
Incitec Pivot Limited

ABN 42 004 080 264



Information Memorandum

23 June 2003

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IMPORTANT NOTICES

This Information Memorandum is dated 23 June 2003 and has been prepared by Incitec Pivot Limited ABN 42 004 080 264 (*"Incitec Pivot" or the "Company"*) in connection with its proposed Listing and official quotation of its Shares on Australian Stock Exchange (*"ASX"*).

This Information Memorandum is not a prospectus and has not been lodged with or registered by the Australian Securities and Investments Commission (*"ASIC"*) under Part 6D.2 of the Corporations Act. This Information Memorandum does not constitute or contain any offer of Shares for subscription or purchase or any invitation to subscribe for or to buy Shares.

The Directors of the Company believe that all the information that would be required under section 710 of the Corporations Act if the Information Memorandum were a prospectus offering for subscription the same number of shares for which quotation is sought, is contained in the Information Memorandum. Historical public disclosure documents lodged with ASX and previously lodged with ASIC in accordance with the continuous disclosure obligations of the Company, and the Listing Application lodged with ASX, contain additional information about the Company.

This Information Memorandum should be read in its entirety. Certain terms used have defined meanings which are set out in Section 9, and/or where the relevant term is used.

No person is authorised to give any information or to make any representation in connection with the Company, the proposed Listing of the Company and official quotation of the Company's Shares on ASX which is not contained, or expressly referred to in this Information Memorandum or otherwise lodged with ASX in connection with the proposed Listing. Any information or representation not so contained or expressly referred to may not be relied upon as having been authorised by Incitec Pivot.

1. OVERVIEW

1.1 Share Capital

As at the date of this Information Memorandum, the Company has issued 58,281,027 Shares. All Shares that have been issued by the Company are the same class and are fully paid Ordinary Shares.

1.2 ASX Listing

Incitec Pivot is not currently admitted to the official list of ASX, nor are its Shares quoted on ASX. The Company will make an application to ASX on or about the date of this Information Memorandum for admission to the official list of ASX and for quotation of the Shares on ASX. Incitec Pivot has no current intention to be listed or for its Shares to be quoted on any exchange other than ASX.

Incitec Pivot has not raised any capital in the three months prior to the date of this Information Memorandum and has no intention to raise any capital in the three months from the date of this Information Memorandum, save that Incitec Pivot operates an Investment Deposit Scheme under which any person may invest funds in the Company by way of debentures.

Incitec Fertilizers Limited ("**IFL**"), a subsidiary of the Company, on 27 May 2003, issued redeemable preference shares to the value of \$55 million to refinance transitional debt arrangements provided by Incitec Ltd ("**Incitec**") prior to the Merger with Pivot Limited ("**Pivot**"). IFL is listed, and IFL redeemable preference shares are quoted, on the official list of the Stock Exchange of Newcastle Limited ("**NSX**").

Neither ASX nor ASIC takes responsibility for the contents of this Information Memorandum. The fact that ASX may admit the Company to the official list of ASX is not to be taken in any way as an indication of the merits of the Company or its Shares. No assurance has been provided by ASX that the Company will be admitted to the official list of ASX or the Shares quoted on ASX.

1.3 CHESS

The Company will make an application on or about the date of this Information Memorandum to participate in the Clearing House Electronic Subregister System, ("**CHESS**"). CHESS is operated by ASX in accordance with the Listing Rules and the Securities Clearing House Business Rules.

On admission of the Company to CHESS, Shareholders will no longer receive paper certificates. Shares will be maintained on an electronic Issuer Sponsored Subregister, however, Shareholders will be able to make an election to transfer their Shares to the CHESS Subregister.

Incitec Pivot has appointed ASX Perpetual Registrars Limited ABN 54 083 214 537 (*the “Share Registry”*) to manage its share registry.

Shareholders who maintain their Shares on the Issuer Sponsored Subregister will be issued with a statement by the Share Registry in lieu of paper certificates. The statement will specify the number of Shares held and the Shareholder’s Securityholder Reference Number (“*SRN*”).

Shareholders who elect to hold their Shares on the CHESS Subregister will receive a statement from CHESS notifying the Shareholder of details of their holding, including the number of Shares and details of the Shareholder’s Holder Identification Number (“*HIN*”).

An Issuer Sponsored Statement or CHESS Statement will be issued to Shareholders at the end of any calendar month during which there are any transactions. In addition, a Shareholder may request an Issuer Sponsored Statement or CHESS Statement at any other time from the Share Registry or CHESS (a fee may be applicable).

1.4 Investment Decisions

This Information Memorandum does not take into account the investment objectives, financial situation or particular needs of each individual Shareholder or any other particular person. This Information Memorandum should not be relied upon as the sole basis for any investment decision in the Company's Shares. Before making any investment decision in relation to the Company's Shares or any other security, Shareholders or potential investors should consider, with or without the assistance of a professional securities advisor, whether that decision is appropriate in the light of the particular investment needs, objectives and financial circumstances of the Shareholder or potential investors.

2. INDUSTRY OVERVIEW

2.1 Background

Fertilisers are key nutrient inputs which contribute to production systems and long term sustainable agriculture. Approximately 5.6 million tonnes of fertiliser are used in Australia each year, with a value of approximately \$2.0 billion.

Fertilisers supply nutrients to plants to enable healthy plant growth. There are numerous chemical elements necessary for plant growth. The major elements are carbon, hydrogen, oxygen (which are obtained through carbon dioxide and water) and nitrogen, phosphorus, potassium, calcium, magnesium and sulphur (which are obtained naturally through the soil or from fertilisers).

Fertilisers are used for three main reasons:

- to correct inherent nutrient deficiencies in soils, in particular nitrogen, phosphorus, potassium and sulphur deficiencies;
- to replace nutrients consumed during the course of agricultural production. Agricultural production removes significant quantities of plant nutrients from agricultural land each year. A balanced fertiliser program is required to replace these losses, so as to maintain healthy plant growth and to protect the soil from fertility decline; and
- to promote crop and pasture productivity.

The Australian fertiliser industry has expanded significantly in line with Australia's agricultural development and expansion of crop and pasture farming. Fertiliser demand has been driven by increased land devoted to agricultural production, the changing nature of Australia's agricultural activity and increases in productivity. Since the 1970s, the industry has diversified away from a reliance on superphosphate fertilisers toward ammonium phosphates and nitrogen based products.

The fertiliser industry involves a number of industry participants in a range of activities along the supply chain:

- Supply or import of raw materials for use in fertiliser manufacture;
- Manufacture of fertiliser product from raw material;
- Import of fertiliser product;
- Blending of domestic or imported fertiliser and nutrients to meet specific soil needs;
- Purchase of manufactured fertiliser products for distribution and resale; and
- Distribution of manufactured, imported or locally sourced product through either direct sales channels or through agents and dealers.

Incitec Pivot has activities in each element of the supply chain.

2.2 Types of Fertilisers

Australian soils require three primary nutrients – nitrogen (“*N*”), phosphorus (“*P*”) and potassium (“*K*”). To a lesser degree some areas of Australia require the addition of sulphur (“*S*”) and trace elements such as copper, zinc and molybdenum. These nutrient requirements form the basis of the main groups of fertilisers used in Australia.

Nitrogen Based Fertilisers

Nitrogen is the most commonly used nutrient in fertilisers applied in Australia. Fertilisers containing nitrogen are used predominantly in cereal and oilseeds crop production, horticulture and for production of other broadacre crops such as cotton and sugar.

Nitrogen contributes significantly to the yield and quality of plants:

- as a constituent of the protoplasm in plant cells, which is required for all growth processes within the plant;
- as a part of the plant proteins which determine the food value of crops and pastures; and
- as a component of chlorophyll, the green pigment in the leaves of plants.

Most nitrogen in the soil occurs in organic matter present in the soil, and can only be absorbed by plants when it is in the nitrate (NO_3) or ammonium (NH_4) form.

Fertilisers containing nitrogen are sold either in single nutrient form (eg urea and ammonia), in combination with phosphorus (eg Mono-Ammonium Phosphate (“*MAP*”) and Di-ammonium Phosphate (“*DAP*”)), or in blends (eg urea blends).

Phosphorus Based Fertilisers

Phosphorus fertilisers are predominantly used to meet pasture and broadacre cropping needs. Phosphorus is essential for plant growth, and stimulates flower, seed and fruit production. It is also the nutrient most responsible for root development and is important to allow growth immediately after planting.

Most of Australia’s soils are phosphate deficient and fertiliser applications are necessary to correct this deficiency. Although phosphorus generally does not leach from soils, it is lost through wind and soil erosion. There are a variety of fertilisers on the market which provide phosphorus to improve soil fertility. These range from single superphosphate (“*SSP*”) to products such as triple superphosphate (“*TSP*”) as well as MAP and DAP, which contain high levels of phosphorus in addition to their nitrogen component.

Potassium Based Fertilisers

Potassium is particularly important in horticultural crops and in sugar cane to promote flowering. Potassium deficiencies will result in flowering disorders and low productivity. Potassium also plays a major role in highly productive pastures (dairy) and fodder (lucerne hay) crops. In both of these instances the high productivity transports considerable volumes of nutrient off the farm thereby increasing the requirement of nutrients from applied potassium. Most of Australia's grain growing areas have sufficient naturally occurring potassium.

There are no known commercial deposits of potassium in Australia. Potassium fertilisers are produced from potash which is imported from North America and Europe.

Sulphur Based Fertilisers

Sulphur is important in the formation of plant proteins, for nitrogen fixation by legume species and in flower development in canola. Sulphur is naturally present in the soil in organic matter, however it must be broken down into the sulphate form (SO_4) through mineralisation. Some Australian soils are sulphur deficient, for example through leaching of sulphur in high rainfall areas. Sulphur is important in pasture areas where legumes in the pasture (eg clovers) will be dominated by grasses if there is not sufficient sulphur in the soil.

There are a variety of fertilisers providing sulphur on the market in Australia, all of which are also used to supply phosphorus (with the exception of ammonium sulphate). These include SSP, which contains 11% sulphur, as well as DAP, MAP and TSP in sulphur coated varieties, containing up to 20% sulphur.

Table 1: Types of Fertilisers and Uses

Base Element	Purpose	Crop Type	Industry Imports as Percentage of Total Consumption	Product	Source and Manufacturing Process	
Nitrogen ("N")	Aids growth process of crops and is a component of chlorophyll	Cereals	70%	Ammonia (anhydrous ammonia or Big N)	Combining natural gas, steam and air	
		Oilseeds		Urea	React ammonia with carbon dioxide	
		Horticulture				
		Cotton				
		Sugar				
Phosphorus ("P")	Crop growth	Cereals	55%	Single Superphosphate ("SSP")	Treat phosphate rock with sulphuric acid	
	Flower growth	Oilseeds		Triple Superphosphate ("TSP")	React phosphoric acid with phosphate rock	
	Fruit growth	Legumes				
	Root development	Wool, beef and dairy industries		Mono-Ammonium Phosphate ("MAP")	React phosphoric acid with ammonia	
				Di-ammonium Phosphate ("DAP")	React phosphoric acid with ammonia	
Potassium ("K")	Promotes flowering	Sugar cane	100%	Muriate of Potash ("MOP")	Mined	
		Pastures for livestock		Potassium Nitrate	Mined	
Sulphur ("S")	Plant protein formation	Pastures for livestock	Not available	Sulphur coated MAP	Combining sulphur and MAP	
	Nitrogen fixation by legumes	Crops (including canola)		SSP and TSP	Process as for SSP and TSP described above	
	Aids growth process of canola					

Fertiliser Blends

Although different agricultural activity and different soils require different nutrients, in most cases the crop will require two or three of the key nutrients to be applied. For this reason, approximately 32% of all fertilisers sold in Australia are sold as blends. Generally, the blending process is undertaken by the manufacturer or distributor/agent.

