34.3)	50.8	(168%)
Moranbah provision release	(85.4)	(61.6)	(39%)
Dyno Nobel profit from associates	(30.5)	(19.8)	(54%)
Foreign currency option premiums	0.0	(12.6)	100%
Integration & restructuring costs	(52.0)	(87.4)	41%
Environmental & site clean up	(5.0)	(11.5)	57%
Other non-TWC	(2.2)	(25.0)	91%
Operating cash flows	529.0	337.4	57%
Net investing cash flows			
Growth - Moranbah	(73.9)	(247.8)	70%
Growth - Moranbah capitalised interest	(25.2)	(14.2)	(77%)
Growth - Other	(18.5)	(26.2)	29%
Sustenance	(198.7)	(104.8)	(90%)
Investments	(103.7)	(2.0)	
Proceeds from surplus asset sales	19.0	52.5	(64%)
Investing cash flows	(401.0)	(342.5)	(17%)
Net financing cash flows			
Equity raising	0.0	901.7	100%
Equity raising fees	0.0	(37.8)	100%
Dividends paid	(18.3)	(237.4)	92%
Gain / (Loss) on translation of US\$ Debt	48.0	(342.7)	
Realised market value gains on cross currency swaps	201.3	306.3	(34%)
Borrowing costs	(8.3)	(18.3)	55%
Non-cash movement in Net Debt	15.7	0.0	100%
Financing cash flows	238.4	571.8	(58%)
Decrease in net debt	366.4	566.7	

EXPLOSIVES

DYNO NOBEL AMERICAS (DNA)

Revenue

Revenue from the Americas decreased by US\$20.1M or 2% to US\$983.5M (2009: \$1,003.6M).

In A\$ terms, revenue from the Americas fell by 21% as the A\$ strengthened.

EBIT/Sales ratio for the Explosives segment improved to 22% (2009: 17%), showing the Velocity business efficiency program continues to deliver benefits.

Coal

Volumes sold into coal markets were flat year on year. The second half saw a significant recovery following a first half decline of 8% as electricity producers worked through long coal inventory positions. At the end of September 2010, coal inventories held by electricity producers were 55 days, in line with the 3 year average⁽¹⁶⁾.

The Peabody contract was re-signed during the year on terms acceptable to both parties.

Quarry & Construction (Q&C)

Although volumes improved by 2% overall, this market continued to feel the effects of the soft construction market, but a 2H recovery driven by infrastructure spend and the recommencement of quarry activity in Florida offset the slow winter that affected the 1H results.

Metals & Mining

A strong 2H recovery in this sector, driven by improved volume in the iron ore market, limited the volume contraction to 7% during the year, after being down by 24% in 1H.

Agriculture

Volume in this sector reduced by 12%, as a result of scheduled plant turnarounds at Cheyenne, WY and St Helens, OR, USA.

Earnings Before Interest & Tax (EBIT)

US\$ EBIT in the Americas increased by 2% to US\$147.9M (2009: US\$145.4M), largely reflecting:

- Velocity program benefits of US\$54.8M;

Offset by:

- Reduction in manufactured volumes due to scheduled plant turnarounds US\$16.0M; and
- The adverse impact of soft nitrogen pricing on the agriculture market US\$14.1M.

In A\$, EBIT for Dyno Nobel Americas declined by 17%, reflecting the impact of higher A\$.

Sales Summary - Explosives	Year Ended 30 September		
	2010	2009	Change
US\$ Revenue			
Americas	983.5	1,003.6	(2%)
A\$ Revenue			
Americas	1,092.5	1,388.4	(21%)
Asia Pacific	499.8	505.7	(1%)
Eliminations	(48.2)	(66.5)	
Total Explosives Revenue	1,544.1	1,827.6	(16%)
Translation exch. rate - cents A\$/US\$ ⁽¹⁵⁾	90.0	72.3	(24%)

Earnings Summary - Explosives	Year Ended 30 September		
	2010	2009	Change
A\$M			
US\$ EBIT			
Americas	147.9	145.4	2%
A\$ EBIT			
Americas	163.2	197.7	(17%)
Asia Pacific	176.0	109.8	60%
Eliminations	1.5	(3.8)	
Total Explosives EBIT	340.7	303.7	12%
Moranbah provision writeback (gross)			
included in Asia Pacific	85.4	61.6	39%
Costs to supply Moranbah Customers	(24.0)	(43.2)	44%
EBITDA/Sales	28%	23%	
EBIT/Sales	22%	17%	
Translation exch. rate - cents A\$/US\$ ⁽¹⁵⁾	90.6	73.5	(23%)

DYNO NOBEL ASIA PACIFIC (DNAP)

Revenue

Asia Pacific revenue was generally flat year on year at \$499.8M (2009: \$505.7M).

Coal

Volume in the Indonesian coal sector was up by 20kt, largely driven by new business. This offset some one-off sales in Australia in 2009.

Metals & Mining (Iron Ore)

Volume in this sector grew marginally with existing customers.

Earnings Before Interest & Tax (EBIT)

A\$ EBIT in Asia Pacific improved by 60% to \$176.0M (2009: \$109.8M), reflecting:

- An increase in the Moranbah provision release of \$23.8M;
- A decrease of \$19.2M in costs to supply Moranbah foundation customers to \$24.0M (2009: \$43.2M), highlighting the benefits of a global, disciplined supply chain process, and lower nitrogen prices;
- Incremental Velocity program benefits of A\$16.1M; and
- Increased contribution from the QNP JV of \$6.3M, resulting from a full year of operations following the uprate of the plant and the focus on risk and reliability.

EXPLOSIVES, cont'd.
BUSINESS EFFICIENCY PROGRAM

The Velocity business efficiency program, launched in 2008, continues to deliver incremental benefits to the Explosives businesses. Despite the continuing soft market conditions in the Americas, the business efficiency program delivered US\$69.2M in incremental earnings in 2010, 15% above the target of US\$60.0M, and bringing the total benefits delivered to date to US\$140.2M:

	Delivered US\$M	Target US\$M
2008 FY	9.0	9.0
2009 FY	62.0	62.0
2010 FY	<u>69.2</u>	60.0
Total	<u>140.2</u>	

The key streams within the business efficiency program are:

1. Overhead reduction – restructuring and optimisation of the Americas Explosives Business, consolidation of the Australian corporate office into IPL and integration of supply chain and back office functions for Dyno Nobel Asia Pacific and IPL.
2. Plant efficiency – rationalisation of US nitrogen manufacturing and implementation of global risk and reliability standards.
3. Cost to Serve – improving customer profitability and adoption of a “value, not just volume” approach to sales. Optimisation of service sites and distribution costs to increase asset utilisation and lower costs.
4. Global supply chain optimisation – implementation of sales and operations planning process (S&OP) across Dyno Nobel.
5. Asset efficiency/optimisation – rigorous review of non-core and surplus assets and trade working capital management.

PROGRAM STATUS

US\$M	2010	
	Actual	Target
1. Overhead reduction	8.6	9.6
2. Plant efficiency	40.4	24.5
3. Cost to serve	16.4	18.9
4. Global supply chain	3.8	7.0
Total profit improvement	<u>69.2</u>	<u>60.0</u>
5. Asset optimisation	57.7	20.0

During 2010, there were 335 new initiatives delivering benefits in EBIT, working capital or cash.

PROGRAM OUTLOOK

The program will continue to face challenging conditions in North America, with delivery of future incremental benefits subject to volumes remaining in line with current forecasts. Benefits yet to be delivered are as follows:

	Target US\$M
2011 FY	33.8
2012 FY	<u>30.0</u>
Total	<u>63.8</u>

The next evolution of the business efficiency process and methodologies will be to change from expert led to an organisationally (employee) driven approach. In 2011 the new approach and systems, including the use of “lean principles”, will be established at some pilot sites with full launch in February 2012. The aim is to increase the focus of continuous improvement down to every job in the Group.

MORANBAH AMMONIUM NITRATE (AN) PROJECT

On 8 February 2010, IPL announced the re-commencement of construction of a 330ktpa fully integrated ammonium nitrate (AN) facility at Moranbah in central Queensland, Australia, following a 12 month delay to better align AN supply with anticipated demand. The facility comprises an ammonia, nitric acid and ammonium nitrate plant plus infrastructure, utilities and housing. 90% of the facility's output is now committed under long term contracts, with negotiations underway for the remaining volume.

The facility is at the bottom of the cost curve in the North Bowen Basin by virtue of its back-to-gas ammonia position. Construction is on target for beneficial operation by the end of March 2012.

