

Incitec Pivot Limited

Office of the Company Secretary

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24 November 2014

The Manager
Company Announcements Office
Australian Securities Exchange
Level 45, South Tower
Rialto
525 Collins Street
MELBOURNE VIC 3000

Dear Sir or Madam

Electronic Lodgement

2014 Annual Report

In accordance with the listing rules, I attach a copy of Incitec Pivot Limited's Annual Report for 2014 for release to the market.

Yours faithfully



Daniella Pereira
Company Secretary

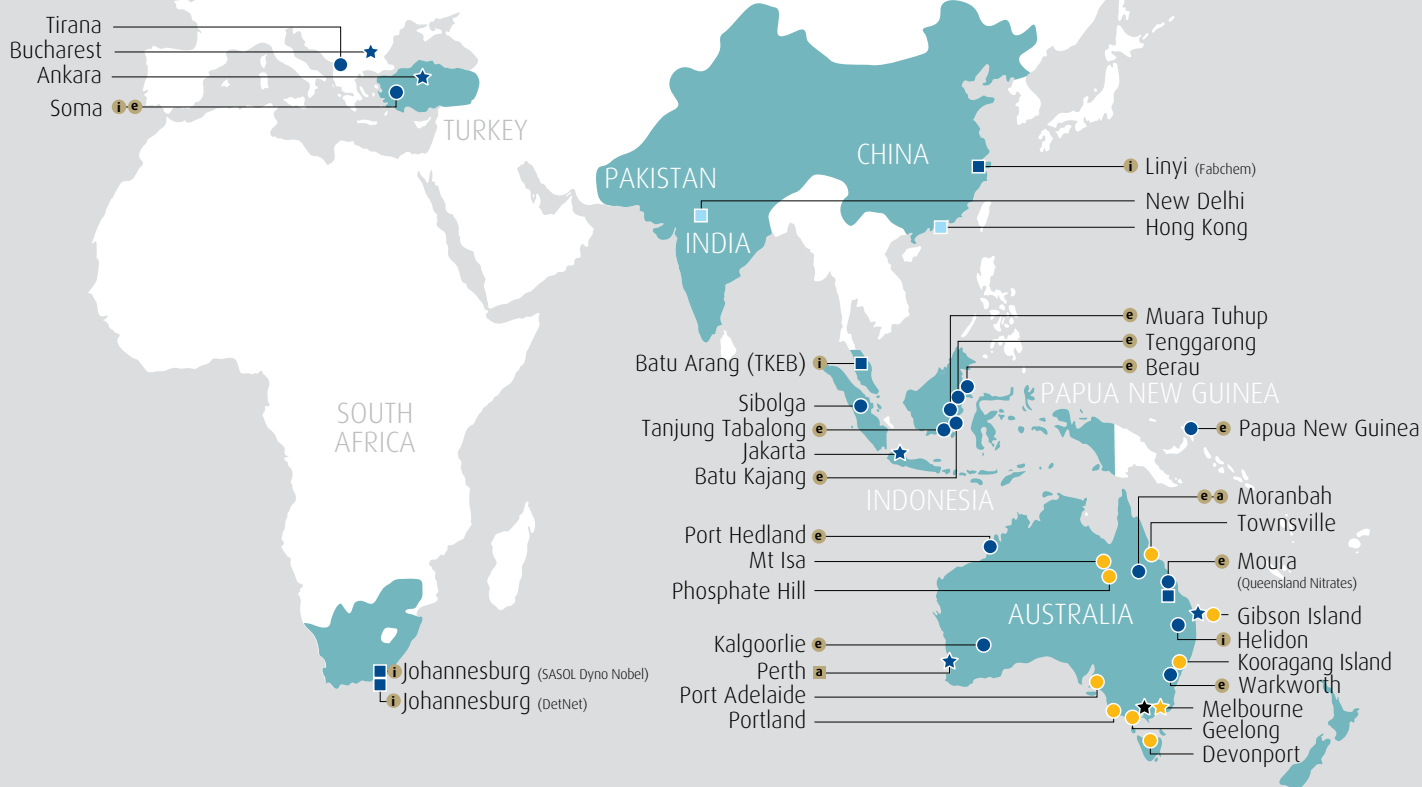
Attach.

