

Appendix 3

Half year report

Name of entity: **Incitec Fertilizers Limited**

ABN or equivalent company reference: **56 103 709 155**

Financial half year ended
(‘current period’)

Financial half year ended
(‘previous corresponding period’)

1.0 **31 March 2004**

31 March 2003

2.0 Results for announcement to the market

\$A000

2.1	Revenues from ordinary activities	up	>100%	to	128,856
2.2	Profit from ordinary activities after tax attributable to members				
	Before significant items	up	>100%	to	14,076
	After significant items	up	>100%	to	13,537
2.3	Net profit for the period attributable to members				
	Before significant items	up	>100%	to	14,076
	After significant items	up	>100%	to	13,537
2.4	Dividends (distributions) - ordinary shares				
	Final dividend	Cents	-	-	
	Interim dividend	Cents	39.22 *	-	
	Previous corresponding period				
	Final dividend	Cents	-	-	
	Interim dividend	Cents	-	-	

* Dividend is unfranked due to the 'tax consolidation' of the Company with Incitec Pivot Limited, the immediate parent entity (refer to Note III of the Notes to the Statement of Financial Performance).

2.5 Record date for determining entitlements to the dividend:

31 March 2004

2.6

Dividends (distributions) - redeemable preference shares (RPS)		Amount per security	Franked amount per security at 30% tax
Quarter ended 27 November 2003	Dollars	67.00	-
Quarter ended 27 February 2004	Dollars	67.00	-
Quarter ending 27 May 2004	Dollars	67.00	-
Quarter ending 27 August 2004	Dollars	67.00	-
Quarter ending 27 November 2004	Dollars	67.00	-

On 28 May 2003 the Company issued 11,000 redeemable preference shares at \$5,000 per share redeemable on 27 November 2004 at face value. Holders receive interest at 5.36% per annum. These shares are not convertible into ordinary shares and are listed on the Newcastle Stock Exchange.

Dividends paid or payable in respect of RPS are accrued in the financial statements on a monthly basis, and are paid quarterly at 5.36% per share, unfranked. Dividends on these shares have been charged to the statement of financial performance as borrowing costs because the shares are classified as liabilities.

2.7 Brief explanation of any of the figures reported above:

Incitec Fertilizers Limited is a wholly owned subsidiary of Incitec Pivot Limited (IPL). The Company was incorporated on 13 February 2003 via the issue of 2 shares to Incitec Ltd. On 1 April 2003 the Company acquired the fertilisers business and assets and liabilities of Incitec Ltd in exchange for the issue of 40,796,717 shares. On 1 June the Company was acquired by Pivot Limited, which subsequently changed its name to Incitec Pivot Limited.

On 1 November 2003 the Company appointed IPL, the immediate parent entity, to act as its undisclosed agent with the objective that IPL will manage certain operations of the business of the Company. In acting as the Company's agent, IPL will invoice all customers for goods and services supplied by the business and pay all creditors of the business in accordance with their applicable terms. IPL will provide manufacturing, marketing, selling and distribution services to the business.

3.0 Statement of Financial Performance

For the half-year ended 31 March 2004

	Notes	Company 2004 \$000	2003 \$000
Revenue from ordinary activities	(I)	128,856	-
Operating expenses			
Changes in inventories of finished goods and work in progress		6,372	-
Raw materials and consumables used and finished goods purchased for resale		(46,760)	-
Employee expenses (including significant items)		(30,261)	-
Depreciation and amortisation expense		(16,086)	-
Borrowing costs		(1,637)	-
Purchased services		(8,500)	-
Repairs and maintenance		(7,434)	-
Outgoing freight		(1,857)	-
Lease expenses - operating leases		(992)	-
Other expenses from ordinary activities		(1,241)	-
		(108,396)	-
Profit from ordinary activities before income tax expense		20,460	-
Income tax expense attributable to profit from ordinary activities	(III)	(6,923)	-
Profit from ordinary activities after income tax expense		13,537	-
Total changes in equity other than those resulting from transactions with owners as owners		13,537	-
		cents	cents
Earnings per share			
Basic earnings per share:			
Ordinary shares		33	-