2.3 Demand for Fertiliser

The general level of demand for fertiliser product is influenced by the general level of farming activity in Australia, which in turn is influenced by:

- International and domestic commodity prices - Commodity prices drive the returns from farming activity and the level of farming income. In the medium to longer term, commodity prices influence the overall level and nature of farming production and subsequently fertiliser demand and use; and
- Weather conditions - Favourable weather conditions have a positive influence on crop yields and therefore stimulate a higher level of farming production and increased fertiliser use. Cropping activity is reduced or abandoned during poor weather cycles, abating demand for fertilisers.

2.4 Product Demand Drivers

The demand for specific fertilisers is influenced by the nutrient requirement of the soil, the type of agriculture conducted on the soil, the nutrient composition of specific fertilisers and other non-nutrient factors.

The consumption of fertiliser in northern Australia is characterised by the dominant demand for nitrogen for summer and winter crops, sugar cane and cotton. In southern Australia there is strong demand for nitrogen based fertilisers for winter crops, rice production and intensive dairy. There is also a strong demand for phosphorus, sulphur and potassium in dairy pasture and the grazing industry. Sulphur is required for some nutrient deficient soils in certain parts of Australia and for canola production.

Pasture soils (those upon which pasture is grown for livestock raising or wool growing) generally have a greater requirement for sulphur and phosphorus than for nitrogen. This is because most improved pastures contain legumes, such as clover. These legumes are able to obtain nitrogen from the atmosphere, and thus supply a large portion of the pasture's nitrogen requirements to the soil through this biological process.

Southern dairy pastures are dominated by grasses. They tend to have a requirement for sulphur and phosphorus, however without the presence of legumes they have the additional requirement for applied nitrogen.

In contrast, most broadacre and horticultural cropping soils (those upon which cereals, canola and fruit and vegetables are grown) require additional nitrogen to replenish nitrogen reserves which are inherently low or depleted through crop production.

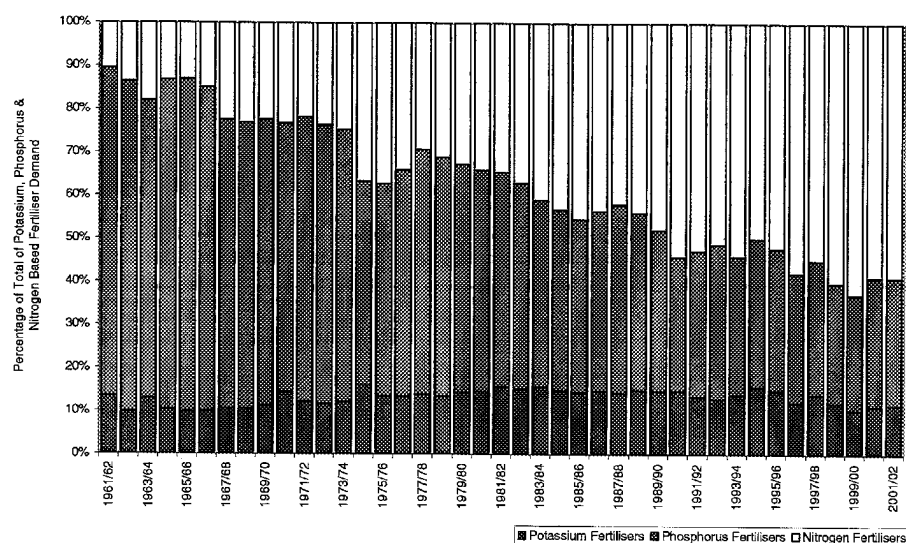
2.5 Structural Increase in Demand for Nitrogen Based Fertilisers

Since the 1970s there has been a significant and sustained increase in demand for nitrogenous fertilisers in Australia. Historically, SSP was the primary type of fertiliser used in Australia. This in part reflected the proportion of pastoral activity to other forms of agricultural production at that time.

Changes in demand and the development of new products to meet a range of nutritional requirements, have seen the Australian market move from one primarily supplied by locally manufactured SSP, to a market dominated by a variety of imported and locally manufactured products.

In particular, demand for nitrogen based fertilisers, on a nutrient content basis, now significantly exceeds demand for phosphate based fertilisers, as illustrated in Table 2.

Table 2: Australian Fertiliser Nutrient Demand



Source: International Fertiliser Industry Association (IFA) Fertiliser Consumption Statistics

The main drivers behind the increase in consumption of nitrogenous fertilisers since the 1970s have been:

- A reduction in the price competitiveness of alternatives:
 - A significant and sudden reduction in demand for superphosphate fertilisers followed the removal of the bounty on phosphate fertilisers in 1974 leading to a significant price rise. Prior to this time a rebate had been paid to phosphate fertiliser manufacturers based on the amount of rock phosphate consumed.

-
- Increase in crop production requiring nitrogenous fertiliser application:
 - The abolition of the wool reserve price scheme in 1991 led to a significant reduction in the price of wool, and a corresponding decline in wool production. In response, farmers converted to crop production resulting in an increase in consumption of nitrogen based fertilisers;
 - Demand for increased protein levels in some crops;
 - Area increases in sugar cane production; and
 - High growth of oilseed crops in southern Australia as a rotational alternative for wool pastures in the 1990s.
 - Increase in overall fertiliser demand through large increases in the adoption rate (the extent of fertiliser usage on the particular cropping segment area fertilised) and application rate (the average amount of fertiliser applied in kilograms per hectare on the area fertilised) of fertiliser on grain crops.

2.6 Pricing

Fertilisers are mainly commodity products. The major fertilisers, urea (nitrogen) and DAP (phosphorus), are internationally traded commodities, and international benchmark prices for these products are readily available. The availability of imports of commodity fertilisers like urea and DAP provides a strong discipline on pricing of other substitute fertilisers in the Australian market such as anhydrous ammonia and SSP. Although these fertilisers are not exchange traded commodities, the number of producers and purchasers of these products ensures that the market pricing structure occurs at an international level and is both transparent and soundly based. Australian prices for these products are generally based upon import parity.

Farmers require fertilisers to deliver one or more of the three basic nutrients. Therefore a high degree of demand side substitutability exists between fertilisers delivering the same nutrients. Accordingly, the price of the major commodity fertilisers (urea and DAP) sets a benchmark for the prices of substitutable fertilisers manufactured in Australia. This is the case even where there is no exact import equivalent product.

The market readily substitutes fertiliser products in order to deliver required nutrients. For example, DAP, MAP, TSP and associated blended products are often used as substitutes for SSP in the majority of agricultural applications.

2.7 Fertiliser Production and Imports

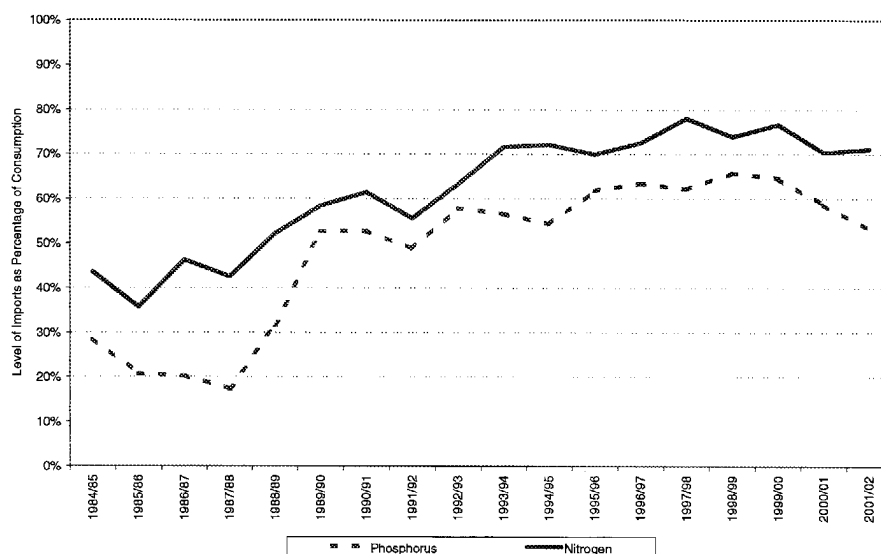
The Australian fertiliser market is dominated by imports:

- approximately 70% of nitrogenous fertilisers consumed in Australia are imported;

- approximately 55% of phosphorus fertilisers consumed in Australia are imported. This figure has reduced from mid-60% as a result of WMC Fertilizers Pty Ltd commencing manufacture of DAP and MAP at its Phosphate Hill facility; and
- all potassium fertilisers are imported.

Table 3 illustrates the level of imports as a percentage of total Australian fertiliser consumption for phosphorus and nitrogenous fertilisers.

Table 3: Australian Fertiliser Imports as a Percentage of Consumption



Source: ABARE, Australian Commodity Statistics 2002

2.8 Distribution Channels

Manufacturers and importers of fertilisers supply fertilisers through a number of channels – either direct to end users, via agents, or to dealers who on-supply fertilisers to end users.

Agents generally collect the fertiliser from a collection or distribution centre and transport the fertiliser to the end user on behalf of the supplier. Agents tend to be spreading contractors, own cartage trucks, have country based storage facilities and run local blending facilities. Their business model is generally set up to service pasture markets. In broadacre cropping markets the agency model is very attractive to bulk transport firms.

Dealers purchase product and on-sell product to end users. Dealers include rural merchandise supplier networks and smaller independent rural merchandise suppliers.

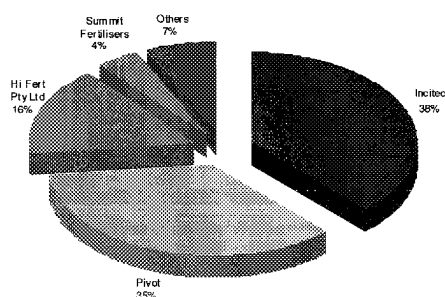
Incitec Pivot operates both an agency system and supplies fertilisers to a range of rural merchandise suppliers (dealers).

2.9 Market Position

Incitec Pivot comprises the former fertiliser businesses of Pivot and Incitec. Pivot traditionally had a strong market position in the south-east of mainland Australia and Tasmania. Incitec traditionally had a strong position in the Queensland and northern New South Wales markets.

The market shares of the major suppliers as at March 2003 as a proportion of the total volume of fertiliser supplied to the East Coast Australian market (ie all Australian States & Territories except Western Australia and the Northern Territory) is shown in Table 4. It should not be assumed this is the current market share or market share going forward.

Table 4: East Coast Market Share (By Volume) as at March 2003



Source: Samcor Pty Ltd

The barriers to entry to the fertiliser market are low. Many Australian fertiliser manufacturers also import fertilisers. In addition, a number of traders import fertilisers into Australia. There are no regulatory barriers to the import of fertiliser apart from ammonium nitrate (which is a dangerous good and is primarily sold to the mining industry for use in explosives).

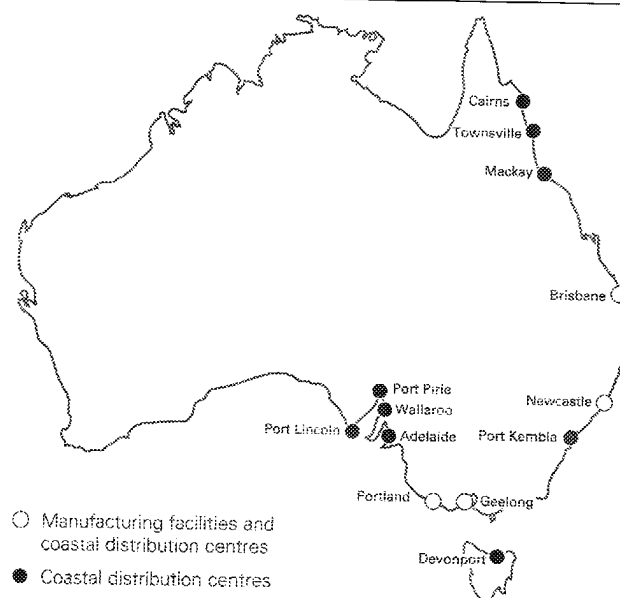
3. OVERVIEW OF INCITEC PIVOT LIMITED

3.1 Overview of Incitec Pivot

Incitec Pivot operates an integrated fertiliser business throughout eastern and southern Australia. Effective 1 June 2003, the Company merged with IFL (*the "Merger"*). The Company has more than 900 employees. Based on historical combined annual Australian fertiliser sales, the Company had proforma annual sales of approximately 3 million tonnes and annual revenue exceeding \$1 billion in the year ended 30 September 2002.