The project is based in the heart of Australia's largest metallurgical coal region and adjacent to some of the largest coal mines in the world.

The completion of the Moranbah facility will transform the Asia Pacific explosives business into a fully integrated manufacturer of ammonium nitrate, and significantly increase volumes sold.

As at the date of this report, construction is 55% complete, with a 600 strong construction workforce and all key components now on site.

Gas is now available on the site, and the power plant has been successfully commissioned.

The operations leadership team has been successfully recruited and are now on site. Approximately 30% of the operations workforce has now been recruited.

FERTILISERS

INCITEC PIVOT FERTILISERS (IPF)

Volume

Sales volumes in IPF increased by 21% or 305kt, reflecting a partial recovery in agriculture on the east coast of Australia. This was further bolstered by good rains in many areas, and strong increases in global agricultural commodity prices, although the high A\$ has continued to impact Australian farmers.

Revenue

Sales revenue fell by \$64.3M or 7% to \$885.9M (2009: \$950.2M), as a result of lower average revenue per tonne. This reflected softer urea prices, and the adverse impact of the higher A\$ on fertiliser prices.

Pasture segment

SSP and associated blend volumes increased by 109kt, reflecting:

- improved rainfall in pasture regions;
- improved commodity prices, particularly lamb and beef prices and, to a lesser extent, dairy; and
- increased nutrient requirements following under application in 2009.

Winter Crop segment

Improved weather conditions led to a moderate increase in volumes of ammonium phosphates sold during planting. The late rally in soft commodity prices improved farmer outlook, and led to an increase in top-dress application of urea and urea blends. Overall, volume into this segment increased by 120kt.

Summer Crop segment

Rain in key areas during much of September 2010 has led to a delay in the start of the summer cropping period.

Earnings before Interest & Tax (EBIT)

IPF EBIT increased 20%, largely reflecting:

- higher sales volume following the partial recovery in Australian agriculture \$13.7M;
- Normalisation of gross margins in the distribution business \$41.3M;

Offset by:

- A reduction in the average urea price during the year from US\$339/tne to US\$272/tne. \$32.5M; and
- The adverse impact of the stronger A\$ on manufactured urea \$31.1M

Sales Summary - Fertilisers	Year ended 30 September		
	2010	2009	Change
Tonnes '000's			
Incitec Pivot Fertilisers (IPF)	1,728	1,423	21%
Southern Cross International (SCI)	1,364	1,450	(6%)
Inter-company eliminations	(286)	(235)	
Tonnes - Fertilisers	2,806	2,638	6%
Sales Revenue A\$M			
Incitec Pivot Fertilisers (IPF)	885.9	950.2	(7%)
Southern Cross International (SCI)	647.1	777.5	(17%)
Inter-company eliminations	(145.4)	(136.4)	
Sales Revenue - Fertilisers	1,387.6	1,591.3	(13%)
Middle East Granular Urea (US\$/t) ⁽¹⁷⁾	272	339	(20%)
Average DAP Tampa (US\$/t) ⁽¹⁸⁾	423	366	16%
Average exchange rate (cents) A\$/US\$ ⁽¹⁹⁾	84.6	70.7	(20%)

Earnings Summary - Fertilisers A\$M	Year ended 30 September		
	2010	2009	Change
EBIT			
Incitec Pivot Fertilisers (IPF)	112.4	94.0	20%
Southern Cross International	222.6	183.3	21%
Elimination	(0.6)	24.3	
EBIT - Fertilisers	334.4	301.6	11%
EBITDA/Sales	27%	21%	
EBIT/Sales	24%	19%	

FERTILISERS, cont'd.

SOUTHERN CROSS INTERNATIONAL (SCI)

SCI sales volumes decreased due to lower traded volumes. This was offset by the commencement of trading activities in Quantum Fertilisers in December 2009. In its first year of operation Quantum Fertilisers traded 902kt of fertiliser.

Manufactured ammonium phosphate sales volumes were up 78kt to 902kt (2009: 824kt). Higher average prices achieved for DAP in the 2H were partly offset by the effect of the higher A\$. The achieved A\$/US\$ exchange rate for the year averaged 84.6¢ (2009: 70.7¢), versus an average market exchange rate of 90.0¢⁽²⁰⁾ for the same period.

Exports of ammonium phosphates for the year were 452kt (2009: 481kt), representing 50% of total sales, reflecting the stronger demand in the domestic market in 2010 with sales made to both the IPF distribution business and third party wholesalers in Australia.

Earnings before Interest & Tax (EBIT)

The 21% improvement in SCI's EBIT largely reflects:

- the impact of the improved global DAP price \$66.4M;
- Higher sales volumes \$11.7M;
- Quantum Fertilisers' contribution of \$13.9M, being profit generated on trading activities, plus benefits directly to IPL by way of improved purchasing or sales opportunities;
- Lower sulphur prices \$16.3M; and
- Improved freight margin \$6.4M, as a greater portion of manufactured DAP sold domestically;

Offset by:

- The adverse impact of a strengthening A\$ on DAP and freight margins of \$75.5M.

PHOSPHATE HILL OPERATIONS

At 837kt, production at the Phosphate Hill operations was below nameplate capacity due to the 39-day planned maintenance turnaround commencing March 2010. 2009 production was 861kt and was adversely impacted by rail line outages.

PERDAMAN OFFTAKE AGREEMENT

As announced in October 2010, IPL has entered into a 20-year off-take agreement with Perdaman Chemicals and Fertilisers Pty Limited for the output of approximately two million tonnes per annum of granular urea fertiliser from the proposed project at Collie, Western Australia.

The agreement involves IPL being the off-taker from the proposed project, planned to begin production in 2014.

Southern Cross International A\$M	Year ended 30 September		
	2010	2009	Change
Phosphate Hill Operations			
Production Tonnes ('000's)	837	861	(3%)
Sales Tonnes ('000's)	902	824	10%
Sales Revenue	500	485	3%
SCI Trading			
Sales Tonnes ('000's) - Traded & Non-APs ⁽²⁰⁾	211	351	(40%)
Sales Tonnes ('000's) - Industrial	251	275	(9%)
Tonnes ('000's) - SCI Trading	1,364	1,450	(6%)
Tonnes ('000's) - Quantum Trading	902	0	
Average DAP Tampa (US\$/t) ⁽¹⁸⁾	423	366	16%
Average freight margin - (US\$/t)	28	23	22%

TRANSACTIONAL HEDGING

In 2010, the foreign exchange hedging strategy delivered an average rate of 84.6c on urea and DAP sales, versus the average market rate for the period of 90.0c⁽²¹⁾.

Hedging has been undertaken to limit the risk to IPL from an appreciation of the A\$ against the US\$. This is primarily achieved with bought call options and collars, and allows some participation in favourable currency movements.

Hedging is in place to cover the currency exposure on approximately 80% of 2011 sales of manufactured ammonium phosphates and urea at a A\$/US\$ rate of 91 cents or better, inclusive of premium costs, with full participation down to 84 cents, and partial participation below 84 cents. This level of cover is based on current fertiliser prices.

CORPORATE

Corporate costs fell by 9% to \$26.8M (2009: \$29.6M), as a result of continued focus on cost control during 2010.

HEALTH SAFETY AND THE ENVIRONMENT (HSE)

HEALTH & SAFETY

IPL remains fully committed to its vision of Zero Harm (for everyone everywhere) and, led by the CEO, has conducted multiple workshops with employees to embed Zero Harm within the organisation. While the health and safety performance improved during 2010 with the Group's Total Recordable Injury Frequency Rate (TRIFR)⁽²²⁾ improving to 1.53 (2009: 1.79) the improvement was overshadowed by the fatality of an employee in Quebec, Canada in May 2010. This outcome is not consistent with the IPL vision. Over 80% of our 200 main sites have been injury free for extended periods which demonstrates to the organisation that zero harm is possible. The IPL senior leadership team is committed to achieving this performance of zero harm at all sites.

There were a number of HSE projects active during 2010. Excellent progress has been made on the integration of IPL's global health, safety and environment management system as well as the extension of the HSE information system across the explosives businesses in Asia Pacific and North America. The behavioural safety programs that are active across the businesses have also been under active review to improve their effectiveness. IPL has also adopted a consistent approach to identifying root causes from incidents and injuries and will train a wide cross section of employees in 2011 in the process.