ANNUAL REPORT

2014



Incitec Pivot Limited



Incitec Pivot Limited

★ Company Headquarters

Incitec Pivot Fertilisers

★ Corporate Office

● Manufacturing/Distribution

■ Quantum Fertilisers

Dyno Nobel

★ Corporate Office

● Manufacturing/Distribution

■ Joint Ventures/Investments

Manufacturing legend

● Initiation

● Emulsion

● AN

■ Long term AN supplier

Incitec Pivot Limited

DYNO
Dyno Nobel





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VISION STATEMENT

To be the best in our markets, delivering Zero Harm and outstanding business performance through our people, our culture and our customer focus.

Chairman's Report



The combination of a visionary and effective strategy with a team of people who have the expertise and dedication to execute on the strategy will ensure that Incitec Pivot will continue to deliver for shareholders into the future.

I am pleased to make my third report to shareholders as Chairman of Incitec Pivot Limited and to outline the improvement in our performance during 2014 and also our success in building the strategic platform for the future.

Our team of committed and talented people has delivered a solid 2014 result, reflecting the Business Excellence (BEx) performance culture, improving manufacturing reliability and responsiveness to customer challenges.

The 2014 highlight has been our safety performance which continues to advance towards the goal of Zero Harm. When we adopted the Global Strategy two years ago, the goal was to achieve an all-worker Total Recordable Injury Frequency Rate (TRIFR) of less than 1 by 2016 (where TRIFR is determined by reference to the number of recordable injuries per 200,000 hours worked). I am pleased to report that we surpassed that in 2014, with a TRIFR of 0.97, and we are determined to continue to drive towards zero. This year's result is particularly important in light of the tragedy of two workplace fatalities last year, which will forever remain in our minds.

Also, during the year, we remembered our 11 Dyno Nobel colleagues killed in an explosion at Papua New Guinea's Porgera mine in 1994. Members of the Board Health, Safety, Environment and Community Committee were in attendance at the commemoration ceremony at our initiation system plant in Helidon, Queensland to mark the 20th anniversary of the Porgera disaster. It is because of tragic events such as this that the Board and management of Incitec Pivot are committed to achieving Zero Harm; it is our highest priority for our people and the wider communities in which we operate.

Financially, our underlying performance for the year was positive. Net Profit After Tax (NPAT), excluding Individually Material Items (IMIs), was \$356.3 million, an increase of 21% on the previous corresponding period. This was achieved in a business environment where our

customers in the global resources and Australian agricultural industries confronted substantial challenges. On the measure of shareholder returns, Earnings Per Share (EPS) excluding IMIs were up 21% and the final dividend has been declared at 7.3 cents per share (cps) franked to 10%. This brings the full year dividend to 10.8cps, representing an increase of 17% on the 2013 full year dividend of 9.2cps. The dividend payout ratio of 50% of NPAT excluding IMIs reflects the payout ratio endorsed by the Board of 30–60% of NPAT excluding IMIs.

To briefly summarise some of the business highlights of the past year, Dyno Nobel Asia Pacific (DNAP) Earnings Before Interest and Tax (EBIT) grew by 25% on the back of the Moranbah ammonium nitrate plant, Dyno Nobel Americas (DNA) explosives EBIT rose by 10% and Fertilisers' EBIT was up 9%. This was achieved despite volume reductions in DNAP and DNA and, for Fertilisers, lower global prices and drought in Northern Australia.

This demonstrates that Incitec Pivot will produce results, despite the external environment, because of the strength of our strategy and our commitment to focusing on workplace productivity, manufacturing reliability, financial discipline and customer relationships. Business Excellence (BEx) continues to produce results, with another \$27 million in sustainable net benefits delivered in the 2014 financial year. Financial discipline continues to be a hallmark of the Company as we again ended the year with a strong balance sheet.