The Company has fertiliser manufacturing assets at Gibson Island (Brisbane), Kooragang Island (Newcastle), Cockle Creek (Newcastle), Geelong and Portland. It also has a number of coastal distribution centres, as illustrated in Table 5, and an extensive network of inland distribution centres throughout eastern and southern Australia.

Table 5: Manufacturing Facilities and Coastal Distribution Centres



3.2 History

The Company was established as an unlisted public company in June 1919 to operate under co-operative principles as *The Phosphate Co-operative Company of Australia Limited*. In keeping with an emerging focus on commercial rather than co-operative principles, the Company's name was changed to *Pivot Limited* in October 1994, and then to *Incitec Pivot Limited* on 29 May 2003.

The Company has approximately 43,000 shareholders with the majority being current or former primary producers. Unlisted shares in the Company have in the past not been promoted as a financial investment but rather as a means by which primary producers could participate in the provision of fertiliser as a significant farm input and share in the patronage-based rebate. A patronage based rebate was determined by the Company's Directors annually and paid to Ordinary Shareholders who were active in purchasing the Company's products and services. The last rebate was declared in the year ended September 1999 (\$5.4 million).

Over the past 15 years, the Company made a number of acquisitions and commenced initiatives into a variety of businesses. However, many of these businesses have been divested and the Company has returned to its core business of fertiliser manufacture, importation and distribution. Significant businesses recently divested or wound down include:

- **Grain Trading** - The Company purchased various grains and on-sold this grain to the agriculture sector, grain processors, overseas customers and its own milling enterprises. This business has been progressively wound down over the past year.
- **Stockfeed Manufacturing** - The Company offered a range of manufactured pelletised animal feed products through its own business interests and through joint ventures. The Company worked with various parties to establish feed products which optimised the nutrient requirements for various market sectors. The Company also offered grain products for sale as feed. The Company's interests in stockfeed manufacturing have been divested over recent years with completion of the Company's withdrawal from this sector in early 2003.
- **Aquaculture** - The Company manufactured various aquafeed products for use in the salmon and trout farming industries. The Company also developed feed for the tuna industry. The Company was the largest supplier of aquafeed in Australia. This business was divested in 2001.
- **Consumer Products** - The Company milled various flour products for its own bakery business and also provided flour to other bakeries in Tasmania and flour products for home baking use. The Company operated two bakeries in Tasmania which provided various bread, bun and biscuit products to the local market. This business was divested in 2001.

In June 2003 the Company merged with IFL. IFL was incorporated by Incitec in February 2003 specifically for the purpose of facilitating the Merger between the Company and Incitec's fertiliser operations. Incitec's fertiliser business has over the past 80 years established itself as a leading Australian fertiliser business with a presence in all Australian states except Western Australia and Tasmania. Employing approximately 550 people prior to the Merger, most of the operations of IFL are in Queensland and New South Wales, with smaller operations in Victoria and South Australia.

3.3 Operations

The Company markets a comprehensive range of fertiliser products to meet the nutrient needs of a variety of crops and soils in eastern and southern Australia. It also provides support services to a wide variety of cropping and livestock enterprises including the provision of agronomy advice and services, soil analysis, sale of soil conditioners, manufacture and marketing of water conditioners and marketing of acids.

The Company supplied 1.4 million tonnes of fertiliser to the Australian market in the year ended 30 September 2002. IFL supplied over 1.7 million tonnes of fertiliser in the year ended 30 September 2002. The Company has traditionally had strong market positions in the south-eastern side of mainland Australia and Tasmania. The Merger with IFL has improved the Company's position in the Queensland and New South Wales markets.

The Company sources fertiliser through the following channels:

- Manufacture of a number of fertiliser products. The Company purchases raw materials such as natural gas to manufacture ammonia and urea at its Brisbane plant. It also imports raw materials, such as phosphate rock, for use in its manufacture of phosphate fertilisers in its plants at Kooragang Island, Cockle Creek, Geelong and Portland;
- Import of manufactured fertiliser products from global suppliers to ports around Australia where distribution centres are located. These products may be sold in bulk form, or they may be bagged and blended for distribution to end users;
- Purchase of manufactured fertiliser products from other Australian suppliers, such as WMC Fertilizers Pty Ltd, Wesfarmers CSBP Limited, Impact Fertilisers Pty Ltd and Orica Limited ("**Orica**"); and
- Products sourced from Orica under product swap and supply contracts.

The product range of the fertiliser business is summarised in Table 6:

Table 6: Fertiliser Product Summary			
Product group	Product	Manufactured/Imported	Key uses
Nitrogenous Fertiliser	Big N (anhydrous ammonia)	Manufactured and purchased locally	Grain, cotton, oilseeds
	Urea	Manufactured and imported	Grain (wheat, coarse grain), oilseeds, rice, cotton, sugar, dairy
	Granam (ammonium sulphate)	Manufactured	Sugar, dairy, horticulture
	Nitram (ammonium nitrate)	Purchased locally	Dairy, horticulture
	Calcium Ammonium Nitrate	Imported	Horticulture
Phosphate Fertiliser	Single Superphosphate	Manufactured and purchased locally	Pasture (sheep, beef & dairy)
	Ammonium Phosphate	Imported and purchased locally	Broadacre cropping
	Triple Superphosphate	Imported	Broadacre cropping and pasture
Compounds	Ammonium Phosphate Sulphate	Manufactured	Wheat, coarse grain, oilseeds and cotton
Blends		Manufactured	Sugar, horticulture
Potassium Fertiliser	Full range, blends	Imported	Sugar, horticulture, dairy pasture
Trace Elements	Full range	Imported	All fertiliser markets

The Company operates seven manufacturing facilities in Australia. It operates the only urea manufacturing facility in Australia. Details of the Company's major fertiliser manufacturing facilities are provided in Table 7:

Table 7: Fertiliser Manufacturing Facilities		
Location	Facility	Approximate capacity (ktpa)
Gibson Island, Brisbane	Ammonia plant	290
	Urea plant	250
	Granulation plant	180
Kooragang Is, Newcastle	Granulation plant	90
Cockle Creek, Newcastle	Single superphosphate plant	350
Geelong, Victoria	Single superphosphate plant	450
Portland, Victoria	Single superphosphate plant	250

The Company's manufacturing facilities are supported by its network of coastal distribution centres in eastern Australia, and its network of smaller inland distribution centres providing storage, bagging and blending facilities. The Company distributes products through a network of rural merchandise suppliers (dealers) and agents.

3.4 The Company's Business Strategy

The core business strategy of Incitec Pivot is to achieve benefits accruing from the Merger with IFL and to become a leading Australian manufacturer and distributor of fertiliser products. The primary focus of the Company is to deliver high quality product at competitive prices to Australian farmers by:

- improving plant efficiencies at all manufacturing locations through increased plant capacity, improved production scheduling and focused capital expenditure programs;
- lowering operating costs through the elimination of duplicated costs, improved buying power and the more efficient use of resources;
- pooling resources and expertise to meet the increasing competitive threats faced in international and domestic markets; and
- unifying research and development programs focused on better meeting the needs of customers and consumers.

The Company's business strategy will be implemented with the aim of achieving a satisfactory long-term return to Shareholders.

3.5 Outlook

Given the uncertainty facing the Australian rural industry at present, the current drought conditions in many parts of Australia and the potential range of external variables on the Company's expected financial performance, the likely range of financial outcomes is so wide that any forecast of earnings for the financial year ending 30 September 2003 and future financial years has the potential to be more misleading than informative to Shareholders.

Accordingly, the Directors of the Company consider there is no reasonable basis on which to provide quantitative financial information regarding the Company other than as set out elsewhere in this Information Memorandum. Shareholders should also refer to the risk factors affecting the prospects of the Company and an investment in its Shares set out in this Section.

3.6 General Investment Risk Factors

The price at which the Company's Shares trade on ASX can be expected to fluctuate and there can be no guarantee that an active market for the Shares will develop.

It is possible that the volume of Shares placed for sale may exceed the volume of Shares sought for purchase by other Shareholders, institutions and the investing public.

If this occurs the price of Shares may be materially affected, at least in the short term following Listing.

The price at which the Shares trade on ASX may be affected by a number of factors including the financial and operating performance of the Company and external factors over which the Company has no control. These factors include actual, expected and perceived general economic conditions, changes in government policies, investor attitudes, movements in interest rates, foreign exchange rates, equity markets and the global economic and political situation.

It should be noted that at the date of Listing, Incitec will hold 70% of the Ordinary Shares of the Company. At the date of Listing Orica holds the entire issued ordinary share capital of Incitec and will be the ultimate controlling entity of the Company.

3.7 Industry and Business Risk Factors

The Company is subject to a range of industry and business specific risks which will to various extents impact the Company's earnings. Key industry and business risks are identified below:

- **Changes in Economic Conditions**

General economic conditions, which can be influenced by global political and economic instability, such as inflation, foreign currency exchange rates, interest rates, overall supply and demand conditions, world commodity prices of urea and phosphate fertilisers and general industrial disruption, may have an adverse impact on prices, revenues, operating costs, and the ability to fund activities.

- **Agricultural Risks**

The Company's fertiliser products are ultimately sold principally to Australian primary producers. The demand for fertiliser is seasonal and subject to variation due to climatic conditions, rural incomes, world commodity prices for products, types of crop planting and changes in farmer preferences for the nutrients provided in fertiliser products.

- **Operating Risks**

The Company will be exposed to the normal risks of fertiliser manufacturing, including the timely and economic supply of adequate raw materials (especially gas, phosphate rock and sulphuric acid), energy, water and labour and the ongoing availability and efficient use of production machinery.

- **Credit Risks**

The Company will be subject to standard business credit risk in the event of breaches by its customers of normal trading terms.

- **Industrial Risks**

Industrial disruptions, work stoppages and accidents in the course of the Company's operations can result in production losses and delays, which may adversely affect profitability.

- **Changes in Government Legislation and/or Policies**

Changes in Federal or State government legislation or policies may adversely impact on the Company's operations and business. For example, a change may occur in relation to legislation or policies affecting greenhouse gas emissions or nutrient run-off to the Great Barrier Reef or other areas.

- **Hedging and Foreign Exchange**

The Company, during the ordinary course of its operations, enters into hedging contracts to hedge its foreign exchange and interest rate exposures. While hedging of commodity prices is possible, there is no guarantee that appropriate hedging will be available at an acceptable cost. Even if the Company hedges some or all of its exposures, movements in foreign exchange, interest rates and commodity prices may have adverse financial implications for the Company.

- **Competition in the Fertiliser Industry**

The fertiliser industry operates in a highly competitive domestic environment. The industry is characterised by low barriers to entry and a number of major international fertiliser groups have established, or are attempting to gain, a presence in the market.

- **Environmental Risks**

The Company is subject to environmental laws and regulations and specific operating licences. No assurance can be given that the application of (or changes to) these laws and regulations may not have a detrimental effect on the Company's operations and financial performance in the future. However, at a number of sites at which the Company operates there could be potential environmental remediation required should the Company cease to operate at those sites.