Notes to the Statement of Financial Performance

	\$000	\$000
I. Revenue from ordinary activities		
External sales (1)	53,827	-
Gross margin (2)	68,222	-
Sales to immediate parent entity	5,214	-
Sales to entities subject to common control	1,349	-
Other revenue from operating activities		
Interest income:		
immediate parent entity	8	-
Rental income	21	-
Other income	215	-
Total other revenue	244	-
Total revenue	128,856	-

- (1) External sales revenues represents gross sales revenue prior to 1 November 2003, the date when the Company entered into the agency agreement described immediately below in (2).
- (2) Effective 1 November 2003, the Company entered into an agency agreement with Incitec Pivot Limited (IPL), the immediate parent entity, to act as its undisclosed agent with the objective that IPL will manage certain operations of the business for the Company, including the invoicing of customers supplied by the business and the payment of creditors. Consequently gross margin revenue represents the gross margin on sales earned by the Company from 1 November 2003 to 31 March 2004.

Notes to the Statement of Financial Performance (continued)
For the half-year ended 31 March 2004

	2004			2003		
	Gross \$000	Tax \$000	Net \$000	Gross \$000	Tax \$000	Net \$000
II. Individually significant items						
Profit from ordinary activities includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:						
<u>Merger implementation costs</u>						
Employee costs	(770)	231	(539)	-	-	-
Total merger implementation costs (i)	(770)	231	(539)	-	-	-
Individually significant items	(770)	231	(539)	-	-	-

- (i) Merger implementation costs in 2004 relate to the restructuring and reorganisation activities following the acquisition of the Company by Incitec Pivot Limited. The classification of these costs is consistent with the September 2003 financial statements and the disclosures made by the immediate parent entity, Incitec Pivot Limited.

	Company	
	2004	2003
	\$000	\$000
III. Income tax expense		
The amount of income tax attributable to the financial year differs from the amount prima facie payable on the operating profit. The differences are reconciled as follows:		
Income tax expense attributable to operating profit before significant items		
Prima facie income tax expense calculated at 30% (2003 at 30%) on profit from ordinary activities before significant items	6,369	-
Tax effect of permanent differences which (reduce)/increase tax expense:		
non-allowable depreciation of buildings	134	-
tax over provided in 2003	(38)	-
non-allowable goodwill amortisation	688	-
sundry items	1	-
Income tax expense attributable to operating profit before significant items	7,154	-
Net deferred tax balances recognised by parent entity in relation to Incitec Fertilizer Limited upon implementation of Tax Consolidation	(10,791)	
Recovery of income tax expense under a tax funding agreement at transition	10,791	
Income tax expense attributable to significant items		
Prima facie income tax benefit calculated at 30% (2003 at 30%) on loss from significant items	(231)	-
Income tax benefit attributable to operating loss from significant items	(231)	-
Income tax expense attributable to operating profit	6,923	-

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned subsidiaries, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the Company. Incitec Pivot, the immediate parent entity of the Company, is the head entity in the tax consolidated group. The implementation date for the tax-consolidated group was 1 October 2003. All income tax expenses, revenues, assets and liabilities of the members of the tax-consolidated group are recognised in the financial statements of the head entity.

Due to the existence of a tax sharing agreement between the entities in the tax-consolidated group, the income tax expense of the immediate parent entity, Incitec Pivot Limited, includes the income tax paid or payable by the Company. In addition there are no tax balances carried in the balance sheet of the Company. The current and deferred tax assets and liabilities of the Company are recognised as intercompany receivables and payables in accordance with the tax sharing agreement.