Our strategy is built upon a number of core themes. We look for market dislocations that allow us to make returns at least 50% above our cost of capital. These 'dislocations' are the industrialisation of Asia, particularly China, which drives demand for hard and soft commodities, and the re-industrialisation of the United States, on the back of the shale gas revolution. A key component of our strategic focus is our core nitrogen chemical manufacturing expertise which is applied to capitalise on these market dislocations. We are comfortable that

execution of this strategy will drive above-trend returns.

The two major strategic decisions for the Company in the past five years, the \$1 billion Moranbah ammonium nitrate plant and the US\$850 million Louisiana ammonia project, continue to demonstrate delivery of shareholder value. Moranbah is the Asian-industrialisation strategic element, based in the Queensland Bowen Basin metalliferous coal province, supplying miners with explosives to release coal for steel mills in China and elsewhere. Moranbah, following maintenance earlier in the year, is now operating at nameplate capacity. In the next year, Moranbah is expected to generate an estimated \$140 million of EBIT.

In Louisiana, we are investing US\$850 million to build a world-scale ammonia plant. Nameplate capacity of the plant is 800,000 metric tonnes a year, with first production expected in the 3rd Quarter of 2016. The strategic rationale for this project is to capitalise on the dislocation in energy prices between the US and Europe, Europe being the marginal producer of ammonia, with gas accounting for up to 80% of the variable cost of production.

With Louisiana, we recognised the opportunity early and gained a 'first mover' advantage. The investment thesis is sound and the fundamentals of the project are better than when we announced it 18 months ago: the construction is on track, 100% of the production volume is already committed to off-take arrangements from Day One and the depth of supply in the gas market is such that a competitive price can be maintained.

With Moranbah operating as expected and Louisiana some 50% complete and meeting all key milestones to date, we are comfortable with our position on the strategic pathway, and planning for the next growth horizon will look beyond the commencement of production at Louisiana.

However, the best strategy will take a company nowhere without rigorous



Members of the Board (l to r): Graham Smorgon AM, Paul Brasher, Rebecca McGrath, James Fazzino, Kathryn Fagg and Anthony Larkin during a visit to the Dyno Nobel Asia Pacific operations at Newman, Western Australia.

execution of that strategy. Workplace productivity and a performance culture are essential elements to execution, and both are driven by BEx.

Achieving successful engagement on BEx requires leadership at all levels in the organisation. As a Board, we have sought to gain a deeper understanding of the 'mechanics' of BEx as part of our engagement with employees and management across the organisation. During our visit to the Pilbara earlier this year, the Board participated in BEx meetings at the different operational levels, from management to mine bench.

In keeping with this, the Board will next year visit the Wolf Lake initiation systems plant, which is one of our 'model' BEx sites in the US, to gain further insights into BEx principles and practice.

BEx also plays a major role in the execution of our nitrogen chemical manufacturing expertise. Incitec Pivot operates 17 complex manufacturing sites across the US, Mexico and Australia. To deliver on our strategic goal, we need to achieve world class manufacturing performance.

The first step in world class manufacturing performance is predictably reliable operations at all sites to meet the needs of our customers. This has been a challenge in the past, but I am confident under the new Global Manufacturing structure established last year by James Fazzino and led by the President Strategic Engineering, Alan Grace, and the President Manufacturing Operations, Steve Dawson, we are already substantially achieving our reliability goals, with both Moranbah and the fertiliser operations at Phosphate Hill and Mt Isa operating at nameplate capacity following their respective turnarounds earlier this year.