- **Integration Risks**

The Merger of the Company with IFL was implemented on 1 June 2003. There are risks inherent in the merger of any business operations. There is the risk that unforeseen events may cause expected synergies to be delayed, not be obtained, cost more to achieve than originally expected or cause estimates of volume loss to be incorrect.

4. BOARD AND MANAGEMENT

4.1 Board of Directors

At the date of this Information Memorandum, the Board consists of the following executive and non-executive Directors:

John Watson, MAICD
Non-Executive Chairman

Pivot Director and Chairman since 1998. John is Chairman of the Victorian Meat Authority and of the Co-operative Research Centre for Innovative Dairy Products, a Councillor of the Royal Agricultural Society of Victoria and a Member of the Rabo Bank Food and Agribusiness Advisory Board for Australia and New Zealand. He is a former Senior Vice President of the National Farmers Federation.

Greg Witcombe, BSc
Managing Director and Chief Executive Officer

Greg joined Orica in 1977 and has held several senior management positions. He was Managing Director of Incitec between October 1998 and April 2003. Director of IFL.

Leo Delahunty, FAICD
Director

Director of Pivot since November 1999. Leo is a grain and livestock farmer at Murtoa in the Wimmera. He is co-founder and shareholder of the agricultural investment management company, DIRT Management Pty Ltd. He is also a director of Wimmera Racing Club Ltd.

Barbara Gibson, BSc, FTSE
Director

Barbara is General Manager Chemicals Group with Orica and has held several senior management positions during her seventeen year career with Orica. She is Deputy Chairman of Biota Holdings Limited. Director of Incitec and IFL.

Brian Healey
Director

Director of Orica. Brian is Chairman of Centro Properties Ltd and Prime Property Management Ltd and a Director of Foster's Brewing Group Ltd and CGNU Australia Holdings Ltd. Former Senior Vice President of Nabisco Inc and Sara Lee Corporation. Former Chairman of Biota Holdings Ltd and Portfolio Partners Ltd. Former Chief Executive of Nicholas Kiwi.

Anthony Larkin, FCPA, FAICD
Director

Until January 2002 Anthony was Executive Director Finance of Orica. He previously held the position of Group Treasurer BHP Ltd. His 38-year career with BHP included senior finance positions in steel and minerals businesses and various senior corporate roles. From 1993 to 1997 he was seconded to Fosters Brewing Group as Senior Vice President Finance and Investor Relations. He is a Commissioner with the Victorian Essential Services Commission, director of Ausmelt Limited and member of Advisory Board of Pasminco Resources Limited. Chairman of Incitec from July 2000 to April 2003 and Chairman of IFL.

Graeme Liebelt, BEc (Hons)
Director

Director of Orica. Graeme is Chief Executive Officer of Orica's Mining Services. Previously Chairman of Incitec, General Manager of Plastics and Managing Director of Dulux.

Allan McCallum, Dip. Ag Science, MAICD
Director

Director of Pivot since 1998. Allan is a farmer in Northern Victoria. He is also Deputy Chairman of Graincorp Limited, director of Grain Growers Association Limited, Chairman of Nugrain Pty Ltd and President of the Australian Oilseeds Federation.

David Trebeck, BScAgr (Hons), MEc, MAICD
Director

David is Executive Chairman of ACIL Tasman Pty Ltd, an economics, policy and strategy consultancy organisation working in a range of industry and government sectors, particularly those associated with rural activities. He has grain farming and grazing interests in southern New South Wales. He is a director of Graincorp Limited and a former director of Pipers Brook Vineyard Limited. Previously a director of Incitec and currently a director of IFL.

4.2 Remuneration of Board Members

The Constitution provides that non-executive Directors are entitled to be paid an aggregate annual amount fixed by the Company in general meeting. The Board of Directors of Incitec Pivot may fix the remuneration of each executive Director from within the aggregate annual amount. The remuneration for either non-executive Directors or executive Directors may include non cash benefits.

4.3 Senior Management

Greg Witcombe, BSc
Managing Director and Chief Executive Officer

Greg joined Orica in 1977 and has held several senior management positions. He was Managing Director of Incitec between October 1998 and April 2003. Director of IFL.

John Lloyd, BSc, MBA
General Manager Commercial

Prior to the Merger John was Pivot's Executive General Manager Marketing and Sales. John has had more than 20 years experience in agriculture.

John Warnock, BE (Chem), MBA
General Manager Logistics and Supply Chain

John has worked in a variety of roles with Incitec/IFL since 1973. Prior to the Merger John was IFL's Logistics and Supply Chain Manager.

Richard Hoggard, BEng
General Manager Manufacturing and Safety, Health and Environment

Richard joined Incitec from Orica in 1998. Prior to the Merger Richard was Incitec/IFL's General Manager Manufacturing.

James Fazzino, BEc (Hons), CPA
Chief Financial Officer

Prior to the Merger James held the position of Orica's Investor Relations Manager. James has had many years experience with Orica with a background in several business finance roles.

Wayne Elmer, BEc, MCom
General Manager Human Resources

Prior to the Merger Wayne was Pivot's Executive General Manager of Human Resources. Wayne has substantial human resources and commercial experience.

Anil Sharma , LLB, FCIS, MAICD
General Counsel and Company Secretary

Before joining IFL as General Counsel and Company Secretary prior to the Merger, Anil worked for a number of years in the telecommunications industry.

5. FINANCIAL INFORMATION

5.1 Financial Performance For The Year Ended 30 September 2002

The financial information presented in Table 8 provides the adjusted financial performance of Pivot and IFL for the year ended 30 September 2002.

The financial information represents the standalone adjusted financial performance of Pivot and IFL prior to the Merger and incorporates adjustments set out in detail in the Investigating Accountant's Report contained in Section 6. The Pivot adjustments have the effect of removing the impact of discontinued operations, profit on the sale of non-core assets, restructuring provisions and one-off costs raised during the year. The IFL financial adjustments reflect the impact of arrangements put in place following the demerger of Incitec's fertiliser business from Incitec. No adjustments have been made to the Pivot or IFL financial information to reflect costs and synergies arising out of the Merger.

Table 8: Statement of Financial Performance For The Year Ended 30 September 2002

	Adjusted Incitec Fertilizers Limited (\$ million)	Adjusted Pivot Limited (\$ million)
Sales	678.2	496.6
EBITDA	83.7	60.6
EBIT	61.0	45.3

The Pivot operating result for the 2002 year was a very strong result and was a considerable improvement over the previous year. The fertiliser business achieved an increase of \$31.2 million in EBIT, with slightly lower volumes being offset by improved efficiencies within the supply chain and in general cost management.

In volume terms, IFL's sales exceeded 1.7 million tonnes, which was a record for the business and 3.4% higher than 2001 levels. EBIT was 12% higher than the previous year, driven by efficiency improvements. The result was achieved notwithstanding the effects of the unfavourable weather conditions in IFL's markets. Sales to grain and cotton markets were particularly affected.

IFL's result was also impacted by low international urea prices throughout the year with a period of particularly weak prices early in the 2002 calendar year. Coupled with the value of the Australian dollar, which strengthened over the course of the financial year, pressure remained on IFL's margins on domestically manufactured products.

5.2 Financial Performance for the 6 Months ended 31 March 2003

The financial information presented in Table 9 provides the adjusted financial performance of Pivot and financial performance of IFL for the 6 months ended 31 March 2003.

The adjusted financial performance of Pivot reflects the standalone financial performance of Pivot prior to the Merger and incorporates adjustments removing the impact of discontinued operations and the sale of non-core assets which are set out in detail in the Investigating Accountant's Report contained in Section 6. The financial performance of IFL reflects the unadjusted standalone financial performance of IFL prior to the Merger. No adjustments have been made to the Pivot or IFL financial information to reflect costs and synergies arising out of the Merger.

Table 9: Statement of Financial Performance For The 6 Months Ended 31 March 2003

	Incitec Fertilizers Limited (\$ million)	Adjusted Pivot Limited (\$ million)
Sales	254.1	164.0
EBITDA	14.4	15.7
EBIT	1.7	9.7

Pivot's performance for the 6 months ended 31 March 2003 was adversely affected by the ongoing drought conditions in many parts of Australia. Sales revenue was approximately 15% lower than the corresponding period last year. The decline in sales revenue was partially offset by a continued improvement in product sourcing, logistics and general cost containment.

IFL's earnings for the 6 months ended 31 March 2003 were also impacted by drought related conditions, with volumes falling by 13% compared to the previous corresponding period.

The industry in which the Company operates is influenced by seasonal factors. Historically, Incitec and Pivot generate a significantly greater level of earnings in the second half of the financial year compared to the first half. The second half of the financial year coincides with increased cropping activity and accordingly has been associated with increased fertiliser usage and demand. As at the date of this Information Memorandum the sales volume trend in the second half has been consistent with the first half for the Company.

5.3 Statement of Net Assets

The financial information provided in Table 10 provides as at 31 March 2003:

- the financial position of Pivot and adjusted financial position of IFL on a standalone basis prior to the Merger; and
- the proforma consolidated financial position of Incitec Pivot on the basis that IFL was a controlled entity of the Company as at 31 March 2003.

The adjusted financial position of IFL and the proforma consolidated financial position of Incitec Pivot incorporates adjustments, including the financial effects of the Merger, set out in detail in the Investigating Accountant's Report contained in Section 6.

Table 10: Statement of Net Assets as at 31 March 2003

	Adjusted Incitec Fertilizers Limited (\$ million)	Pivot Limited (\$ million)	Proforma Incitec Pivot Limited (Including Merger Adjustments) (\$ million)
Current Assets			
Cash	-	4.3	4.3
Receivables	58.3	80.2	138.5
Inventories	193.8	181.2	372.1
Other	6.5	4.8	11.3
Total Current Assets	258.6	270.5	526.2
Non-Current Assets			
Other financial assets	-	0.3	0.3
Property, plant and equipment	174.9	114.3	308.0
Deferred tax assets	4.3	14.5	32.0
Intangibles	-	-	198.0
Other	15.3	-	15.3
Total Non-Current Assets	194.5	129.1	553.6
TOTAL ASSETS	453.1	399.6	1,079.8
Current Liabilities			
Payables	168.6	83.5	252.1
Interest bearing liabilities	6.9	154.2	106.1
Current tax liabilities	1.4	-	1.4
Provisions	4.2	7.6	57.8
Provision for dividend	-	-	24.5
Total Current Liabilities	181.1	245.3	441.9
Non-Current Liabilities			
Interest bearing liabilities	-	-	55.0
Deferred tax liabilities	18.0	-	18.0
Provisions	7.2	2.9	10.1
Total Non-Current Liabilities	25.2	2.9	83.1
TOTAL LIABILITIES	206.3	248.2	525.0
NET ASSETS	246.8	151.4	554.8

Included in the proforma of Incitec Pivot's net asset position as at 31 March 2003 were \$55 million of non-current interest bearing liabilities, which represent the redeemable preference shares issued by IFL, and \$106 million of current interest bearing liabilities. Of this \$106 million, \$64 million represents deposits received under the Company's Investment Deposit Scheme, with the balance being from financial institutions.

Effective from 16 June 2003, the financial institutions were repaid from transitional funding arrangements put in place with Orica Finance Limited ("*Orica Finance*") (a wholly owned company of the Orica Group). These transitional arrangements remain in place until 31 August 2003 with Incitec Pivot and Orica Finance seeking to put in place more permanent arrangements before then.

As at the date of this Information Memorandum the Company has in place enough working capital to carry out the Company's objectives stated in this Information Memorandum.