Significant resources have been dedicated to improving process safety management practices primarily in the North America manufacturing plants. A similar approach is also being applied to the development of the safety case for the Moranbah plant to manage operational risk.

ENVIRONMENT

IPL recently adopted a Sustainability Strategy to direct its actions in relation to Sustainability in line with the Corporate Values and Corporate Strategy. As part of this Strategy a three point agenda has been developed: 'use less, get close and be responsible'. Further detail on this strategy will be available in the Annual Sustainability Report and on IPL's website.

A key part of the sustainability agenda is 'use less: IPL will be more efficient in the use of non-renewable resources.' IPL has had significant success in reducing waste water across Australian sites. The Gibson Island site has previously won the South-East Queensland (Australia) Healthy Waterways Industry Award as well as the Fertiliser Industry Federation of Australia Platypus Award, for its A\$7.5 million water management project.

In 2011, IPL will create reduction targets for the use of water and energy at major manufacturing plants. These plants represent 95% of IPL's total global emissions of greenhouse gas and are the major contributors to IPL's total water consumption. This action reflects IPL's ongoing commitment to lowering emissions and potable water consumption through economically responsible energy saving and water recycling projects across the Group. A key component of IPL's success in this action will be the finalisation in 2011 of the global HSE management system, which includes measurement and reporting of these resources. Globally, IPL's carbon footprint in 2010 was 2.8mt (2009: 3.2mt) of carbon dioxide equivalent emissions and approximately 18.6 gigalitres of water (potable and other) are consumed annually by IPL.

PEOPLE & CULTURE

IPL's belief is that a competent and engaged workforce is critical to its ongoing success. This principle is being pursued through the implementation of the IPL Organisational Development Strategy, which commenced in 2010.

IPL believes that developing leadership capability within the company is critical to further improving the performance of the business. The activities that commenced in 2010 to support this program are:

- The introduction of leadership competencies. Specified leadership competencies provide IPL leaders and managers with clear standards that guide behaviour, influencing not only 'what' is to be achieved but also 'how' the result is to be achieved while living the IPL Values, thus building a sustainable business culture. Performance review and potential assessment processes are now specifically linked to an assessment of how employees behave against leadership competencies.
- Leadership development programs, such as the Executive Leadership Program (ELP) and Coaching for Success (CFS), which have been instrumental in providing IPL leaders and managers with practical skills on how to best manage their people to support improved performance and how to "live" the leadership competencies. CFS has been rolled out globally, and more than 700 employees have participated in the program this year. In addition, 86 of IPL's most senior leaders, including the CEO and all members of the Executive Team have participated in both the CFS and the ELP.

NEW OPERATING SEGMENTS

The operating segments for 2010 comprise:

Explosives

- Dyno Nobel Americas (DNA) – includes North and South America;
- Dyno Nobel Asia Pacific (DNAP) – includes Australia and the Asia Pacific region;
- Profit on sales from DNA to DNAP are eliminated.

Fertilisers

- Incitec Pivot Fertilisers (IPF) – includes fertiliser distribution, and the manufacturing facilities at Portland and Gibson Island.
- Southern Cross International (SCI) – includes manufactured ammonium phosphates and fertiliser trading, including Quantum Fertilisers and Industrial Chemicals.

Profit on sales from SCI to IPF are eliminated.

Corporate overheads not directly attributable to either Explosives or Fertiliser business segments have been disclosed separately.

2009 comparatives have been adjusted to align with these segments.

Further Information

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Definitions and Notes

1. NPAT attributable to shareholders of Incitec Pivot Limited, excluding minority interests
2. 2009 NPAT after individual material items adjusted for restatement.
3. EBITDA: EBIT + depreciation + amortisation
4. EBIT: Earnings before interest and tax, and excluding individually material items.
5. 2010 EPS based on a diluted 1,623,134,164 weighted average number of issued shares. 2009 EPS based on a diluted 1,541,925,068 weighted average number of issued shares.
6. Earnings per share (including IMI's) has been adjusted to reflect the restatement of 2009 NPAT (seen note 2 above).
7. Total Shareholder Return = (Change in share price + dividend declared in financial year) / opening share price.
8. Net debt / EBITDA is based on Net debt at period end / last 12 month historical EBITDA.
9. 2009 interest cover recalculated including interest capitalised on construction projects. Interest cover = EBITDA/Net interest expense before accounting adjustment.
10. Borrowing costs and tax expense excluding individually material items.
11. 2009 earnings mix adjusted to remove Corporate costs, which are now disclosed separately.
12. 2009 Individually Material Items and Tax (liabilities) / assets restated to reflect prior year adjustment.
13. Average trade working capital to sales ratio based on 13 month average trade working capital / annual sales.
14. Nitromak DNX Kimya Sanayi Anonim Sirketi, incorporated in Turkey.
15. Average exchange rate is the weighted average of the US\$/A\$ exchange rate.
16. Reuters – "US power plant coal stockpile up 1.7pct – Genscape", 5 October, 2010.
17. Middle East Granular Urea is the weighted average of the international price lagged by 3 months in 2009, and 1 month in 2010.
18. DAP Tampa based on the weighted average achieved price for the period.
19. Average exchange rate is the weighted average of the US\$/A\$ exchange rate realised on sales of manufactured DAP and related products for the period.
20. Ammonium phosphates.
21. HRSA rate (the most common used reference rate in Australia, is set at 9.55am every Sydney business day).
22. Total Recordable Injury Frequency Rate is defined as the number of injuries and illnesses per 200,000 hours worked.

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Income Statement

For the year ended 30 September 2010

Incitec Pivot Limited
Appendix 4E
30 September 2010

		Consolidated	
		2010	2009
			Restated*
	Notes	\$mill	\$mill
Revenue	(4)	2,931.7	3,418.9
Other and financial income	(4)	53.7	47.4
Operating expenses			
Changes in inventories of finished goods and work in progress		(69.3)	(231.9)
Raw materials and consumables used and finished goods purchased for resale		(1,141.9)	(1,545.1)
Employee expenses		(516.5)	(548.6)
Depreciation and amortisation expense	(5)	(139.0)	(170.5)
Financial expenses	(5)	(58.3)	(126.1)
Purchased services		(144.0)	(188.9)
Repairs and maintenance		(110.0)	(122.3)
Outgoing freight		(166.5)	(173.6)
Lease payments - operating leases	(5)	(55.0)	(52.5)
Profit on share equity accounted investments	(8)	30.5	25.0
Asset write-downs, clean-up and environmental provisions		(28.3)	(590.1)
Other expenses		(47.2)	(56.3)
		(2,445.5)	(3,780.9)
Profit / (loss) before income tax		539.9	(314.6)
(Income tax expense) / Income tax benefit		(127.7)	93.2
Profit / (loss) for the financial year		412.2	(221.4)
Profit / (loss) attributable to:			
Shareholders of Incitec Pivot Limited		410.5	(221.4)
Minority interest		1.7	-
		cents	cents
Earnings per share			
Basic earnings / (loss) per share	(7)	25.3	(14.4)
Diluted earnings / (loss) per share	(7)	25.3	(14.4)

*Comparative information has been restated to reflect the correction to the Income tax benefit as described in Note 1 (xxvii) to the Financial Statements.

The above Income Statement is to be read in conjunction with the Notes to the Financial Statements set out on pages 20 to 40.

Statement of Comprehensive Income

For the year ended 30 September 2010

Incitec Pivot Limited
Appendix 4E
30 September 2010

	Consolidated 2010 \$m ill	2009 Restated* \$m ill
Profit / (loss) for the financial year	412.2	(221.4)
Other comprehensive income		
Cash flow hedging reserve		
Changes in fair value of cash-flow hedges	45.6	(15.9)
Profit in cash-flow hedges transferred to income statement	3.1	2.2
Income tax on movements in the cash-flow hedging reserve	(17.9)	4.4
	30.8	(9.3)
Fair value reserve		
Change in fair value of assets held as available for sale	(18.5)	14.2
Income tax on change in fair value of assets held as available for sale	5.5	(4.2)
	(13.0)	10.0
Foreign currency translation reserve		
Exchange differences on translation of foreign operations	(183.7)	(257.3)
Net gain on hedge of net investment	67.7	-
Income tax on net gain on hedge of net investment	(20.1)	-
	(136.1)	(257.3)
Actuarial losses on defined benefit plan		
Actuarial losses on defined benefit plans	(16.9)	(33.3)
Income tax on actuarial losses on defined benefit plans	6.4	12.7
	(10.5)	(20.6)
Total other comprehensive (expense)	(128.8)	(277.2)
Total comprehensive income / (expense) for the financial year	283.4	(498.6)
Total comprehensive income / (expense) attributable to:		
Shareholders of Incitec Pivot Limited	281.7	(498.6)
Minority interest	1.7	-

*Comparative information has been restated to reflect the correction to the Income tax benefit as described in Note 1 (xxvii) to the Financial Statements.