I am pleased to advise that the Board is active in engaging with many of the Company's key stakeholders. I have mentioned our interaction with employees on site visits. Engagement has also

involved shareholders, customers and local site communities who are very important to our continuing operation and future success. My interaction with shareholders has been mutually beneficial in understanding the views – positive and negative – of some of our largest investors and has also allowed me the opportunity to reinforce our strategic priorities. In general terms, these major shareholders are supportive of the Company's direction and are looking forward to the start of operations in Louisiana. We also took the opportunity to engage with customers on our site visits during the year.

At a Board level, we welcomed two new directors, Kathryn Fagg, who joined the Board during the year, and Greg Hayes, post year-end. Both Kathryn and Greg are outstanding appointments and I am delighted to have their contribution to discussions and deliberations. Kathryn and Greg each have significant business experience in industries and geographies relevant to Incitec Pivot and will bring further diversity to the Board.

At the Annual General Meeting, one of our long standing directors, Tony Larkin, will complete his current three-year term and will not be seeking re-election. Tony, in his 10 years as a director of Incitec Pivot and, prior to that, as a director of Incitec Limited, has been at the centre of many of the pivotal decisions which have brought the Company to its current strong position: the Incitec Pivot merger and the acquisitions of Southern Cross and Dyno Nobel to name just three. Through his financial experience and expertise, Tony has been invaluable as a Board member, but particularly as Chair of the Audit and Risk Management Committee. On behalf of the Board, I would like to thank Tony for his contribution and service to the Company over many years. Let me also take this opportunity to thank all of my fellow directors for their sage advice and support during the year. They are not only experienced and erudite but ready to contribute their time both in the

Boardroom and on site visits. I look forward to continuing to work together with them into the future.

It is similarly very rewarding to work with James and his Executive Team. The Company is well placed to capitalise on the global growth drivers and I am confident that with the leadership of James and his management team, we will deliver success.

While the future is positive, there will be challenges. We supply global industries subject to the vagaries of world markets but we know that we will succeed by continuing to add value to our customers' businesses. Our Company will confront issues beyond our control – input costs, exchange rates, global prices – but we will continue to succeed if we maintain our focus on those things which underpin our performance: BEx, manufacturing reliability and financial discipline.

I have confidence in our future success because I have confidence in our people. As you will have gleaned from this report, I have spent a good deal of my time visiting our sites and speaking with our people. I am constantly impressed by the skill, good nature and commitment to the Company's goals and Values demonstrated by the Incitec Pivot workforce.

The combination of a visionary and effective strategy with a team of people who have the expertise and dedication to execute on the strategy will ensure that Incitec Pivot will continue to deliver for shareholders into the future. In 2014, we made considerable progress on both strategic development and on the enhancement of our workplace systems and, in doing so, have created the foundations for future success.

Paul Brasher
Chairman

Managing Director's Report



As I review our performance for 2014, I am confident that we have the right strategy which will continue to deliver sustainable performance.

I am pleased to present my sixth report as Managing Director & CEO. The 2014 result was delivered in the face of challenging market conditions and as I review our performance for 2014, I am confident that we have the right strategy which will continue to deliver sustainable performance. In 2014, we demonstrated that we can execute on the strategy through our people and our processes under Business Excellence (BEx). We also reinforced the soundness of our key strategic developments – Moranbah and Louisiana.

There are clear links between the in-roads made in our safety result towards our goal of Zero Harm and our overall successful performance. Our positive results in safety are significant because they reinforce my strong belief that no great company has a poor safety record – the systems, processes and culture required for business success are also core to a strong safety culture.

In 2012, when we adopted our five-year Global Health Safety Environment (HSE) Strategy, we laid the foundations for the improvements we have made in our safety performance in the last 12 months. Our aim was to achieve an all worker Total Recordable Injury Frequency Rate (TRIFR) of less than 1 by 2016. At the end of the 2014 financial year, our TRIFR was 0.97 – ahead of our target and a world class result. While pleased with the progress, we continue to strive for 'zero'. We know that this can be achieved, as more than 90% of our sites were injury free in 2014.