5.4 Dividend Policy

The dividend policy of the Company will be determined from time to time by the Board. Future dividends will depend on a number of factors including the performance of the Company's businesses, the risk factors discussed in this Information Memorandum, the investment opportunities available to the Company and its taxation position. The Board can give no assurance about the future level of dividends or the extent to which any such dividends will be franked.

5.5 Merger Implementation Costs

Incitec Pivot management believe that the combination of Pivot and IFL has the potential to generate substantial cost savings for the merged entity.

The cost savings include:

- Rationalisation of distribution centres where Pivot and IFL currently each operate a facility in the same region;
- Efficiencies in purchasing of raw materials and services;
- Logistics – taking advantage of the geographic spread of manufacturing plants across several states, enabling savings on freight costs and improved service delivery times; and
- Elimination of duplicated administration functions.

Management of Incitec Pivot has estimated that these measures may generate net cost savings (pre-tax) of \$30 million per annum. It is also expected that there will be savings in capital expenditure.

The total costs of merging the operations of IFL and Pivot and realising the net cost savings are estimated to be approximately \$79 million (\$62 million after tax).

A summary of these costs and accounting treatment is contained in Table 11.

Table 11: Merger Implementation Costs and Accounting Treatment

	Notes	Gross (\$ million)	Tax (\$ million)	Net (\$ million)
Merger Implementation Costs				
Employee redundancy and allowances		20	6	14
Implementation costs		13	4	9
Asset writedowns and clean up provisions (including environmental)		35	7	28
Transaction and listing costs		8	0	8
Accounting policy adjustments		3	0	3
Total	1	79	17	62
Accounting Treatment of Merger Implementation Costs:				
	2			
Goodwill		17	4	13
Significant items:				
- 2003 financial year		56	11	45
- 2004 financial year		6	2	4
Total		79	17	62

Notes:

- 1 At the time of signing the Merger Implementation Deed, the Board estimated that Merger implementation costs would comprise \$30 million cash costs and an unquantified amount for asset writedowns and clean up costs arising from the Merger. Total costs (post tax) are now estimated at \$62 million including asset writedowns and clean up costs which are now quantified at \$28 million.
- 2 Merger implementation costs relating to IFL are capitalised into goodwill on the basis that the acquiring entity is Pivot. Costs incurred by Pivot pre merger and implementation costs incurred by Incitec Pivot post merger are expensed as incurred. Due to the size and one off nature of the items they will be disclosed in the year end statutory accounts as Significant Items.

6. INVESTIGATING ACCOUNTANT'S REPORT

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23 June 2003

The Directors
Incitec Pivot Limited
70 Southbank Boulevard
SOUTHBANK VIC 3006

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

Introduction

This report has been prepared at the request of the Directors of Incitec Pivot Limited ("Incitec Pivot" or "the Company") for inclusion in an Information Memorandum to be dated on or around 23 June 2003, in relation to the Australian Stock Exchange ("ASX") Compliance Listing of Incitec Pivot. Definitions used in this report have the same meanings as set out in the Glossary of the Information Memorandum in which this report appears.

Background

The Company is an unlisted public company, which manufactures, imports and distributes fertilisers. The Company was established in 1919 as a farmer owned co-operative to supply superphosphate to members.

On 21 February 2003 the Company entered into an agreement with Incitec Ltd ("Incitec") and Orica Limited ("Orica") to merge Pivot and Incitec's fertiliser business.

The key aspects to the merger proposal are as follows:

- Incitec transferred its fertiliser business to a subsidiary, Incitec Fertilizers Limited ("IFL")
- Each existing Company investor share became a Company ordinary share
- The Company acquired all the issued ordinary shares in IFL

-
- The Company issued new ordinary shares to Incitec as consideration for the purchase of IFL
 - Following the issue of shares to Incitec, Incitec owns 70% of the Company's issued share capital
 - The Company changed its name from "Pivot Limited" to "Incitec Pivot Limited"
 - Incitec Pivot will apply for admission to the official list of the ASX and for quotation of its shares.

Incitec has historically held its fertiliser business in a number of entities, some of which also include Incitec's industrial chemicals business. Under the provisions of the Merger Implementation Deed, Incitec committed to separate its fertiliser business from its industrial chemicals business. IFL was incorporated by Incitec in February 2003 specifically for the purpose of facilitating the merger between Pivot and Incitec's fertiliser operations. Incitec and IFL entered into a number of asset sale agreements to transfer the Incitec fertiliser business into IFL as of 1 April 2003.

To facilitate the orderly separation of the Incitec fertiliser business from Incitec's industrial chemicals business, IFL and Incitec have agreed to enter into a number of product supply and service agreements in respect of sites from which both companies will jointly source products and operate.

Also, Orica will provide support services such as information technology, human resources, safety and environmental and some engineering services to IFL on similar terms and to the same extent as those services provided by Orica to Incitec immediately prior to the transfer of the fertiliser business to IFL.

Scope

The Directors of Incitec Pivot are responsible for the preparation of the combined proforma adjusted financial information.

The Directors have requested Deloitte Touche Tohmatsu prepare a report on the following information which is set out in Appendix 1 to this report:

- The Combined Adjusted Proforma Summarised Statements of Financial Performance of the Company for the year ended 30 September 2002 and the six months ended 31 March 2003 incorporating the assumptions detailed in Appendix 1.
- The Combined Adjusted Proforma Statement of Net Assets of the Company as at 31 March 2003 incorporating the assumptions detailed in Appendix 1.
- The notes thereto.

Review of Proforma Financial Information

The proforma financial information for the year ended 30 September 2002 has been extracted from the audited financial reports of Incitec and Pivot. The proforma financial information for the six months ended 31 March 2003 has been extracted from the financial report of Pivot upon which we conducted a review, and unaudited management accounts of Incitec. The

Incitec business as a whole was subject to a review as at 31 March 2003 by a major international accounting firm. Adjustments have been made to the information referred to above, as appropriate, to reflect the combined proforma financial information of the Company. A summary of adjustments is included in Appendix 1 to this report.

We have conducted a review, in accordance with Australian Auditing and Assurance Standard AUS902 "Review of Financial Reports" applicable to review engagements, of the Combined Adjusted Proforma Summarised Statements of Financial Performance for the year ended 30 September 2002 and the six months ended 31 March 2003 and the Combined Adjusted Proforma Statement of Net Assets of the Company at 31 March 2003, which we have not audited, and consider this information appropriate for inclusion in this report. Our review procedures consisted primarily of analytical review procedures, review of assumptions used to compile the proforma financial information, review of the adjustments made to the proforma financial information, comparison of accounting policies and discussions with senior management.

Statement

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the Combined Proforma Summarised Statements of Financial Performance of the Company for the year ended 30 September 2002 and the six months ended 31 March 2003, and the Combined Proforma Statement of Net Assets of the Company as at 31 March 2003 have not been properly prepared in accordance with the basis of preparation as set out in Appendix 1 to this report.

Subsequent Events

Subsequent to 31 March 2003 and up to the date of this report, nothing has come to our attention that would cause us to believe material transactions or events outside the ordinary course of business of Incitec Pivot have occurred, other than the matters dealt with in this report, which would require comment on, or adjustment to, the information contained in this report, or which would cause such information to be misleading.

Yours faithfully



Tom Imbesi
Partner

APPENDIX 1

1. Combined Adjusted Proforma Summarised Statement of Financial Performance for the year ended 30 September 2002

\$m	Adjusted IFL	Adjusted Pivot	Incitec Pivot	Merger Adjustments	Proforma Combined
Revenue	678.2	496.6	1,174.8	-	1,174.8
EBITDA	83.7	60.6	144.3	-	144.3
EBIT	61.0	45.3	106.3	(9.9)	96.4

Basis of Preparation

Set out above, for the purposes of illustration only, is a Combined Adjusted Summarised Proforma Statement of Financial Performance of Incitec Pivot disclosing revenue, EBITDA and EBIT assuming the two companies had been merged for the period 1 October 2001 to 30 September 2002, and is based on:

- The adjusted management accounts of IFL for the year ended 30 September 2002, which is stated after taking account of the estimated impact of the supply and service agreements put in place as part of the demerger of the Incitec fertiliser and industrial chemicals businesses as if those had been in place for the year ended 30 September 2002. The financial performance of the fertiliser business is further adjusted to reflect the reallocation of overhead costs which were previously shared between the fertiliser and industrial chemicals businesses.

The net financial effect of these adjustments is to increase revenue by \$29.5 million and EBIT by \$2.2 million.
- The audited financial report of Pivot for the year ended 30 September 2002, which has been adjusted to remove:
 - The results of the grain and stock feed businesses, which have either been wound down or divested. The financial impact of this adjustment is to decrease revenue by \$113.3 million and to increase EBIT by \$3.6 million.
 - Restructuring provisions and one-off costs raised during the September 2002 financial year in respect of the fertiliser business. The financial impact of this adjustment is to increase EBIT by \$4.4 million.
 - A profit on sale of non core assets. The financial impact of this adjustment is to reduce EBIT by \$0.3 million and reduce revenue by \$0.4 million.
- A merger adjustment of \$9.9 million has been made to EBIT to reflect the annual amortisation of goodwill that will arise on consolidation, assuming goodwill of \$198.0 million arose on consolidation and is amortised over 20 years.
- The proforma financial performance has not been adjusted to reflect any trading synergies that may arise from the merger.

2. Combined Adjusted Proforma Summarised Statement of Financial Performance for the six months ended 31 March 2003

\$m	IFL	Adjusted Pivot	Incitec Pivot	Merger Adjustments	Proforma Combined
Revenue	254.1	164.0	418.1	-	418.1
EBITDA	14.4	15.7	30.1	-	30.1
EBIT	1.7	9.7	11.4	(4.9)	6.5

Basis of Preparation

Set out above, for the purposes of illustration only, is a Combined Adjusted Summarised Proforma Statement of Financial Performance of Incitec Pivot disclosing revenue, EBITDA and EBIT assuming the two companies had been merged for the period 1 October 2002 to 31 March 2003, and is based on:

1. The unaudited management accounts of IFL for the six months ended 31 March 2003, which is stated without adjustment.
2. The reviewed financial report of Pivot for the six months ended 31 March 2003, which has been adjusted to remove the results of the grain and stock feed businesses that have either been wound down or divested. The financial impact of this adjustment is to decrease revenue by \$19.0 million and to increase EBIT by \$2.2 million. In addition, the financial impact of profit on sale of non core assets was to reduce EBIT by \$0.8 million and revenue by \$5.3 million.
3. A merger adjustment of \$4.9 million has been made to EBIT to reflect the annual amortisation of goodwill that will arise on consolidation, assuming goodwill of \$198.0 million arose on consolidation and is amortised over 20 years.
4. The proforma financial performance has not been adjusted to reflect any trading synergies that may arise from the merger.