The above Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on pages 20 to 40.

Statement of Financial Position

As at 30 September 2010

Incitec Pivot Limited

Appendix 4E
30 September 2010

		Consolidated	Restated*
	Notes	2010 \$mill	2009 \$mill
Current assets			
Cash and cash equivalents		48.7	125.2
Trade and other receivables		443.8	323.0
Inventories		336.5	397.1
Other assets		36.2	30.7
Other financial assets		111.6	71.2
Assets classified as held for sale		9.1	54.3
Current tax assets		-	32.4
Total current assets		985.9	1,033.9
Non-current assets			
Trade and other receivables		15.3	32.1
Other assets		2.5	4.7
Other financial assets		28.7	135.9
Investments accounted for using the equity method	(8)	256.5	254.0
Property, plant and equipment		1,844.1	1,663.4
Intangible assets		3,002.6	3,153.0
Deferred tax assets		173.9	312.7
Total non-current assets		5,323.6	5,555.8
Total assets		6,309.5	6,589.7
Current liabilities			
Trade and other payables		697.1	636.7
Interest bearing liabilities		108.5	432.2
Other financial liabilities		1.7	12.9
Provisions		82.2	93.4
Current tax liabilities		25.1	-
Total current liabilities		914.6	1,175.2
Non-current liabilities			
Trade and other payables		378.3	426.6
Interest bearing liabilities		1,037.3	1,156.4
Provisions		82.6	87.5
Deferred tax liabilities		190.1	312.8
Retirement benefit obligations		95.3	91.6
Total non-current liabilities		1,783.6	2,074.9
Total liabilities		2,698.2	3,250.1
Net assets		3,611.3	3,339.6
Equity			
Issued capital	(9)	3,265.9	3,217.8
Reserves		7.0	119.1
Retained earnings		336.3	2.7
Minority interest		2.1	-
Total equity		3,611.3	3,339.6

*Comparative information has been restated to reflect a correction to deferred tax assets as described in Note 1 (xxvii) to the Financial Statements.

The above Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements set out on pages 20 to 40.

Statement of Cash Flows

For the year ended 30 September 2010

Incitec Pivot Limited
Appendix 4E
30 September 2010

	Notes	Consolidated 2010 \$mill	2009 \$mill
		Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers		3,145.3	3,878.5
Payments to suppliers and employees		(2,599.2)	(3,330.6)
Interest received		4.9	23.6
Financial expenses paid		(43.6)	(115.8)
Other revenue received		31.8	28.0
Income taxes paid		(10.3)	(146.3)
Net cash flows from operating activities		528.9	337.4
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		(316.3)	(393.0)
Payments for purchase of subsidiaries, net of cash acquired	(11)	(97.1)	1.0
Payments for purchase of investments		(6.6)	(3.0)
Proceeds from sale of property, plant and equipment		19.0	52.5
Net cash flows from investing activities		(401.0)	(342.5)
Cash flows from financing activities			
Repayments of borrowings		(1,380.4)	(4,232.4)
Proceeds from borrowings		1,003.5	2,972.6
Payment of borrowing costs		(8.3)	(18.3)
Proceeds from shares issued		-	901.7
Realised market value gains on cross currency swaps		201.3	306.3
Share issuance cost paid		-	(37.8)
Dividends paid		(18.3)	(237.4)
Net cash flows from financing activities		(202.2)	(345.3)
Net decrease in cash and cash equivalents held		(74.3)	(350.4)
Cash and cash equivalents at the beginning of the financial year		125.2	479.7
Effect of exchange rate fluctuation on cash and cash equivalents held		(2.2)	(4.1)
Cash and cash equivalents at the end of the financial year		48.7	125.2

The above Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 20 to 40.

Statement of Changes in Equity

For the year ended 30 September 2010

Incitec Pivot Limited

Appendix 4E
30 September 2010

Consolidated	Issued capital	Cash flow hedging Reserve	Share-based payments Reserve	Foreign Currency Translation Reserve	Fair Value Reserve	Retained earnings	Total	Minority interest	Restated* Total Equity
	\$mill	\$mill	\$mill	\$mill	\$mill	\$mill	\$mill	\$mill	\$mill
Balance at 1 October 2008	2,267.7	(1.3)	(10.8)	371.2	12.8	515.7	3,155.3	-	3,155.3
Total comprehensive income for the period	-	(9.3)	-	(257.3)	10.0	(242.0)	(498.6)	-	(498.6)
Dividends paid	-	-	-	-	-	(271.0)	(271.0)	-	(271.0)
Shares issued during the period	987.9	-	-	-	-	-	987.9	-	987.9
Transaction cost on issuing shares	(37.8)	-	-	-	-	-	(37.8)	-	(37.8)
Share based payment transactions									
Dividends received as loan repayment	-	-	1.8	-	-	-	1.8	-	1.8
Option expense	-	-	2.2	-	-	-	2.2	-	2.2
Deferred tax on share based payments	-	-	0.3	-	-	-	0.3	-	0.3
Loan repayments	-	-	2.9	-	-	-	2.9	-	2.9
Employee shareholder loans	-	-	(3.4)	-	-	-	(3.4)	-	(3.4)
Balance at 30 September 2009	3,217.8	(10.6)	(7.0)	113.9	22.8	2.7	3,339.6	-	3,339.6
Balance at 1 October 2009	3,217.8	(10.6)	(7.0)	113.9	22.8	2.7	3,339.6	-	3,339.6
Sale of share capital to minority interest holder	-	-	-	-	-	-	-	0.4	0.4
Total comprehensive income for the period	-	30.8	-	(136.1)	(13.0)	400.0	281.7	1.7	283.4
Dividends paid	-	-	-	-	-	(66.4)	(66.4)	-	(66.4)
Shares issued during the period	48.1	-	-	-	-	-	48.1	-	48.1
Share based payment transactions									
Dividends received as loan repayment	-	-	0.1	-	-	-	0.1	-	0.1
Option expense	-	-	3.8	-	-	-	3.8	-	3.8
Deferred tax on share based payments	-	-	0.6	-	-	-	0.6	-	0.6
Loan repayments	-	-	1.7	-	-	-	1.7	-	1.7
Balance at 30 September 2010	3,265.9	20.2	(0.8)	(22.2)	9.8	336.3	3,609.2	2.1	3,611.3

*Comparative information has been restated to reflect a correction to the Income tax benefit as described in Note 1 (xxvii) to the Financial Statements.

The Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements set out on pages 20 to 40.

Cash flow hedging reserve

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

Share-based payments reserve

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

Foreign currency translation reserve

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

It is also used to record gains and losses on hedges of the net investments in foreign operations.

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.

Minority interest

During the year, the Group sold a 35% interest in Quantum Fertilisers Limited, a Hong Kong based Fertiliser trading company.

1. Significant accounting policies

Incitec Pivot Limited ('the Company' or 'Incitec Pivot') is a company domiciled in Australia. The consolidated financial statements were authorised for issue by the directors on 12 November 2010.

The significant accounting policies adopted in preparing the financial report of Incitec Pivot and of its controlled entities (collectively 'the Group') are stated below to assist in a general understanding of this financial report. Interests in jointly controlled entities and associates are equity accounted (recorded as Investments accounted for using the equity method) and do not form part of the Group (Refer Note 1 (ii) (b)).

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

(i) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

Compliance with IFRS

The consolidated financial report of the Group complies with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for derivative financial instruments, available-for-sale financial assets, financial instruments held for trading and liabilities for cash settled share based payment arrangements, all of which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and that would be otherwise carried at cost, are adjusted to record changes in the fair value attributable to the risks that are being hedged to match the fair value accounting applied to the derivative financial instruments used to hedge these items.

The financial report is presented in Australian dollars.

Critical accounting estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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 has elected to early adopt certain Australian Accounting Standards and interpretations which permit early adoption.