A key highlight in 2014 has been the performance of our ammonium nitrate plant at Moranbah in Queensland's metallurgical coal province – the Bowen Basin. In 2014, Moranbah delivered \$115 million EBIT and is expected to generate about \$140 million EBIT in 2015. This reflects both the strength of the strategy and the depth of expertise of our Moranbah team in delivering reliable production for our customers, the global miners exporting coal to feed the rapid industrialisation of Asia, particularly China.

Also, during 2014, we continued to build the strategic platform for the future with the progress of construction of a world-scale ammonia plant in Louisiana. The project is more than 50% complete and is on track for production in the 3rd Quarter of the 2016 calendar year, when it is expected to double the earnings of our Dyno Nobel Americas (DNA) business. The strategic rationale for this project is the return to growth of the world's largest economy, the United States, and, in particular, the shale gas revolution in the US which will provide the key raw material for ammonia production. It is satisfying that when we regularly review the parameters of this project, we find that the business case for development is better now than when we committed to the project.

Turning to the Group's financial performance, we announced an underlying profit of \$356.3 million – an increase of 21% or \$62.8 million. NPAT including IMIs was \$247.1 million. Excluding IMIs, EBITDA increased by 15% or \$97.5 million; EBIT increased by 13% or \$57.9 million; and Earnings Per Share were up 21% to 21.7 cents per share. The significance of this result is that it was achieved during a year when the two key industries we serve – resources and agriculture – were challenged by global market influences.

In looking at the result in more detail, the noteworthy performance came from Dyno Nobel Asia Pacific (DNAP) which increased EBIT by 25% through earnings growth from Moranbah, which recorded production of 299,000 tonnes for the year. The result for DNAP was partially offset by volume reductions in some market segments.

Across the Pacific, DNA has two businesses: explosives and fertilisers. The explosives business \$US EBIT grew by 10% to \$US113.5 million as a result of margin improvements and a \$US13 million contribution from BEx. The result was partially offset by lower earnings from coal.

Overall, DNA's \$US EBIT declined by \$US9.5 million or 6% to \$US152.8 million. The negative impact came from fertiliser earnings which fell by 33% to \$US39.3 million as a result of lower global prices.

Our domestic fertiliser distribution business increased EBIT by 9% or \$8.7 million to \$103.7 million. This was a sound result considering lower global fertiliser prices and drought in northern Australia. The business benefitted from a weaker Australian dollar and BEx gains. Lower global fertiliser prices also had an impact on the result of Southern Cross International which overcame this negative to increase EBIT by 13% to \$79.6 million. This result included an \$11.3 million increase in Phosphate Hill EBIT to \$36.6 million. Positive contributions came from BEx and a lower average Australian dollar.

BEx this year delivered \$27 million in net benefits to the financial result. The recurring reference to the positive contribution of BEx in the results is significant. Three years ago, I committed to transform IPL through instilling and inspiring a culture of continued and focused improvement for our people and our business performance. We needed to take control of our own destiny through a commitment to continuous improvement to create long-term, year-on-year productivity benefits by engaging all of our 5,500 employees globally in taking ownership of change. Culture change is extraordinarily difficult. Leadership is essential. I was confident that, through utilising BEx to deliver on the strategy, creation of shareholder value would follow because BEx requires each of us to perform our roles with a core focus on the strategy.

While it is critically important that BEx delivers financial benefits, the great advantages are also seen in the relationship between BEx and our safety systems to drive to Zero Harm and in the satisfaction our employees derive from increased responsibility and autonomy, which in turn supports our culture of continuous improvement.

BEx has been an important reason why the reliability and performance of our manufacturing plants improved substantially during the year. This will continue to be a key focus area for us because we pride ourselves on our manufacturing expertise and performance. Major turnarounds were undertaken at Phosphate Hill, Mt Isa and Moranbah in 2014 to address ongoing reliability issues at Phosphate Hill and Mt Isa and ramp up issues at Moranbah.