3. Combined Adjusted Proforma Statement of Net Assets at 31 March 2003

\$m	31 March 2003 Adjusted IFL	31 March 2003 Pivot	IFL Merger Adjustments	Pivot Merger Adjustments	Goodwill Adjustment	Proforma Incitec Pivot
Current Assets						
Cash	-	4.3				4.3
Receivables	58.3	80.2				138.5
Inventories	193.8	181.2		(2.9)		372.1
Other	6.5	4.8				11.3
Total Current Assets	258.6	270.5	-	(2.9)	-	526.2
Non-Current Assets						
Other financial assets	-	0.3				0.3
Property, plant and equipment	174.9	114.3	35.5	(16.7)		308.0
Deferred tax assets	4.3	14.5	4.4	8.8		32.0
Intangibles	-	-			198.0	198.0
Other	15.3	-				15.3
Total Non-Current Assets	194.5	129.1	39.9	(7.9)	198.0	553.6
TOTAL ASSETS	453.1	399.6	39.9	(10.8)	198.0	1,079.8
Current Liabilities						
Payables	168.6	83.5				252.1
Interest bearing liabilities	6.9	154.2	(55.0)			106.1
Current tax liabilities	1.4	-				1.4
Provisions	4.2	7.6	16.7	29.3		57.8
Provision for dividend	-	-		24.5		24.5
Total Current Liabilities	181.1	245.3	(38.3)	53.8	-	441.9
Non-Current Liabilities						
Interest bearing liabilities	-	-	55.0			55.0
Deferred tax liabilities	18.0	-				18.0
Provisions	7.2	2.9				10.1
Total Non-Current Liabilities	25.2	2.9	55.0	-	-	83.1
TOTAL LIABILITIES	206.3	248.2	16.7	53.8	-	525.0
NET ASSETS	246.8	151.4	23.2	(64.6)	198.0	554.8

Basis of Preparation

Set out above, for the purposes of illustration only and which because of its nature cannot give a complete picture of the financial position, is a Combined Adjusted Proforma Statement of Net Assets of Incitec Pivot, after taking into account the financial effects of the merger and is based on:

- The reviewed statement of financial position of Pivot as at 31 March 2003, and
- The adjusted unaudited statement of financial position of IFL as at 31 March 2003, and is stated after taking account of the adjustments detailed below.

As the acquisition occurred on 1 June 2003, any movement in the net assets of Pivot and IFL between 31 March and 1 June 2003 will need to be taken into account in arriving at the final consolidated statement of net assets. The final calculation of goodwill will depend on the net assets of IFL as at 1 June 2003.

General

- The IFL unaudited statement of financial position has been adjusted to:
 - (a) remove the assets and liabilities of the industrial chemicals business, and
 - (b) to recognise an intercompany debt between IFL and Incitec as a result of supply agreements between the two entities since 1 October 2002.
- No adjustment has been made to reflect the effects of trading of either IFL or Pivot since 31 March 2003.

IFL Merger Adjustments

- Land has been revalued upwards by \$36 million by reference to an independent valuation obtained and is offset by a \$0.5 million write off of equipment that will not be used by IFL post merger.
- The issue of \$55 million in Redeemable Preference Shares issued by IFL on 27 May 2003 in accordance with the Merger Implementation Deed. It is assumed the \$55 million will be used to repay debt.
- Merger provisions of \$16.7 million have been raised. These include approximately \$7 million for redundancies, \$2.5 million for merger costs and \$5.0 million for environmental remediation.
- Deferred tax assets of \$4.4 million have been recognised in relation to the merger provisions and asset write downs discussed above.

Pivot Merger Adjustments

- The carrying value of Pivot's property, plant and equipment has been reduced by \$16.7 million for the impact of site rationalisation that will occur subsequent to the merger.
- Merger provisions of \$29.3 million have been raised. These include a provision of \$9.3 million for redundancies, \$5.1 million for rationalisation of facilities, \$7.3 million for environmental remediation and \$4.8 million for merger costs.
- A provision for dividend payable to Pivot shareholders of \$24.5 million has been raised.
- The carrying value of Pivot's inventory has been reduced by \$2.9 million for accounting policy alignment.
- Deferred tax assets of \$9.7 million have been recognised in relation to the merger provisions and asset write downs discussed above, offset by \$0.9 million in deferred tax asset writeoffs.

Goodwill Arising on Acquisition

- The Combined Adjusted Proforma Statement of Net Assets has been adjusted to reflect the estimated goodwill arising on Pivot's acquisition of IFL. Goodwill arising on consolidation has been calculated as the difference between the estimated fair value of shares issued by Pivot as consideration for all the issued shares of IFL and the estimated fair value of net assets of IFL as at 31 March 2003. The amount attributed to goodwill may change as a result of:

-
- (a) The determination of the actual fair value of shares issued by Pivot for the purchase of IFL; and
 - (b) Adjustments made to the carrying value of net assets acquired as a result of a detailed assessment of their fair value and estimated restructuring costs.

Merger Implementation Costs

Merger implementation costs which have not been provided for by Pivot or IFL prior to the merger, but will be necessarily incurred in merging the two businesses together subsequent to the merger are included in Table 11 at Section 5.5 of the Information Memorandum.

7. ADDITIONAL INFORMATION

7.1 Incorporation

The Company was incorporated on 28 April 1919 as a public company operating under co-operative principles as *The Phosphate Co-operative Company of Australia Limited*. On 17 October 1994 the Company changed its name to *Pivot Limited* and on 29 May 2003 the Company changed its name to *Incitec Pivot Limited*.

7.2 Constitution

The Constitution of the Company was approved by the Company's Shareholders at the annual general meeting held on 29 April 2003 and took effect on the Implementation Date. The following summary highlights key provisions of the Constitution.

(a) Listing Rules

If the Company is admitted to the official list of ASX then:

- (i) Notwithstanding anything in the Constitution if the Listing Rules:
 - ◆ prohibit or prevent an act being done or require an act to be done or not to be done then the act shall be done or not done as the case may be; or
 - ◆ require the Constitution to contain a provision or not to contain a provision then the Constitution will be deemed to contain or not contain that provision as the case may be.
- (ii) In addition, if any provision of the Constitution is or becomes inconsistent with the Listing Rules the Constitution is deemed not to contain that provision to the extent of the inconsistency.

ASX has granted a waiver from compliance with Listing Rule 14.4 in relation to rule 3.8 of the Constitution, as summarised in paragraph (c), which has the effect that each of John Watson, Allan McCallum and Leo Delahunty will hold office for a term in excess of 3 years.

(b) Directors

The Incitec Pivot Board will decide the number of Directors but that number will be at least three or the number of Directors in office when the decision is made (whichever is greater) and in any event not more than nine. Directors need not be members of the Company. The Company will be responsible for appointing the Directors by ordinary resolution. Under certain circumstances, the Board may appoint a Director.

(c) **Retirement of Directors**

At each annual general meeting one-third of the Directors (excluding the Managing Director) must retire from office and are eligible for re-election.

In determining which Director is to retire from office, those who have held office longest since last elected or appointed will retire and if two or more have been in office for the same period the Directors must agree on which of them will retire, if they fail to agree they must draw lots.

In addition, the Constitution sets out specific retirement provisions regarding Leo Delahunty, Allan McCallum and John Watson. Under the terms of the Merger Implementation Deed, each of these Directors will hold office until the third annual general meeting after the date the Constitution was adopted and are eligible for re-election. If re-elected Allan McCallum is to retire at the fourth annual general meeting, and if re-elected Leo Delahunty is to retire at the fifth annual general meeting, after the date the Constitution was adopted.

As John Watson was last elected by Pivot Shareholders in February 2001 and Allan McCallum and Leo Delahunty in February 2002, this means that each of these persons will hold office for a term in excess of three years. This outcome was sought by Pivot, and agreed to by Incitec, to ensure that Pivot's three nominees as Directors of the merged entity would have defined terms for the first three years of the merged entity's operations and not be subject to the Director rotation requirements during this period.

When any of John Watson, Allan McCallum or Leo Delahunty or their respective successors cease to hold office, the person appointed or elected in their place shall retire at the annual general meeting at which their predecessors would have retired if they had remained in office.

(d) **Directors' Remuneration**

The Constitution expressly permits (subject to the cap fixed by members by ordinary resolution) remuneration to be provided in the form of non-cash benefits in addition to cash. The Board of Directors determines the value of any non-cash benefits.

The Constitution provides that retirement benefits may only be paid to executive Directors. However, as John Watson, Allan McCallum and Leo Delahunty each have an existing contractual entitlement, they will be entitled to a retirement benefit based on the current Incitec Pivot policy when they eventually leave the Company.

(e) **Insurance and Indemnity**

The Company may indemnify its officers, employees and auditors against liabilities incurred by them, to the extent permitted under the Corporations Act. It is the Board's current policy not to indemnify the auditors for audit related work. It may, however, in some instances be appropriate for the Company to indemnify the auditors for non-audit related work.

The Constitution contains an express power for the Company to make payments or loans to an officer or employee of the Company in respect of costs incurred in defending an action for certain liabilities incurred in that person's capacity as an officer or employee of the Company and this power extends to making such payments or loans to the auditors.

(f) **Powers of the Board**

Except as otherwise required by the Corporations Act, any other applicable law, the Listing Rules or the Company's Constitution, the Directors have power to manage the business of the Company and may exercise every right, power or capacity of the Company to the exclusion of the members.

(g) **General Meetings**

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Company's Constitution, the Corporations Act or the Listing Rules.

The Board may postpone, cancel or change the venue for a general meeting by giving notice to ASX.

The Constitution provides that the quorum for a meeting of members is two voting members being members having the right to be present and vote on at least one item of business to be considered at the meeting.

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of the Company:

- On a show of hands, every individual present who is a member, or a proxy, attorney or representative of a member, entitled to vote has one vote. However if a member has appointed two proxies, neither of these proxies may vote and a member who is present and entitled to vote and who is also a proxy, attorney or representative of another member has one vote.
- On a poll, every member entitled to vote who is present in person or by proxy, attorney or representative, has one vote for every fully paid Share held.

A person who holds a Share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to proportion which that amount bears to the total issued price of the Share.

Where there are two or more holders of a Share and more than one of them is present at the meeting and tenders a vote in respect of the Share, the Company will count only the vote cast by the member whose name appears first in the Company's register of members.

(h) **Adjournment of Members Meeting**

The Chairman may adjourn a meeting of members and must do so if directed by ordinary resolution of the members.

(i) **Entitlement to Vote**

The Company may disregard votes cast by a member where the Corporations Act or the Listing Rules require that member not to vote. This avoids conflicts arising between the rights of members to vote given under the Constitution and under the Corporations Act and Listing Rules.

(j) **Demand for a Poll**

The Chairman, or at least five members entitled to vote on the resolution, or members with at least 5% of votes, may call for a poll.

(k) **Shares**

Subject to other provisions of the Constitution, the Board may issue, grant options, offer or otherwise dispose of any unissued Shares to any person on the terms, with the rights, and at the times that the Board decides. Consistent with the Corporations Act the Company may issue preference shares (including preference shares liable to be redeemed).

If the Company issues different classes of shares, the rights attached to those shares in any class may be varied or cancelled only with the written consent of 75% of the issued shares of the affected class or by special resolution passed at a separate meeting of the holders of the issued shares of that affected class.

(l) **Partly Paid Shares**

The Directors may, subject to compliance with the Company's Constitution, the Corporations Act and the Listing Rules, issue partly paid shares upon which there are outstanding amounts payable. Such shares will have limited rights to vote and to receive dividends.

(m) **Transfer of Shares**

Subject to the Company's Constitution, the Corporations Act and the Listing Rules, Ordinary Shares are freely transferable. The Company must not charge any fee on the transfer of a Share.

(n) **Dividends**

The Directors may from time to time, determine dividends to be distributed to members according to their rights and interest. Dividends must be paid out of profits of the Company. Subject to the terms of issue of Shares, the Company may pay a dividend on one class of Shares to the exclusion of another class.

Each Share carries the right to participate in the dividend in the same proportion of that amount for the time being paid on the Shares bears to the total issue price of the Shares.

(o) **“Non-Marketable Parcels”**

Recent changes to the Listing Rules enable a company to refuse to register a transfer of shares if that transfer would result in a new holding of a “Non-Marketable Parcel”. For these purposes, it means a parcel of shares that constitutes less than a marketable parcel for the purposes of ASX operating rules and procedures.

As permitted under the Listing Rules, the Constitution allows the Board to sell a Share that is part of a “Non-Marketable Parcel”. Consistent with ASX Listing Rules, once in each 12 months, the Board may give members holding Non-Marketable Parcels a notice which states that the Board intends to sell those Shares before a specified date. However, the Board will not sell the Shares if a member responds to the notice and requests that the Shares not be sold.