4.0. Statement of Financial Position

As at 31 March 2004

	31 Mar 2004	Company 30 Sep 2003	31 Mar 2003
	\$000	\$000	\$000
Current assets			
Cash assets	-	21,247	-
Receivables	162,746	92,091	-
Inventories	-	132,684	-
Other	4,878	6,861	-
Total current assets	167,624	252,883	-
Non-current assets			
Property, plant and equipment	184,629	205,329	-
Deferred tax assets	-	6,957	-
Intangible assets	87,880	90,173	-
Other	10,423	13,552	-
Total non-current assets	282,932	316,011	-
Total assets	450,556	568,894	-
Current liabilities			
Payables	1,229	99,890	-
Interest bearing liabilities	55,000	-	-
Current tax liabilities	-	6,312	-
Provisions	20,331	14,609	-
Total current liabilities	76,560	120,811	-
Non-current liabilities			
Interest bearing liabilities	-	55,000	-
Deferred tax liabilities	-	17,748	-
Provisions	7,917	6,793	-
Total non-current liabilities	7,917	79,541	-
Total liabilities	84,477	200,352	-
Net assets	366,079	368,542	-
Equity			
Parent entity interest			
Contributed equity	365,130	365,130	-
Retained profits	949	3,412	-
Total equity	366,079	368,542	-

5.0. Statement of Cash Flows

For the half-year ended 31 March 2004

	Company	
	2004	2003
	\$000	\$000
	Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities		
Receipts from customers	63,920	-
Payments to suppliers and employees	(68,012)	-
Interest received	8	-
Borrowing costs	(116)	-
Royalties and other trading revenue received	236	-
Net income taxes paid	-	-
Net cash flows from operating activities	(3,964)	-
Cash flows from investing activities		
Payments for property, plant and equipment	(1,987)	-
Proceeds from sale of property, plant and equipment	(6)	-
Net cash flows used in investing activities	(1,993)	-
Cash flows from financing activities		
Net movement in short term financing	6,398	-
Net cash flows used in financing activities	6,398	-
Net increase in cash held	441	-
Cash at the beginning of the half-year	21,247	-
Cash transferred to Incitec Pivot Limited as part of Agency Agreement (i)	(21,688)	-
Cash at the end of the half-year	-	-

(i) As part of the agency agreement, the immediate parent entity, Incitec Pivot Limited, collects all debts and pays all creditors.

6.0 Details of individual and total dividends

	Company	
	1 Oct 2003 to 31 Mar 2004 \$000	1 Oct 2002 to 31 Mar 2003 \$000
Dividends		
Dividends paid or declared in respect of the half-year ended 31 March were:		
Ordinary (i)	16,000	-
Redeemable Preference Shares (ii)		
quarterly dividend at 5.36% per share unfranked paid in cash on 27 November 2003	737	-
quarterly dividend at 5.36% per share unfranked paid in cash on 27 February 2004	737	-
quarterly dividend at 5.36% per share unfranked payable 27 May 2004	737	-

(i) Interim ordinary dividend of 39.22 cents per share unfranked was paid on 31 March 2004.

(ii) Dividends payable in respect of the redeemable preference shares are accrued in the financial statements on a monthly basis, and are paid quarterly at 5.36% per share, unfranked. Dividends on these shares have been charged to the statement of financial performance as borrowing costs because the shares are classified as liabilities.

7.0 Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan

The dividend or distribution plans shown below are in operation.

There is no dividend or distribution reinvestment plan in place.

The last date(s) for receipt of election notices for the dividend or distribution plans:

N/A

8.0 A statement of retained earnings showing movements As at 31 March 2004

	Company	
	31 Mar 2004	31 Mar 2003
	\$000	\$000
Retained profits at the beginning of the financial half-year	3,412	-
Operating profit after income tax attributable to members of Incitec Fertilizers Limited	13,537	-
Ordinary – interim	(16,000)	-
Retained profits at the end of the financial half-year	949	-

9.0 Net tangible assets per security with the comparative figure for the previous corresponding period

	Current period	Previous corresponding period
	Cents	Cents
Net tangible asset backing per ordinary security	682	N/A

10.1 Details of entities over which control has been gained during the period

Name of entity (or group of entities)	N/A
The date of the gain of control	N/A
Consolidated profit / (loss) from ordinary activities and extraordinary items after tax since the date in the current period on which control was acquired.	N/A
Profit from ordinary activities and extraordinary items after tax of the entity (or group of entities) for the whole of the previous corresponding period.	N/A

10.2 Loss of control of entities having material effect

Name of entity (or group of entities)	none
The date of the loss of control	N/A
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the entity (or group of entities) since the date in the current period to the date of loss of control	N/A
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the entity (or group of entities) while controlled during for the whole of the previous corresponding period	N/A

11.0 Details of associates and joint venture

The economic entity has an interest (that is material to it) in the following entities:

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period \$A'000
Equity accounted associates and joint venture entities				
None				
Total			-	-
Other material interests			-	-
Total			-	-

12.0 Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position

The Company was incorporated on 13 February 2003 and commenced trading on 1 April 2003 following the acquisition of the fertiliser business assets and liabilities from Incitec Ltd in exchange for the issue of 40,796,717 shares.