The decision to early adopt those standards and interpretations ensures that policy elections described below, including IFRS transition exemptions, are available. The principal standards and interpretations that have been early adopted are:

- *AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process (AASB 5, 8, 118 and 136) (January 2011)*
- *AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues (February 2010)*

- *AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 AASB1 (July 2010)*
- *AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding requirement (January 2011)*
- *AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2010)*
- *AASB 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (January 2011)*
- *AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (July 2010)*

The early adoption of AASB 2009-5 changed the segment information disclosures to reflect the results regularly reviewed by the Chief Operating Decision Maker (Incitec Pivot's Executive Team) of the Group. This has resulted in changes to the segment information as disclosed in Note 3.

Other than the impact of AASB 2009-5, as described above, the early adoption of these standards did not have a significant impact on the Group's results in the current and/or prior year.

Issued Standards not early adopted

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

- *AASB 9 Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Group's 30 September 2014 financial statements. The Group has not yet determined the potential effect of the standard.
- *AASB 124 Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party. The amendments, which will become mandatory for the Group's 30 September 2012 financial statements, are not expected to have an impact on the financial statements.
- *AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions* resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a Group. The amendments, which become mandatory for the Group's 30 September 2011 financial statements, are not expected to have a significant impact on the financial statements.

(ii) Consolidation

(a) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Incitec Pivot as at 30 September 2010 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group 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 Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. 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 Group (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 Group.

1. Significant accounting policies (continued)

(ii) Consolidation (continued)

(b) Associates and jointly controlled entities

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

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

(iii) Revenue recognition

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

Revenue is recognised for the major business activities as follows:

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

Interest income is recognised as it accrues.

Dividends receivable are recognised in the Income Statement when declared, or received, whichever occurs first.

(iv) Borrowing costs

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

(v) Share based payments

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

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

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

(vi) Taxation

Income tax expense comprises current and deferred tax and is recognised in profit or loss 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 period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and by the availability of unused tax losses.

Deferred tax is recognised using the balance sheet method in which temporary differences are calculated based on the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied when the temporary difference reverses, that is, when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and liabilities are offset where the consolidated entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred tax balances relate to the same taxation authority.

The assumptions regarding future realisation, and therefore the recognition of deferred tax assets, may change due to future operating performance and other factors.

Incitec Pivot provides for income tax in both Australia and overseas jurisdictions where a liability exists.

Tax Consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax-consolidated group is Incitec Pivot.

Members of the tax consolidated Group recognise their own current tax expense/income and deferred tax assets and liabilities arising from temporary differences using the 'stand alone taxpayer' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

1. Significant accounting policies (continued)

(vi) Taxation (continued)

Tax Consolidation (continued)

In addition to its current and deferred tax balances, the Company also recognises the current tax liabilities (or assets), and the deferred tax assets arising from unused tax losses and unused tax credits assumed from members of the tax-consolidated group, as part of the tax-consolidation arrangement. Assets or liabilities arising under tax funding agreements with members of the tax-consolidated group are recognised as amounts receivable or payable from the other entities within the tax-consolidated group.

Nature of tax funding agreement

Incitec Pivot, as the head entity of the tax-consolidated group, in conjunction with the other members of the tax-consolidated group, has entered into a tax funding agreement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding agreement requires payment to/from the head entity equal to the current tax liability/asset assumed by the head entity, resulting in the head entity recognising an intercompany receivable/payable equal to the amount of the tax liability/asset assumed.

The agreement requires wholly-owned subsidiaries to make contributions to the Company for tax liabilities arising from external transactions during the year. The contributions are calculated as if each subsidiary continued to be a stand alone taxpayer in its own right. The contributions are payable annually and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authority. 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 third-party sourced finished goods, cost is net cost into store. Engineering spares are held in inventory and expensed when used.

(viii) Trade and other receivables

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

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

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

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

(ix) Other financial assets

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

Purchases and sales are recognised on trade date – the date on which the Group commits to purchase or sell assets.

Investment income includes dividends, which are recognised in the Income Statement when received or a legal right to receive is established.

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

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

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

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

(xi) Property, plant and equipment and depreciation

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

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 IFRS, 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.

1. Significant accounting policies (continued)

(xii) Leased assets

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

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

(xiii) Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Research and development

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

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

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

(c) Other intangible assets

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

(d) Subsequent expenditure

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

(e) Amortisation

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

• Software	3 – 7 years
• Product trademarks	4 – 10 years
• Patents	13 – 15 years
• Customer contracts	10 – 17 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. For acquisitions occurring in stages, goodwill is determined at the acquisition date. Goodwill is determined after the previously held equity interest is adjusted to fair value.

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.

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 Group's share of the identifiable net assets acquired is recorded as goodwill (refer to Note 1(xiii) (a)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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

(xv) Segment Reporting

As of 1 October 2009, the Group has determined and presented operating segments based on the information that is internally provided to the Group's Executive Team, which is the Group's Chief Operating Decision Maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Previously, operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*.

Comparative segment information has been re-presented in conformity with the transitional requirements of AASB 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Executive Team to make decisions about resources to be allocated to the operating segment and assess their performance.

Operating segment results that are reported to the Executive Team include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and head office expenses.

Operating segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and software.

1. Significant accounting policies (continued)

(xv) Segment Reporting (continued)

The following disclosure changes were made to the balance sheet, reportable segments and segment information:

- In the prior year, the Group comprised two main business segments; Fertilisers and Explosives. Given the adoption of AASB 8 and a change in reporting structure, the Group has identified four reportable segments: Incitec Pivot Fertilisers, Southern Cross International, Dyno Nobel – Americas and Dyno Nobel – Asia Pacific.
- The Group is required to disclose information as it is provided to the Chief Operating Decision Maker. As such, no information regarding segment assets and liabilities has been disclosed.

(xvi) Interest-bearing borrowings

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

(xvii) Provisions

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

(a) Environmental

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

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

For sites where there are uncertainties with respect to what the 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.

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology.

Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised in borrowing costs.

(b) Decommissioning

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

(c) Employee entitlements

Current

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

Non-current

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 the terms of the Group's obligations.

Short term incentive plans

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

(d) Retirement benefit obligation

Contributions to defined contribution superannuation funds are taken to the Income Statement in the year in which the expense is incurred.

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

The Group'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 Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

(e) Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are paid, or a legal right to pay is established, for the entire undistributed amount, regardless of the extent to which they will be paid.

1. Significant accounting policies (continued)

(xvii) Provisions (continued)

(f) Restructuring and employee termination benefits

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

(g) Onerous contracts

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

(xviii) Trade and other payables

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

Unfavourable sales / supplier contracts

Liabilities are recognised on acquisition where it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation (probable loss), and the fair value of the loss can be measured reliably. If the terms of a contract are unfavourable relative to market terms at the acquisition date, a liability is recognised as part of accounting for the business combination.

(xix) Foreign currency transactions

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when they are deferred in equity as qualifying cash flow hedges.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign operations

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

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

(xx) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange, commodity price and interest rate risks arising from operational, financing and investment activities.

In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Income Statement. However, where derivatives qualify for hedge accounting, the gain or loss is transferred to the cash flow hedging reserve or foreign currency translation reserve.

Hedging

On entering into a hedging relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Cash flow hedges

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

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

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

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of monetary item that is accounted for as part of the net investment, are accounted for in a similar way as cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity (foreign currency translation reserve) while any gains or losses relating to the ineffective portion are recognised in profit and loss. On disposal of the foreign operation, the cumulative value of such gains or losses recognised directly to equity is transferred to other comprehensive income based on the amount calculated using the direct method of consolidation.

(xxi) Cash and cash equivalents

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

(xxii) 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.

1. Significant accounting policies (continued)

(xxii) Share capital (continued)

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.

(xxiii) Fair value estimation

The fair value of financial assets and financial liabilities is estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group 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 Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The fair value of interest-rate contracts is calculated as the present value of the estimated future cash flows. The fair value of cross currency interest rate swaps is determined using market based forward interest and exchange rates and the present value of estimated future cash flows. The fair value of foreign exchange options is determined using market rates and a present value calculation based on the Black Scholes method. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date and the present value of the estimated future cash flows. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(xxiv) Impairment of assets

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

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

A cash generating unit is the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets with each cash generating unit being no larger than a segment. In calculating recoverable amount, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or cash generating unit.

Cash flows are estimated for the asset in its present condition and therefore do not include cash inflows or outflows that improve or enhance the assets performance or that may arise from future restructuring.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

Impairment losses are recognised in the Income Statement.

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

(xxv) Goods and services tax

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

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

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

(xxvi) Rounding of amounts

The Group 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.