(p) **Notices**

The Constitution sets out a procedure for the effective service of notice on a member, if the Company has, on two or more consecutive occasions, sent a notice to the member which is returned unclaimed. If the Board believes that the member is not at the address in the register or otherwise notified to the Company, the Company may give effective notice and future notices to the member by exhibiting the notice at the Company's registered office for at least 48 hours. This ceases to apply if the member subsequently notifies a new address.

(q) **Winding Up**

Subject to the rights of holders of shares with special rights in a winding up, if the Company is wound up, members will be entitled to participate in any surplus assets of the Company in proportion to the percentage of the capital paid up on their Shares when the winding up begins.

7.3 Declaration of Director Interests

Except as set out in this Information Memorandum:

- (a) no Director, and no firm in which a Director is or was at the relevant time, a partner, has, or has had in the two years prior to the issue of this Information Memorandum, an interest in:
- the promotion of Incitec Pivot;
 - the Listing; or
 - any property acquired or proposed to be acquired by Incitec Pivot in connection with its promotion or the Listing; and

-
- (b) no amounts, whether in cash or Shares or otherwise, have been paid or agreed to be paid to any Director of Incitec Pivot (or to any firm of which he is or was a partner) either to induce him to become, or qualify him as, a Director, or otherwise for the services rendered by him or the firm in connection with the formation and promotion of Incitec Pivot and the Listing.

As at the date of this Information Memorandum Directors of Incitec Pivot hold or have held in the two years prior to the issue of this Information Memorandum the Shares as set out below.

Name of Director	Ordinary Shares
John Watson	2,700
Allan McCallum	2,158
Leo Delahunty	3,128

Directors are not required by the Constitution to hold any Shares in the Company.

Allan McCallum and David Trebeck are directors of Graincorp Limited which conducts the following business with the Company:

- (i) the Company leases from Graincorp Limited on arms-length commercial terms, premises in Port Kembla;
- (ii) Graincorp Limited manages the Company's distribution business conducted on and from these premises.

The Company has entered into an employment agreement with the Chief Executive Officer, Greg Witcombe. The agreement may be terminated by 3 months notice given by either party. The agreement provides for a fixed annual remuneration of \$610,000 and other benefits for the Chief Executive Officer on terms commensurate with his position, the industry and the size of the Company including termination entitlements. The agreement includes provisions relating to confidential information and post-termination restraints. The agreement also includes an entitlement to an annual performance related incentive based on 30% of fixed annual remuneration subject to achievement of certain performance targets, and for over performance of such targets, can increase to 60% of fixed annual remuneration. In addition, the Chief Executive Officer will be eligible to participate in the Incentive Plan which the Board proposes to establish, a description of the proposed terms of which is set out in Section 7.12. His participation in the Incentive Plan in respect of a retention award (which will be due if he remains in employment with Incitec Pivot or any member of the Incitec Pivot group until 30 September 2005) will be based on 35% of fixed annual remuneration and in respect of a performance award for performance to 30 September 2005 will be based on 35% of fixed annual remuneration, subject to achievement of certain performance targets, and for over performance of such targets can increase to 70% of fixed annual remuneration. The Chief Executive Officer's level of participation in the Incentive Plan for future years is yet to be determined.

7.4 Declaration of Adviser Interests and Consents

Except for the fees and amounts paid or agreed to be paid and the interests set out below, no expert or firm in which any expert is a partner or principal has any interest in the promotion of the Company or in any property acquired or proposed to be acquired by the Company, and no amount, whether in cash or Shares, has been paid or agreed to be paid by any person or any expert or to any firm in which any expert is a partner or principal for services rendered by him or her or the firm in connection with the promotion or formation of the Company.

Merrill Lynch International (Australia) Limited ABN 31 002 892 846 has acted as financial adviser to Incitec Pivot in respect of the Listing and issue of the Information Memorandum and is entitled to receive professional fees in relation to this role. Merrill Lynch International (Australia) Limited has given and has not withdrawn (prior to lodgement of this Information Memorandum) its written consent to be named in this Information Memorandum as financial advisor to Incitec Pivot in respect of the Listing and issue of the Information Memorandum in the form and context in which it is so named. Merrill Lynch International (Australia) Limited does not make, or purport to make, any statement that is included in the Information Memorandum and there is no statement in the Information Memorandum which is based on any statement by Merrill Lynch International (Australia) Limited. To the maximum extent permitted by law, Merrill Lynch International (Australia) Limited expressly disclaims and takes no responsibility for any part of the Information Memorandum other than the references to its name.

Blake Dawson Waldron has acted as legal adviser to Incitec Pivot in respect of the Listing and issue of the Information Memorandum and is entitled to receive professional fees in relation to this role. Blake Dawson Waldron has given and has not withdrawn (prior to lodgement of this Information Memorandum) its written consent to be named in this Information Memorandum as legal advisor to Incitec Pivot in respect of the Listing and issue of the Information Memorandum in the form and context in which it is so named.

Deloitte Touche Tohmatsu has acted as Investigating Accountant to Incitec Pivot in respect of the Listing and issue of the Information Memorandum and is entitled to receive professional fees in relation to this role. Deloitte Touche Tohmatsu has given and has not withdrawn (prior to lodgement of this Information Memorandum) its written consent to be named in this Information Memorandum as Investigating Accountant to Incitec Pivot in respect of the Listing and issue of the Information Memorandum in the form and context in which it is so named, and has consented to the inclusion of its report in the form and context in which it is included in this Information Memorandum.

ASX Perpetual Registrars Limited ABN 54 083 214 537 has been appointed as the Share Registry for Incitec Pivot and is entitled to receive fees in relation to this role. ASX Perpetual Registrars Limited has given and has not withdrawn (prior to lodgement of this Information Memorandum) its written consent to be named in this Information Memorandum as Share Registry in the form and context in which it is so named. ASX Perpetual Registrars Limited has not authorised or caused the issue of this Information Memorandum and makes no representation regarding, nor takes responsibility for, any statements in, or omissions from, the Information Memorandum.

7.5 Expenses of Listing

All expenses in connection with the Information Memorandum and the application for admission to the official list of ASX and for official quotation of the Shares on ASX are being borne by the Company. Total expenses including professional advisory fees, printing costs and Listing fees in relation to the Listing and issue of the Information Memorandum are estimated to not exceed \$1,200,000.

7.6 Supplementary Information Memorandum

The Company will issue a Supplementary Information Memorandum if it becomes aware of any of the following between the date of this Information Memorandum and the date the Company's Shares are quoted on ASX:

- a material statement in the Information Memorandum is false or misleading;
- there is a material omission from the Information Memorandum;
- there has been a significant change affecting a matter included in the Information Memorandum; or
- a significant new circumstance has arisen and it would have been required to be included in the Information Memorandum if this circumstance had arisen prior to the date of this Information Memorandum.

7.7 Tax Consequences of Public Listing

No immediate taxation consequences to Shareholders will arise from Incitec Pivot obtaining Listing on ASX. The Listing process will not involve a disposal of Shares for Capital Gains Tax purposes under the Tax Act.

7.8 Legal Proceedings

So far as the Directors are aware there is no current or threatened litigation, arbitration proceedings or administrative appeals or criminal or governmental prosecutions in which Incitec Pivot is directly or indirectly concerned which is likely to have a material adverse effect on the business or financial position of Incitec Pivot.

7.9 Related Party Transactions

(a) Directors

The Directors of Incitec Pivot and details on their relevant experience is set out in Section 4 of this Information Memorandum.

(b) The ultimate controlling entity

The ultimate controlling entity as at the date of this Information Memorandum is Orica which holds the entire issued ordinary share capital of Incitec which in turn holds 70% of the issued Ordinary Share capital of Incitec Pivot.

(c) **Transactions with related parties**

- **Transactions between the Company and the Directors**

Those Directors who are primary producers may from time to time purchase fertiliser from Incitec Pivot on normal arms-length commercial terms and conditions.

Certain of the Directors may also deposit funds from time to time in the Company's Investment Deposit Scheme on normal arms-length commercial terms and conditions.

In addition the spouses, children and parents of those Directors who are primary producers may from time to time purchase fertiliser from Incitec Pivot on normal arms-length commercial terms and conditions.

- **Transactions between the Company or IFL, Incitec and Orica**

To facilitate the orderly separation of IFL from Incitec's other businesses, IFL and Incitec entered into a number of product supply agreements and service agreements in respect of sites from which both companies will jointly source products and operate. Such agreements include product supply agreements which relate to the supply by:

- Incitec to IFL of alum, nitrate and sulphur;
- IFL to Incitec of urea and carbon dioxide; and
- each of IFL and Incitec to each other of ammonia and sulphuric acid.

These product supply agreements are all dated 1 April 2003 and are each for an initial term of 10 years. These agreements have been novated to Orica by Incitec.

In addition, to further facilitate the orderly separation of IFL from Incitec's other business, Orica is to provide or to cause to be provided to IFL, support services (such as information technology, human resources, finance, safety, health and environment, and some engineering services) on similar terms and to the same extent as those services were provided by Orica to Incitec's fertiliser business immediately prior to the transfer of such business to IFL.

7.10 Corporate Governance Plan

The Incitec Pivot Board has adopted a framework on corporate governance which sets out the guiding governance principles and practices which each director must uphold at all times. The framework is comprised of a number of documents, including a Board charter, draft letters of appointment and deeds of indemnity for Directors, charters for each of the audit and risk management committee, remuneration and appointments committee, and corporate governance committee.

The Incitec Pivot Board is responsible for directing the business of Incitec Pivot towards increasing shareholder wealth and promoting the interests of Incitec Pivot's other stakeholders such as employees, customers and the community.

The Board adopted a Board charter establishing the policy and standards relating to the corporate governance of Incitec Pivot. The main functions of the Incitec Pivot Board will be to:

- approve the strategic direction and financial objectives of Incitec Pivot;
- monitor management's performance and progress against these objectives;
- ensure compliance with legal requirements and standards of performance;
- implement procedures and principles which ensure that the business is conducted ethically and with openness, honesty and integrity;
- ensure that the interests of all shareholders are represented even where Incitec Pivot has one major controlling shareholder;
- appoint and review the performance of the Managing Director and implementing appropriate succession planning for the Board and management; and
- ensure that activities to improve performance are developed and undertaken in accordance with acceptable principles of corporate governance and risk management.

In addition, Orica has agreed that, at any time when Orica is the ultimate listed holding company of Incitec Pivot and Incitec Pivot is listed on the official list of ASX, Orica will exercise its power as holding company to support that Incitec Pivot will be governed in accordance with the following principles, that:

- (i) at least three members of the Incitec Pivot Board will have at least 10 years practical experience in managing a commercial farming business;
- (ii) the Incitec Pivot Board will adopt policies and procedures according to the principles of good governance consistent with those adopted by a substantial number of ASX 200 companies;
- (iii) it is desirable that the Incitec Pivot Board at all times include a diversity of experience, expertise and community connections so that no individual or small group of individuals can dominate it; and
- (iv) robust documented protocols are maintained between Orica companies and Incitec Pivot companies to govern the transactions between the two corporate economic entities and to ensure the independence of Incitec Pivot companies.

Resources available to the Incitec Pivot Board

Subject to obtaining the prior approval of the Chairman, Incitec Pivot Directors have the right to seek independent professional advice at Incitec Pivot's expense to assist in carrying out their Board duties.

Committees of the Incitec Pivot Board

As part of Incitec Pivot's corporate governance, the Incitec Pivot Board has established the following committees:

- audit and risk management committee;
- remuneration and appointment committee;
- governance committee.

The committees will operate in accordance with charters established by the Incitec Pivot Board.

Audit and Risk Management Committee

The audit and risk management committee is to comprise at least 3 independent non-executive Directors.