At Moranbah, pre-turnaround, 43 significant reliability risks were identified, with only one significant risk remaining following the turnaround, which will be addressed this coming year. Moranbah is now operating at the rate of nameplate capacity.

The four-yearly turnaround at Phosphate Hill and Mt Isa involved the largest scope of work we had ever undertaken at the sites and at a cost of \$74 million. By way of illustration, the scope developed included some 30% more maintenance scope items and direct labour hours than any previous turnarounds at the sites, presenting a significant logistical challenge for Phosphate Hill. The value of this level of commitment is shown by the fact that pre-turnaround, 21 significant reliability risks were identified with none remaining post turnaround. This improved reliability is producing results, with the plant post-turnaround producing at an annualised rate of nameplate capacity and higher.

It is essential that we achieve reliable production at Phosphate Hill because of the substantial challenges for the operation. A major cost input is the increase in the price of gas contracted from February 2015, and for 2016. This will add a \$38 million cost next year and \$50 million in a full year. Incitec Pivot is not unique among companies on the East Coast which are being forced to deal with the structural change in energy supply created by the development of gas exports. At Incitec Pivot, we identified the looming gas supply issue several years ago and have been working on a portfolio of solutions. Our approach involves working with Government on reforms to the gas market, dealing with the gas majors and also linking with emerging gas companies to encourage more supply into the market and, as a result, create an Australian gas market that supports both domestic and export users. This approach, coupled with our progress in lifting plant productivity and efficiency through BEx and timely maintenance programs, will provide solutions for the short and long term.

During the year, we continued our progress on diversity, community and sustainability. Details of our progress on sustainability and diversity are set out in this Annual Report. However, I particularly wanted to highlight our achievements in indigenous affairs. There were several achievements during the year including meeting

a 2% indigenous employment rate across our Australian businesses, implementing the Cultural Capability program with an 80% participation rate across our Australian businesses and development of an Indigenous Relations Policy.

I would like to join with the Chairman in welcoming Kathryn Fagg and Greg Hayes to the Board. I would also particularly like to express my gratitude to Tony Larkin who is retiring from the Board after a decade of service. Tony and I have worked together over many years both in an executive capacity and as fellow directors on the Incitec Pivot Board. Tony has made an enormous contribution to this Company. His technical expertise and financial acumen are exceptional and, beyond that, I have greatly valued his wise counsel over many years.

I would also like to thank my fellow Executive Team members and all of my colleagues at all levels in our Company, at all of our operations globally. You have often heard me remark that the primary pleasure of my role as Managing Director & CEO is visiting sites and meeting our people. The reason is simple; I find our people inspirational and motivating. I am both encouraged and delighted by the manner in which they have engaged in our BEx journey and embraced the challenges it brings each day. But most importantly, I am encouraged by the results being achieved and the way they are being delivered – through continuous improvement.

We have the right strategy, skilled people, visible leadership at all levels and a commitment to continuous improvement to build for the future with projects that 'move the dial' – namely Moranbah and Louisiana. We have demonstrated in 2014 that we can meet the challenges and achieve results for ourselves, our communities and our shareholders.



James Fazzino
Managing Director &
Chief Executive Officer



Cooling Tower and fan installation at Louisiana.

Board of Directors



Standing (l to r): Gregory Hayes, Graham Smorgon AM, Anthony Larkin, Kathryn Fagg, John Marlay
Seated (l to r): Rebecca McGrath, Paul Brasher, James Fazzino

Gregory Hayes

MAppFin, GradDipACC, BA, ACA
Non-executive director

Greg was appointed as a director on 1 October 2014. Greg is a member of the Audit and Risk Management Committee.

Graham Smorgon AM

B.Juris, LLB
Non-executive director

Graham was appointed as a director on 19 December 2008. Graham is a member of the Health, Safety, Environment and Community Committee, the Nominations Committee and the Remuneration Committee.

Anthony Larkin

FCPA, FAICD
Non-executive director

Tony was appointed as a director on 1 June 2003. Tony is Chairman of the Audit and Risk Management Committee and a member of the Nominations Committee.