(xxvii) Restatement of prior year tax benefit

For the year ended 30 September 2009, a tax benefit of \$158.7m was recognised in relation to realised foreign exchange losses that were assessed as fully deductible in the preparation of the Financial Report and disclosed in Note 6 as an individually material item. In preparing the 30 September 2009 tax return during 2010, the deductibility of foreign exchange losses was reassessed and reduced by \$41.5m to \$117.2m. Accordingly, amounts relating to this item in the 2009 Financial report have been restated as follows:

	2009	Adjustment	Restated
	\$mill	\$mill	2009 \$mill
Income tax benefit / (Income tax expense)	134.7	(41.5)	93.2
Profit / (Loss) for the financial year	(179.9)	(41.5)	(221.4)
Total comprehensive income / (expense) for the financial year	(457.1)	(41.5)	(498.6)
Deferred tax assets	354.2	(41.5)	312.7
Total assets	6,631.2	(41.5)	6,589.7
Net assets	3,381.1	(41.5)	3,339.6
Retained earnings	44.2	(41.5)	2.7
Total equity	3,381.1	(41.5)	3,339.6
EPS - basic and diluted	(11.7)	(2.7)	(14.4)

As the tax benefit was only recognised at the end of the 2009 financial year, no adjustment to the 2008 comparatives in the Statement of Financial Position were needed and accordingly a third Statement of Financial Position has not been disclosed.

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 Group 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 subsequent related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Management believes the following are the critical accounting policies and estimates used in the preparation of the Financial Report:

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

(i) Impairment of assets

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

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

Changes in economic and operating conditions impacting these assumptions could result in additional impairment charges in future periods. Management believes that this policy is critical to the

financial statements, particularly when evaluating the Group's goodwill for impairment. Varying results from this analysis are possible due to the significant estimates and judgements involved in the Group's evaluations.

(iii) Income taxes

The Group is subject to income taxes in Australia and overseas jurisdictions. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group 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 Group's assumptions regarding future realisation may change due to future operating performance and other factors.

(iv) Environmental and restructuring provisions

Provisions for environmental and restructuring / redundancy liabilities are based on the Group's best estimate of the outflow of resources required to settle commitments made by the Group. 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 (xvii) (a) & Note 1 (xvii) (f) to the financial statements for further details of the accounting policy relating to environmental and restructuring provisions.

(v) Retirement benefit obligations

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity. Refer Note 1 (xvii) (d) 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;
- future rate of inflation;
- expected return on plan assets; and
- future salary increases.

(vi) Business combinations

Fair valuing assets and liabilities acquired in a business combination, involves making assumptions about the timing of cash inflows and outflows, commodity prices, growth assumptions, discount rates and cost of debt. Refer to Note 11 for details of acquisitions made during the period.

3. Segment report

(a) Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Group's Executive Team (the Group's Chief Operating Decision Maker) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management and are based on the market and region in which product is sold. Discrete financial information about each of these operating businesses is usually reported to the Executive Team on at least a monthly basis.

(b) Description of operating segments

Fertilisers:

Incitec Pivot Fertilisers (IPF): manufactures and distributes fertilisers in Eastern Australia. The products that IPF manufactures include Single Super Phosphate, Urea and Ammonia. IPF also import products from overseas suppliers and purchases Ammonium Phosphates from Southern Cross International for resale.

Southern Cross International (SCI): manufactures Ammonium Phosphates, is a distributor of its manufactured fertiliser product to wholesalers in Australia (including IPF) and the export market. SCI also has a 65% share of the Hong Kong trading company, Quantum Fertilisers Limited and operates an Industrial Chemicals business.

Fertilisers Elimination (Elim): represents the elimination of profit in stock arising from SCI sales to IPF.

Explosives:

Dyno Nobel Americas (DNA): principal activity is the manufacture and sale of industrial explosives and related products and services to the mining, quarrying and construction industries in the Americas, and the manufacture and sale of Agricultural chemicals.

Dyno Nobel Asia Pacific (DNAP): principal activity is the manufacture and sale of industrial explosives and related products and services to the mining industry in the Asia Pacific region.

Explosives Eliminations (Elim): represents eliminations of profit in stock arising from DNA sales to DNAP.

(c) Accounting policies and inter-segment transactions

Corporate (Corp):

Corporate costs include all head office expenses that cannot be directly attributed to the operation of any of the Group's businesses.

Inter-entity sales are recognised based on an arm's length transfer price. The price aims to reflect what the business operation could achieve if they sold their output and services to external parties at arm's length.

Note that comparatives have been restated as a result of the change in reportable segments.

3. Segment report (continued)

(d) Reportable segments

	IPF	SCI	Total		DNAP	DNA	Elim	Total	Corp	Consolidated
	\$mill	\$mill	Elim	Fertilisers	\$mill	\$mill	\$mill	Explosives	\$mill	Group
30 September 2010			\$mill	\$mill				\$mill		\$mill
Sales to external customers	885.9	647.1	(145.4)	1,387.6	499.8	1,092.5	(48.2)	1,544.1	-	2,931.7
Share of profits in associates and joint ventures accounted for by the equity method	-	-	-	-	12.9	17.6	-	30.5	-	30.5
Earnings before interest, related income tax expense, depreciation and amortisation and individually material items	141.6	236.9	(0.6)	377.9	196.0	236.5	1.5	434.0	(24.6)	787.3
Depreciation and amortisation	(29.2)	(14.3)	-	(43.5)	(20.0)	(73.3)	-	(98.3)	(2.2)	(139.0)
Earnings before interest, related income tax expense and individually material items	112.4	222.6	(0.6)	334.4	176.0	163.2	1.5	340.7	(26.8)	648.3
Net Interest expense										(53.0)
Income tax expense										(150.8)
Profit after tax (excluding individually material items)										444.5
Individually material items										(32.3)
Profit after tax										412.2

	IPF	SCI	Total		DNAP	DNA	Elim	Total	Corp	Consolidated
	\$mill	\$mill	Elim	Fertilisers	\$mill	\$mill	\$mill	Explosives	\$mill	Group
30 September 2009			\$mill	\$mill				\$mill		\$mill
Sales to external customers	950.2	777.5	(136.4)	1,591.3	505.7	1,388.4	(66.5)	1,827.6	-	3,418.9
Share of profits in associates and joint ventures accounted for by the equity method	-	-	-	-	5.3	19.7	-	25.0	-	25.0
Earnings before interest, related income tax expense, depreciation and amortisation and individually material items	121.1	195.8	24.3	341.2	135.6	297.4	(3.8)	429.2	(27.4)	743.0
Depreciation and amortisation	(27.1)	(12.5)	-	(39.6)	(25.8)	(99.7)	-	(125.5)	(2.2)	(167.3)
Earnings before interest, related income tax expense and individually material items	94.0	183.3	24.3	301.6	109.8	197.7	(3.8)	303.7	(29.6)	575.7
Net Interest expense										(107.6)
Income tax expense										(120.3)
Profit after tax (excluding individually material items)										347.8
Individually material items										(569.2)
Loss after tax										(221.4)

3. Segment report (continued)

(e) Geographical information – secondary reporting segments

The Group operates in four principal countries being Australia (country of domicile), USA, Canada and Turkey.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of the entity making the sale. Segment assets are based on the geographical location of the assets.

30 September 2010	Australia \$mill	USA \$mill	Canada \$mill	Turkey \$mill	Other/Elim \$mill	Consolidated \$mill
Revenue from external customers	1,871.8	770.3	235.9	14.8	38.9	2,931.7
Non-current assets other than financial instruments and deferred tax assets	2,702.5	2,115.4	80.0	146.2	76.9	5,121.0

30 September 2009	Australia \$mill	USA \$mill	Canada \$mill	Turkey \$mill	Other/Elim \$mill	Consolidated \$mill
Revenue from external customers	2,097.5	986.1	306.6	-	28.7	3,418.9
Non-current assets other than financial instruments and deferred tax assets	2,590.3	2,336.7	95.1	-	85.1	5,107.2