The initial members of the audit and risk management committee are Anthony Larkin (Chairman), David Trebeck and Allan McCallum. Incitec Pivot's audit and risk management committee's charter was approved by the Incitec Pivot Board on 3 June 2003 and sets out the committee's responsibilities. The Incitec Pivot Board noted Anthony Larkin was previously employed by Orica. However, the Incitec Pivot Board considered he was independent for the purposes of chairing this committee. The role of the committee is to assist the Incitec Pivot Board:

- (a) in its review of:
 - Incitec Pivot's financial reporting principles and policies, controls and procedures;
 - the work of internal audit; and
 - the integrity of Incitec Pivot Limited's financial statements, the independent audit and the Company's compliance with legal and regulatory requirements;
- (b) with the effective discharge of its responsibilities for business, market, credit, operational, liquidity and reputational risk management.

In addition, to assist the Board the audit and risk management committee will be responsible for recommending the selection, evaluation and replacement as necessary of the external auditor for appointment by the Incitec Pivot Board. The committee will then regularly review the effectiveness of the external auditors.

The committee is required to make recommendations to the Board with regard to risk management and may direct any special investigations or to obtain professional advice from external advisers but does not have any executive powers to commit the Board of Directors to the implementation of any of its recommendations for risk management.

Remuneration and Appointments Committee

The remuneration and appointments committee is to comprise at least 3 independent non-executive Directors.

The initial members of the remuneration and appointments committee are all members of the Board other than the Managing Director, Greg Witcombe, and the committee will be chaired by the Chairman, John Watson. Incitec Pivot's remuneration and appointments committee charter was approved by the Incitec Pivot Board on 3 June 2003 and sets out the committee's responsibilities. The main items of responsibility are:

- to identify those individuals believed to be qualified to become Board members;
- in consultation with the Managing Director, to review and recommend to the Board for approval the Company's approach to compensation and to oversee the establishment of those compensation proposals;
- to identify Board members qualified to fill vacancies on any committee of the Board (including the remuneration and nomination committee);
- to recommend the appropriate process for evaluation of the performance of Incitec Pivot's Directors;
- to consider the appointment, performance and remuneration of the Managing Director;
- to review and make recommendations to the Incitec Pivot Board as to appropriate incentive schemes for employees of Incitec Pivot.

Each Director of Incitec Pivot has received a letter of appointment setting out the basis of his or her appointment as a director of the Company and referring to the corporate governance framework. In addition, Incitec Pivot has executed a Deed of Access, Indemnity and Insurance with each of its Directors, company secretary and chief financial officer. In summary the Deed provides:

- (a) a continuing indemnity against liability incurred by the relevant director, company secretary or chief financial officer as an officer of the Company other than liability to the Company or related body corporate of the Company or liability arising out of conduct involving a lack of good faith;
- (b) for the Company to take out and maintain an insurance policy insuring against liability incurred by the relevant person in the capacity as an officer of the Company (other than those liabilities in respect of which the Company is precluded from paying the premium under the Corporations Act).

Governance Committee

The committee is to comprise at least 3 independent non-executive Directors. The initial members of the committee are Allan McCallum (Chairman), John Watson and Leo Delahunty.

The committee is to ensure all executives of Incitec Pivot are aware of the rules relating to related party transactions, to ensure that Incitec Pivot, its subsidiaries and its

employees all comply with the Company's related party transactions policy and ensure that any transactions that are likely to constitute related party transactions comply with the law and are disclosed, as appropriate.

Safety, Environmental and Quality Policies

Incitec Pivot has adopted policies in relation to safety, the environment and quality, details of which are summarised below:

- **Safety Policy**

Incitec Pivot has adopted a policy on safety, seeking to ensure a safe working environment and safe systems of work thereby preventing injuries and reducing associated costs.

The objectives of Incitec Pivot as set out in the policy include meeting all regulatory authority requirements; establishing compliance mechanisms; striving to achieve zero work related lost time injuries; ensuring a consistent focus on the management of safety and providing rehabilitation services to workers who have suffered an illness or injury in the course of their employment with the Company.

- **Environmental Policy**

Incitec Pivot has adopted a policy on its commitment to preserving the environment, preventing pollution and ensuring the health and wellbeing of its workforce and the community in which it operates. The objectives of Incitec Pivot as set out in the policy include meeting all regulatory authority requirements for ground water, air emissions, stormwater, noise and soil contamination, establishing compliance mechanisms and maximising reuse of waste materials.

- **Quality Policy**

Incitec Pivot has adopted a policy on its commitment to providing products and services that meet its customers' needs. The objectives of the policy include Incitec Pivot meeting all regulatory requirements and establishing procedures and operating mechanisms consistent with accepted international standards.

7.11 Disclosing Entity

Incitec Pivot is currently a disclosing entity under the Corporations Act. This requires the Company to notify ASIC of any information of which it becomes aware that is not generally available and which a reasonable person would expect, if it were generally available, to have a material effect on the price or value of the Shares. This obligation has meant the Company has operated for some time in an environment of disclosure not unlike that prescribed under the Listing Rules.

7.12 Senior Employee Long Term Incentive Plan

Incitec Pivot intends to introduce a Senior Employee Long Term Incentive Plan ("*Incentive Plan*"). The Incentive Plan is being designed to align the interests of key employees of Incitec Pivot with those of Incitec Pivot shareholders. The following summary highlights the proposed terms of the Incentive Plan.

Under the proposed Incentive Plan, Incitec Pivot may determine which employees are eligible to participate in the Incentive Plan, either in respect of retention awards or performance awards.

A retention award is to be payable as a percentage of salary dependent upon the eligible employee remaining employed by Incitec Pivot (or any member of the Incitec Pivot group) until 30 September 2005. The amount of any retention award agreed to be paid by Incitec Pivot is to be applied in purchasing Shares, on market.

Performance awards are payable as a percentage of salary dependent upon certain performance measures being achieved over a three year period (or such lesser period as the Board may determine). More than one performance measure may be established for an employee. A proportion of any performance award agreed to be paid by Incitec Pivot may be paid in cash and a proportion may be applied in purchasing Shares, on market.

In determining a performance award Incitec Pivot will take into account:

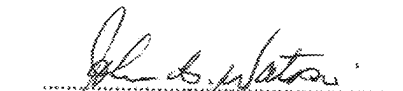
- (a) interests of Incitec Pivot's shareholders;
- (b) the employee's position, role and status in Incitec Pivot;
- (c) the nature of the employee's employment arrangements with the Incitec Pivot group; and
- (d) the contribution made by, or potential contribution of, the employee to the Incitec Pivot group.

It is proposed that the rules of the Incentive Plan will provide that the eligible employee is prohibited from dealing in the Shares except in limited circumstances (for example only to the extent necessary to realise cash to enable the eligible employee to satisfy any tax due in respect of an award made under the Incentive Plan). The Shares may be liable to forfeiture if the eligible employee commits, among other things, any illegal act, misconduct, fraud, or defalcation.

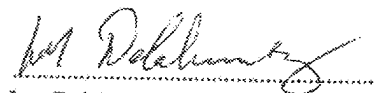
It is proposed that the rules of the Incentive Plan will include a provision whereby, subject to compliance with the Listing Rules, the Board may by resolution amend the rules.

8. DIRECTORS' STATEMENT

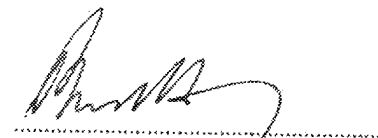
The issue of this document is authorised by the Directors of Incitec Pivot Limited whose names appear below and has been signed by or on behalf of them.

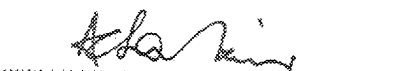

John Watson


Greg Wilcombe

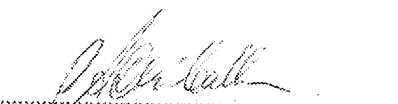

Leo Delahunty

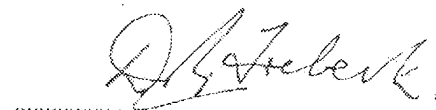

Barbara Gibson


Brian Healey


Anthony Larkin


Graeme Liebelt


Allan McCallum


David Trebeck

Dated 23 June 2003

9. GLOSSARY

<i>\$ or A\$</i>	Australian dollars.
<i>ASIC</i>	Australian Securities and Investment Commission.
<i>ASX</i>	Australian Stock Exchange Limited.
<i>Board or Board of Directors</i>	The board of Directors of Incitec Pivot Limited.
<i>Chairman</i>	Chairman of the Board of Directors of Incitec Pivot Limited.
<i>CHESS</i>	Clearing House Electronic Subregister System
<i>Constitution</i>	The Constitution of Incitec Pivot Limited
<i>Corporations Act</i>	Corporations Act 2001 (Cth).
<i>Directors</i>	The directors of Incitec Pivot Limited.
<i>EBIT</i>	Earnings before interest and tax
<i>EBITDA</i>	Earnings before interest, tax, depreciation and amortisation.
<i>HIN</i>	Holder Identification Number.
<i>IFL</i>	Incitec Fertilizers Limited ABN 56 103 709 155.
<i>Implementation Date</i>	1 June 2003
<i>Incitec</i>	Incitec Ltd ABN 41 010 767 263.
<i>Incitec Pivot or the Company</i>	Incitec Pivot Limited ABN 42 004 080 264 (formerly known as Pivot Limited).
<i>Incentive Plan</i>	Incitec Pivot Senior Employee Long Term Incentive Plan which Incitec Pivot proposes to establish, details of which are summarised in Section 7.12.
<i>Information Memorandum</i>	This document, which is required to be lodged with ASX in connection with the Company's application for Listing on ASX.
<i>Listing</i>	Listing and official quotation of Incitec Pivot Limited Shares on ASX.
<i>Listing Application</i>	Appendix 1A (ASX Listing Application and Agreement) of the Listing Rules.
<i>Listing Rules</i>	Listing Rules of ASX.
<i>Merger</i>	The merger of the Company and the fertiliser business of Incitec by the acquisition by the Company of all the issued ordinary shares of IFL and the issue by the Company to Incitec of 40,796,719 Ordinary Shares as contemplated by the Merger Implementation Deed.
<i>Merger Implementation Deed or the Deed</i>	The deed dated 21 February 2003 that sets out the terms and conditions pursuant to which Incitec, Orica and Pivot Limited agreed to implement the Merger.
<i>NPAT</i>	Net Profit After Tax.
<i>NSX</i>	Stock Exchange of Newcastle Limited.
<i>Ordinary Shares or Shares</i>	Ordinary shares in the capital of Incitec Pivot Limited.
<i>Orica</i>	Orica Limited ABN 24 004 145 868.
<i>Pivot</i>	Pivot Limited ABN 42 004 080 264 (subsequently known as

	Incitec Pivot Limited). In context refers to the legal entity and structure prior to the Merger.
<i>Share Registry</i>	ASX Perpetual Registrars Limited ABN 54 083 214 537
<i>Shareholders</i>	Holders of Ordinary Shares in the capital of Incitec Pivot Limited
<i>SRN</i>	Securityholder Reference Number.
<i>Tax Act</i>	Income Tax Assessment Act 1936 (Cth) and the Income Tax Assessment Act 1997 (Cth), jointly, as applicable.

10. DIRECTORY

Registered Office

Incitec Pivot Limited
70 Southbank Boulevard
Southbank Vic 3006

Share Registry

ASX Perpetual Registrars Limited
Level 4
333 Collins Street
Melbourne Vic 3000

Financial Adviser

Merrill Lynch International (Australia) Limited
Level 39
120 Collins Street
Melbourne Vic 3000

Legal Adviser

Blake Dawson Waldron
Level 39
101 Collins Street
Melbourne Vic 3000

Investigating Accountant

Deloitte Touche Tohmatsu
505 Bourke Street
Melbourne Vic 3000