Kathryn Fagg

FTSE, BE(Hons), MCom(Hons)
Non-executive director

Kathryn was appointed as a director on 15 April 2014. Kathryn is a member of the Health, Safety, Environment and Community Committee.

John Marlay

BSc, FAICD
Non-executive director

John was appointed as a director on 20 December 2006. John is Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee.

Rebecca McGrath

BTP(Hons), MASC, FAICD
Non-executive director

Rebecca was appointed as a director on 15 September 2011. Rebecca is Chairman of the Health, Safety, Environment and Community Committee and a member of the Audit and Risk Management Committee and the Nominations Committee.

Paul Brasher

BEc(Hons), FCA
Non-executive Chairman

Paul was appointed as a director on 29 September 2010 and was appointed Chairman on 30 June 2012. Paul is Chairman of the Nominations Committee and a member of the Remuneration Committee.

James Fazzino

BEc(Hons)
Managing Director & CEO

James was appointed Managing Director & CEO on 29 July 2009. James is a member of the Health, Safety, Environment and Community Committee.

Executive Team



First row (l to r):
James Fazzino,
Frank Micallef,
Jamie Rintel,
James Whiteside



Second row (l to r):
Stephen Dawson,
Simon Atkinson,
Elizabeth Hunter,
Alan Grace

James Fazzino BEc(Hons)
Managing Director & CEO

Frank Micallef BBus, MAcc, FCPA,
FFTA, FAICD
Chief Financial Officer

Frank was appointed Chief Financial Officer on 23 October 2009. Frank joined Incitec Pivot in May 2008 as General Manager, Treasury and Chief Financial Officer, Trading. Prior to joining Incitec Pivot, Frank had significant experience in the explosives and mining industries as Global Treasurer and Investor Relations Manager at Orica Limited and General Manager Accounting at North Limited. Frank has over 12 years' experience raising debt and equity funds and in interest rate risk management with ASX listed companies. Prior to commencing his corporate career, Frank was a senior staff member at the Australian Accounting Standards Board.

Jamie Rintel BA
President, Strategy & Business
Development

Jamie joined Incitec Pivot in February 2005, following extensive experience in consulting across a range of industries both in Australia and overseas. Within Incitec Pivot, Jamie has held a number of roles including Marketing Manager for Incitec Pivot Fertilisers. Jamie was appointed to his current role as President, Strategy & Business Development in June 2008 and is responsible for major growth initiatives across the group, including major capital projects and mergers and acquisitions.

James Whiteside BAgricSc,
GradDipBusAdmin, GAICD
Chief Operating Officer,
Incitec Pivot Fertilisers

James joined Incitec Pivot (then known as Pivot Limited) in 1992, following extensive experience in agricultural companies and in consulting. Since joining Incitec Pivot, James has held a number of senior management roles including Group Procurement Manager. As Chief Operating Officer, Incitec Pivot Fertilisers, James is responsible for domestic and international fertiliser sales and is the Chief Executive Officer of Quantum Fertilisers. He also holds executive responsibility for global procurement and the global supply chain planning process.

Stephen Dawson BSc(Hons) Mining
Engineering, MBA
President, Manufacturing Operations
Stephen joined Incitec Pivot upon its acquisition of Dyno Nobel in 2008, having commenced with Dyno Nobel in 1997. Stephen commenced his career with British Coal and subsequently worked with mining companies Amcoal Collieries Limited and Randcoal in South Africa, as well as AEI Explosives Limited (now AEL) in a variety of sales and operational roles. Previously, Stephen led the Dyno Nobel industrial explosives business in the Asia Pacific region. In January 2014, Stephen assumed the leadership of Manufacturing Operations globally.

Simon Atkinson BBus, CA
President, Dyno Nobel Asia Pacific
& Global Technology

Simon joined the Company on its merger with Incitec Fertilizers Limited in 2003, having commenced with Incitec Limited in 2001 and Orica Limited in 1999. He has extensive commercial and finance experience, having previously been the Company's Deputy CFO and Investor Relations Manager.