13.0 A commentary on the results for the period

* External sales revenue was \$128.6m.

* Net profit after tax (NPAT) was \$13.5m.

* There is no comparison available on the basis that the Company commenced trading on 1 April 2003.

13.1 The earnings per share (EPS)

For the half-year ended 31 March 2004

	Company	
	2004	2003
	Cents	Cents
	per share	per share
Earnings per share (EPS)		
Basic earnings per share		
including significant items	33	-
excluding significant items	35	-
	Number	Number
Weighted average number of shares used as the denominator:		
Number for basic earnings per share (i)	40,796,719	N/A
	\$000	\$000
Reconciliation of earnings used in the calculation of basic earnings per share:		
Including individually significant items		
Profit from ordinary activities after income tax expense	13,537	-
Earnings used in calculation of EPS including individually significant items	13,537	-
Reconciliation of earnings used in the calculation of basic earnings per share:		
Excluding individually significant items		
Profit from ordinary activities after income tax expense	13,537	-
Add back individually significant items after income tax	539	-
Earnings used in calculation of EPS excluding individually significant items	14,076	-

- (i) The weighted average number of shares used as the denominator is calculated over the 6 months ended 31 March 2004.

13.2 Returns to shareholders

As at 31 March 2004

	Company		
	31 Mar 2004	30 Sep 2003	31 Mar 2003
	\$000	\$000	\$000

Contributed equity

Share capital:

Ordinary shares - 40,796,719	365,130	365,130	-
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Movements in issued and fully paid ordinary shares of the company during the past two years were as follows:

Details	Date	Number of shares	Issue price \$	\$000
Share issue to Incitec Ltd (i)	13 Feb 03	2	1.00	-
Balance	31 Mar 03	2		-
Share issue to Incitec Ltd (ii), (iii)	1 Apr 03	40,796,717	8.95	365,130
Balance	30 Sep 03	40,796,719		365,130
No movement	-	-		-
Balance	31 Mar 04	40,796,719		365,130

- (i) The Company formed on 13 February 2003 following the issue of 2 shares.
- (ii) On 1 April 2003 the Company acquired the business assets and liabilities of the Incitec Fertiliser business from Incitec Ltd in exchange for the issue of 40,796,717 shares.
- (iii) The issue price of \$8.95 represents the mid point of an independent valuation prepared by Ernst & Young as at 17 March 2003.
- (iv) On 1 June 2003, Incitec Ltd disposed of its interest in 100% of the share capital of Incitec Fertilizer Limited to Incitec Pivot Limited. Subsequent to 1 June 2003 Incitec Pivot Limited is the immediate parent entity.

Terms and conditions:

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings.

	31 Mar 2004 \$000	31 Mar 2003 \$000
Total equity reconciliation		
Total equity at the beginning of the financial half-year	368,542	-
Total changes recognised in the statements of financial performance	13,537	-
Transactions with owners as owners		
Dividends provided for or paid	(16,000)	-
Total equity at the end of the financial half-year	366,079	-

13.3 Significant features of operating performance

Refer to Note 13.0.

13.4 A discussion of trends in performance

Earnings are biased to the second half of the financial year, which is significantly influenced by the winter planting season.

13.5 Segment Report

During the half-year ended 31st March 2004, the entity operated in one business segment, Fertiliser, and in one geographic location, Australia.

During the half-year ended 31st March 2003 the entity did not trade.

13.6 Events subsequent to reporting date

Effective 5 April 2004, the Company has withdrawn 'Nitram' and 'Pinnacle' from the market place. Customers may return any stocks and receive a full refund or a suitable alternative product will be found. The costs associated with this program are not expected to be material. Returned product will be blended into other products.