	Notes	Consolidated 2010 \$mill	2009 \$mill
4. Revenue and other income			
Revenue			
External sales		2,931.7	3,418.9
Total revenue		2,931.7	3,418.9
Other income			
Net foreign exchange gains		0.6	-
Royalty income and management fees		23.8	22.9
Net gain on sale of property, plant and equipment		4.3	13.3
Other income		0.7	0.4
Gain on Nitromak acquisition		19.0	-
Total other income		48.4	36.6
Financial income			
Interest income from external parties		2.8	9.2
Interest income from jointly controlled entities		2.5	1.6
Total financial income		5.3	10.8
Total other and financial income		53.7	47.4
5. Expenses			
Profit before income tax includes the following specific expenses:			
Depreciation & Amortisation			
depreciation		112.1	139.0
amortisation		26.9	31.5
		139.0	170.5
Recoverable amount write-down			
property, plant and equipment		0.7	80.4
intangible assets		-	490.6
		0.7	571.0
Amounts set aside to provide for			
impairment loss on trade and other receivables		1.1	2.4
employee entitlements		8.3	29.1
environmental liabilities		24.9	17.1
inventory losses and obsolescence		1.2	125.3
other provisions		1.8	0.7
restructuring		6.8	27.4
Lease payments – operating leases		55.0	52.5
Net foreign exchange losses		-	1.5
Research and development expense		7.8	8.1
Defined contribution superannuation expense		11.1	15.1
Defined benefit superannuation expense		8.0	7.9
Financial expenses			
Write off of borrowing costs	(6)	-	7.7
Unwinding of discount on provisions and other payables		13.8	9.1
Interest expenses on financial liabilities		44.2	108.8
Interest expenses on financial liabilities with jointly controlled entities		0.3	0.5
Total financial expenses		58.3	126.1

	2010			Restated 2009		
	Gross \$mill	Tax \$mill	Net \$mill	Gross \$mill	Tax \$mill	Net \$mill
6. Individually material items						
Profit includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the Group:						
Business restructuring costs - Dyno Nobel Integration ⁽¹⁾						
restructuring and other direct costs	(7.8)	2.4	(5.4)	(24.3)	8.0	(16.3)
employee redundancies and allowances	(16.7)	5.3	(11.4)	(33.7)	12.0	(21.7)
Total business restructuring	(24.5)	7.7	(16.8)	(58.0)	20.0	(38.0)
Business restructuring costs - Manufacturing and Distribution ⁽²⁾						
restructuring and other direct costs	(18.7)	5.8	(12.9)	(127.7)	43.9	(83.8)
employee redundancies and allowances	(8.0)	2.7	(5.3)	(14.5)	4.8	(9.7)
Total business restructuring	(26.7)	8.5	(18.2)	(142.2)	48.7	(93.5)
Other						
write-off of borrowing costs ⁽³⁾	-	-	-	(7.7)	2.3	(5.4)
inventory NRV provision ⁽⁴⁾	-	-	-	(84.2)	25.3	(58.9)
tax benefit on foreign exchange ⁽⁵⁾	-	-	-	-	117.2	117.2
impairment of intangible assets ⁽⁶⁾	-	-	-	(490.6)	-	(490.6)
accounting acquisition profit - Nitromak ⁽⁷⁾	19.0	-	19.0	-	-	-
asbestos environmental costs at various sites ⁽⁸⁾	(23.2)	6.9	(16.3)	-	-	-
Total other	(4.2)	6.9	2.7	(582.5)	144.8	(437.7)
Individually material items	(55.4)	23.1	(32.3)	(782.7)	213.5	(569.2)

- (1) Following the acquisition of Dyno Nobel Limited, restructuring and integration expenditure has been incurred including employee redundancy costs as well as IT expenditure in creating common networks and collaboration between sites.
- (2) The impact of the Global Financial Crisis resulted in the Group changing its strategy in how it manages its manufacturing and distribution assets. The Group changed from a growth focus to a maintenance focus which has resulted in a restructuring of manufacturing and distribution operations leading to redundancies, termination of capital projects and exiting / idling certain sites (Cockle Creek, Geelong, Maitland, Port Ewen and Battle Mountain).
- (3) Direct transaction costs in relation to the Bridge Loan facility negotiated in order to acquire the remaining shares in Dyno Nobel Limited during the 2009 financial year. As the Bridge Loan facility was replaced with new borrowings, its establishment costs were written off.
- (4) During 2009, sales volumes and market prices for imported phosphate rock based products declined significantly. The provision represents the write down of the phosphate rock component of finished goods and phosphate rock on hand to net realisable value.
- (5) Tax benefit associated with foreign exchange losses realised on USD Debt.
- (6) Impairment of goodwill recognised on the acquisition of Dyno Nobel Limited.
- (7) During 2010, the Group acquired the remaining 50% interest in Nitromak DNX Kimya Samayii Anonim Sirketi (Nitromak), making Nitromak a fully owned subsidiary. AASB 3 requires that the original 50% investment is revalued to fair value in the income statement when the Group gained control of Nitromak, which resulted in a gain of \$33.4 million, offset by \$14.4 million of foreign exchange losses, resulting in a net gain of \$19.0 million.
- (8) Environmental costs at various sites, including estimated costs to remediate asbestos identified at some sites.

	Notes	2010 Cents per share	Consolidated Restated 2009 Cents per share
7. Earnings per share (EPS)			
Basic earnings / (losses) per share			
including individually material items		25.3	(14.4)
excluding individually material items		27.3	22.6
Diluted earnings / (losses) per share			
including individually material items		25.3	(14.4)
excluding individually material items		27.3	22.6
		Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share ⁽¹⁾		1,623,134,164	1,541,925,068
		\$mill	\$mill
Profit / (loss) attributable to ordinary shareholders		410.5	(221.4)
Reconciliation of earnings used in the calculation of basic and diluted earnings per share excluding individually material items			
Profit / (loss) attributable to ordinary shareholders		410.5	(221.4)
Add back individually material items after income tax	(6)	32.3	569.2
Profit attributable to ordinary shareholders excluding individually material items		442.8	347.8

(1) 16,193,772 shares were issued during the year ended 30 September 2010.

8. Investments accounted for using the equity method

Name of Entity	Principal Activity	Ownership interest	Country of incorporation
Jointly controlled entities			
Alpha Dyno Nobel Inc	Delivery of explosives and related products	50%	USA
Boren Explosives Company Inc.	Delivery of explosives and related products	50%	USA
Buckley Powder Company	Delivery of explosives and related products	51%	USA (1)
IRECO Midwest, Inc.	Delivery of explosives and related products	50%	USA
Wampum Hardware Company	Delivery of explosives and related products	50%	USA
Pepin-IRECO, Inc.	Delivery of explosives and related products	50%	USA
Midland Powder Company	Delivery of explosives and related products	50%	USA
Mine Equipment & Mill Supply Co.	Delivery of explosives and related products	50%	USA
Controlled Explosives Inc.	Delivery of explosives and related products	50%	USA
Western Explosives Systems Company	Delivery of explosives and related products	50%	USA
DetNet Detonadores Electronico Limitada	Delivery of explosives and related products	50%	Chile
Newfoundland Hard-Rok Inc.	Delivery of explosives and related products	50%	Canada
Dyno Labrador Inc.	Delivery of explosives and related products	50%	Canada
Quantum Explosives Inc.	Delivery of explosives and related products	50%	Canada
Dene Dyno Nobel Inc.	Delivery of explosives and related products	49%	Canada
Qaaqtuq Dyno Nobel Inc.	Delivery of explosives and related products	49%	Canada

(1) Refer to footnote description on next page.

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

Name of Entity	Principal Activity	Ownership interest	Country of incorporation	
Queensland Nitrates Pty Ltd	Production of ammonium nitrate	50%	Australia	(2)
Queensland Nitrates Management Pty Ltd	Management services	50%	Australia	(2)
DetNet International Limited	Distribution of electronic detonators	50%	Ireland	
DetNet South Africa (Pty) Ltd	Development, manufacture and supply of electronic detonators	50%	South Africa	
DNEX Mexico Inc	Mexican investment holding company	49%	Mexico	
Explosivos De La Region Lagunera, S.A. de C.V.	Distribution of explosives and related products	49%	Mexico	
Explosivos De La Region Central, S.A. de C.V.	Distribution of explosives and related products	49%	Mexico	
Nitroexplosivos de Ciudad Guzman, S.A. de C.V.	Distribution of explosives and related products	49%	Mexico	
Explosivos Y Servicios Para La Construccion, S.A. de C.V.	Distribution of explosives and related products	49%	Mexico	
Tenaga Kimia Ensign-Bickford Sdn Bhd	Manufacture of explosive accessories	50%	Malaysia	
Sasol Dyno Nobel (Pty) Ltd	Distribution of detonators	50%	South Africa	(2)
Associates				
Labrador Maskua Ashini Ltd	Delivery of explosives and related products	25%	Canada	
Fabchem China Ltd	Manufacture of commercial explosives	30%	Singapore	
Valley Hydraulics Ltd	Delivery of explosives and related products	25%	Canada	
Apex Construction Specialities Ltd	Delivery of explosives and related products	25%	Canada	
Warex Corporation	Delivery of explosives and related products	25%	USA	
Warex LLC	Delivery of explosives and related products	25%	USA	

- (1) Due to the contractual and decision making arrangement between the shareholders of the entities, despite the legal ownership exceeding 50%, this entity is not considered to be a subsidiary.
- (2) These jointly controlled entities have a 30 June year end. For the purpose of applying the equity method of accounting, the financial information through to 30 September 2010 has been used.