The directors have not become aware of any other significant matter or circumstance that has arisen since 31 March 2004, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which have not been covered in this report.

14.0 Comments by Directors

Basis of Financial Report Preparation

The general purpose half-year financial report has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029 "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. It is recommended that the half-year financial report be read in conjunction with the 30 September 2003 full year financial report and any public announcements by Incitec Fertilizers Limited during the half-year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. The half-year financial report does not include full note disclosures of the type normally included in a full year financial report.

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

Incitec Pivot Limited, the immediate parent entity, as head of the tax-consolidated group operates a single franking account on behalf of the group (refer to Note III of the Notes to the Financial Statement of Performance). The Company does not operate a franking account.

14.0 Comments by Directors (continued)

Revisions in estimates of amounts reported in previous interim periods.

There are no revisions in estimates of amounts reported in previous interim periods.

Changes in contingent liabilities

The contingent liabilities of the Company have not changed from the annual report for the year ended 30 September 2003 except as set out below.

Contingent liabilities are considered remote and the directors are of the opinion that provisions are not required.

Discounted bills of exchange

Trade bills are no longer issued by the Company.

As at 30 September 2003, a discounted bill of exchange facility was in place and was utilised by a number of customers for the purpose of trade finance. The majority of these discounted bills of exchange were issued for periods less than 120 days. In the event that bills were not repaid, there was 100% recourse to the Company. Total discounted bills of exchange outstanding at 30 September 2003 amounted to \$7.6m and have subsequently been settled in full.

Compliance statement

This report gives a true and fair view of the matters disclosed.

This report has been subject to audit review.



Sign here:
(Company Secretary)

Date: 2nd day of June 2004

Print name: Kerry J Gleeson

Incitec Fertilizers Limited

Directors' Declaration on the Financial Report set out on pages 3 to 13

I, James E Fazzino, being a director of Incitec Fertilizers Limited, do hereby state in accordance with a resolution of the directors that in the opinion of the directors,

- 1.(a) the financial report in the form of Appendix 3 of the Newcastle Stock Exchange (NSX) Listing Rules, set out on pages 3 to 13, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the entity as at 31 March 2004 and of its performance, as represented by the results of its operations and cash flows, for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable.



J E Fazzino
Chairman

Dated at Melbourne this 2nd day of June 2004.

Incitec Fertilizers Limited

Directors' Report

The directors of Incitec Fertilizers Limited present the financial report in the form of Appendix 3 of the Newcastle Stock Exchange (NSX) Listing Rules, for the period ended 31 March 2004 and the auditor's review report thereon.

Directors

The directors of the company during or since the end of the half-year are:

G J Witcombe

J E Fazzino

A K Sharma (Resigned 18th February 2004)

K J Gleeson (Appointed 18th February 2004)

The office of company secretary is held by Kerry J Gleeson.

Review and results of operations

A review of the operations of the entity during the financial half-year and of the results of those operations is contained in the accompanying Profit Report.

Events subsequent to balance date

The directors have not become aware of any significant matter or circumstance (other than referred to in note 13.6) that has arisen since 31 March 2004, that has affected or may affect the operations of the entity, the results of those operations, or the state of affairs of the company in subsequent years, which has not been covered in this report.

Rounding

The amounts shown in this report and in the financial statements have been rounded off, except where otherwise stated, to the nearest thousand dollars, the company being in a class specified in the ASIC Class Order 98/100 dated 10 July 1998.

Signed on behalf of the board in accordance with a resolution of the directors of Incitec Fertilizers Limited.



J E Fazzino
Chairman

Dated in Melbourne this 2nd day of June 2004.



Independent review report to the members of Incitec Fertilizers Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements set out on pages 3 to 13, and the directors' declaration set out on page 14 for Incitec Fertilizers Limited (the "Company"), for the half-year ended 31 March 2004.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.



Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the half-year financial report of Incitec Pivot Limited is not in accordance with:

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company's financial position as at 31 March 2004 and of its performance for the half-year ended on that date; and
 - ii. complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.

KPMG

Neil T Faulkner
Partner

Dated at Melbourne this 8th day of June 2004.