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

Summarised financial information of jointly controlled entities and associates:

	Consolidated	
	2010	2009
	\$mill	\$mill
Current assets	252.3	308.1
Non-current assets	280.4	326.8
Total assets	532.7	634.9
Current liabilities	131.7	227.3
Non-current liabilities	95.6	101.6
Total liabilities	227.3	328.9
Net assets	305.4	306.0
Revenue	796.8	1,000.6
Net profit	65.6	60.0
Share of jointly controlled entities and associates' profit:		
Share of jointly controlled entities and associates' profit before tax	42.4	35.8
Share of jointly controlled entities and associates' income tax expense	(11.9)	(10.8)
Share of jointly controlled entities and associates' profit	30.5	25.0
Carrying amount of investments in jointly controlled entities and associates		
Carrying amount at the beginning of the year	254.0	311.2
Share in jointly controlled entities reclassified to assets held for sale	-	(44.0)
	254.0	267.2
Share of net profit from jointly controlled entities and associates	30.5	25.0
Less: dividends received / receivable	(17.1)	(5.2)
Movement in foreign currency translation reserve of jointly controlled entities and associates	(10.9)	(33.0)
Carrying amount at end of the financial year	256.5	254.0

Consolidated
2010 2009
\$mill \$mill

9. Issued capital

Share Capital

Ordinary shares authorised and issued - 1,628,730,107 (2009: 1,612,536,335) ⁽¹⁾	3,265.9	3,217.8
	3,265.9	3,217.8

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

Date	Details	Number of Shares	\$mill
30 September 2009	Balance at the end of the previous financial year	1,612,536,335	3,217.8
	Shares issued during the period		
18 December 2009	Shares issued (Dividend Reinvestment Plan)	4,878,436	14.5
18 December 2009	Shares issued (Underwriter issue)	7,475,676	22.5
17 March 2010	Shares issued (Dividend Reinvestment Plan)	42,531	0.1
6 July 2010	Shares issued (Dividend Reinvestment Plan)	3,797,129	11.0
30 September 2010	Balance at the end of the financial year	1,628,730,107	3,265.9

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

Terms and conditions

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

Shares issued during financial year

On 18 December 2009, 4,878,436 ordinary shares (\$14.5m) were issued to Dividend Reinvestment Plan (DRP) participants and 7,475,676 (\$22.5m) to the underwriter to fund the final dividend payment.

On 17 March 2010, 42,531 ordinary shares (\$0.1m) were issued to Dividend Reinvestment Plan (DRP) participants in respect of the 2009 final dividend payment.

On 6 July 2010, 3,797,129 ordinary shares (\$11.0m) were issued to Dividend Reinvestment Plan (DRP) participants for the interim dividend payment.

	Company	
	2010	2009
	\$mill	\$mill
10. Dividends		
Dividends paid or declared in respect of the year ended 30 September were:		
Ordinary Shares		
Final dividend of 19.5 cents per share, fully franked at 30%, paid 14 November 2008	-	237.4
Interim dividend of 2.1 cents per share ⁽¹⁾ , fully franked at 30%, paid 7 July 2009	-	33.6
Final dividend of 2.3 cents per share ⁽¹⁾ , unfranked, paid 18 December 2009	37.1	-
Interim dividend of 1.8 cents per share ⁽²⁾ , unfranked, paid 6 July 2010	29.3	-
Total ordinary share dividends	66.4	271.0

Subsequent event

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

- Final dividend of 6 cents per share, unfranked, to be paid on 17 December 2010. The total dividend payment will be \$97.7m.

Ordinary shares

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

- (1) Dividends were paid under a Dividend Reinvestment Plan which was fully underwritten.
- (2) The interim dividend was paid \$18.3m in cash and \$11.0m by a Dividend Reinvestment Plan.

Franking credits

Franking credits available to shareholders of the Group amount to \$0.2m (2009: \$15.1m negative) at the 30% (2009: 30%) corporate tax rate. Accordingly, the final dividend for 2010 is unfranked. Franking credits that will arise from payment of income tax in the year ending 30 September 2010 have been factored into the franking account balance.

11. Business combination

Acquisition of Nitromak DNX Kimya Sanayii Anonim Sirketi

(a) Summary of acquisition

On 31 July 2010, the Group acquired the remaining 50.0% equity in the Turkish joint venture Nitromak DNX Kimya Samayii Anonim Sirketi ("Nitromak") for \$97.1m, excluding transaction costs. Nitromak manufactures and sells industrial explosives and related products and services to the mining, quarrying and construction industries.

(b) Purchase consideration

	Consolidated 2010 \$mill
Consideration paid, satisfied in cash	99.3
Less cash acquired	(2.2)
Total consideration transferred	97.1
Fair value of equity interest in Nitromak held before the business combination	74.8
Total consideration	171.9
Acquisition-related costs	0.7

(c) Assets and liabilities acquired

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

	Nitromak Pre- acquisition Carrying Amounts \$mill	Initial Fair Value Adjustments \$mill	Provisional Fair Value \$mill
Acquiree's net assets at the acquisition date			
Cash and cash equivalents	2.2	-	2.2
Trade and other receivables	29.3	(1.0)	28.3
Inventories	9.1	1.2	10.3
Other investments	0.1	(0.1)	-
Property, plant and equipment	9.9	(1.7)	8.2
Intangibles			
- Customer contracts	-	1.1	1.1
- Brand name	-	4.0	4.0
- Other	0.2	-	0.2
Trade payables	(12.8)	-	(12.8)
Other liabilities	(4.0)	-	(4.0)
Tax liabilities	(1.5)	-	(1.5)
Deferred tax liabilities	(0.1)	-	(0.1)
Provisions	(1.5)	(0.1)	(1.6)
Interest bearing liabilities	(12.4)	-	(12.4)
Net identifiable assets and liabilities	18.5	3.4	21.9
Less consideration			171.9
Goodwill on acquisition recognised			150.0

The Group recognised a net \$19.0m gain (\$33.4m gain net of \$14.4m of foreign exchange loss) as a result of measuring at fair value its 50% equity interest in Nitromak held before the business combination. The gain is included in other income in the Group's income statement (and as a individually material item in Note 6) for the year ending 30 September 2010.

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

12. Contingent liabilities

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

Contracts, claims, guarantees and warranties

- Under a Deed of Cross Guarantee dated 30 September 2008, entered into in accordance with ASIC Class Order 98/1418 (as amended), each company which is party to the Deed has covenanted with the Trustee (or the Alternative Trustee as applicable) of the Deed to guarantee the payment of any debts of the other companies which are party to the Deed which might arise on the winding up of those companies.
- The Group has entered into various long-term supply contracts. For some contracts, minimum charges are payable regardless of the level of operations, but in all cases the level of operations are expected to remain above those that would trigger minimum payments.
- There are a number of legal claims and exposures, which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items. The amount of liability, if any, which may arise cannot be reliably measured at this time. In the opinion of the directors, any further information about these matters would be prejudicial to the interests of the Group.
- 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 Group is not aware of any material exposure under these warranties and indemnities.
- From time to time, the Group is subject to claims for damages arising from products and services supplied by the Group 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 Group 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 (xvii)), 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 (xvii).

Taxation

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

13. Events subsequent to balance date

Since the end of the financial year, in November 2010, the directors have determined to pay a final dividend of 6 cents per share on 17 December 2010. This dividend is unfranked.

In October 2010, the Group entered into a 20 year off-take commitment with Perdaman Chemicals and Fertilisers Limited ("Perdaman") for the output of approximately two million tonnes per annum of granular urea fertiliser from the proposed project at Collie, Western Australia. Under the agreement, the Group is the off-taker from the proposed project, which is planned to begin production in 2014. The product supplied to the Group under the agreement would be available for sale in Oceania, Pakistan, Asia and the Americas.

Other than the matters reported on above, the directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2010, that has affected or may affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent years, which has not been covered in this report.