In 2009, Simon was appointed Global CFO for the Group's explosives business and was subsequently appointed to the role of President, Dyno Nobel International in May 2010. In January 2014, Simon was appointed to his current role as President, Dyno Nobel Asia Pacific & Global Technology.

Elizabeth Hunter BBus, MBA
Chief Human Resources Officer

Elizabeth joined Incitec Pivot in October 2013. Elizabeth has 24 years' experience in human resources in Australia and internationally across a range of industries including financial services, health, infrastructure, industrial contracting, and in semi-government organisations. She has held several senior executive leadership roles in publicly-listed Australian companies with global operations. Elizabeth is a member of the Chartered Institute of Personnel and Development (UK) and a Fellow of the Australian Human Resource Institute.

Alan Grace BSc (Hons) Chem Eng.
President, Strategic Engineering

A qualified Chemical Engineer, Alan Grace joined Incitec Pivot in 2000, working at that time for Incitec Limited. He has 30 years' experience constructing and operating chemical processing plants. He has worked on many large projects in the oil and gas, petrochemical and chemicals sector, including ammonia and ammonium nitrate plants. Alan was the Project Director for Incitec Pivot's Moranbah complex during the construction phase and, prior to this appointment he was the Project Director for the Feasibility Study and early stage construction of the Ammonia plant in Louisiana, USA. In October 2013, Alan was appointed President, Strategic Engineering.

APPROACH

Sustainability Strategy

Incitec Pivot defines Sustainability as 'the creation of long term economic value whilst caring for our people, our communities and our environment'. This commitment to Sustainability is driven by the Company's Values and is core to the way Incitec Pivot operates its business.

Incitec Pivot's Sustainability Strategy was formally adopted by the Board in September 2010. During the 2014 financial year, a formal review of the Company's sustainability performance to date was undertaken. The review included two independent peer benchmarking reviews: one investor focused (Dow Jones) and one customer focused (Eco Vadis). As a result of this review the existing strategy for operational sites was reaffirmed. It was also determined that Incitec Pivot should seek to influence suppliers to promote alignment with the Company's corporate values and continue the sustainable development of its supply chain (see below).

About this report

For five years Incitec Pivot has produced a stand-alone Sustainability Report, incrementally improving disclosure each year against the Global Reporting Initiative (GRI) Guidelines. This year, for the first time, sustainability performance data has been included in the Annual Report. This will provide a full account of Incitec Pivot's annual economic, environmental, social and governance performance in one document.

Further information on Incitec Pivot's sustainability performance and prior year Sustainability Reports can be found on the Incitec Pivot website www.incitecpivot.com.au.

Content selection

In order to determine the most important topics for sustainability reporting, a materiality review is conducted each year. Initially, important topics are identified through engaging with stakeholders throughout the year and by research of publicly available documents and business communications. These potential aspects are then analysed and prioritised internally by Incitec Pivot to determine which aspects are 'material' to report. This aligns to the GRI 4 materiality approach.

In the 2014 financial year, Incitec Pivot engaged with investors, customers, suppliers, industry groups, representatives of national and international charities, regulators, Governments and grass-roots community organisations including resident groups, councils, farmers, sporting clubs and environmental groups through a range of channels.

Continuous Improvement through BEx

Business Excellence (BEx) is Incitec Pivot's Business System through which a culture of continuous improvement is being built. BEx is strongly aligned to IPL's Corporate Values and has lean thinking at its core. Through BEx there is continuous review, measurement of business performance and improvement of the processes and systems that support sustainable practices.

Ammonia Plant – Waggaman, Louisiana

During the 2014 financial year, construction progressed on Incitec Pivot's US\$850 million ammonia plant, which is being built in Waggaman, Louisiana, USA. This will be the Company's seventh ammonia plant globally, its 10th nitrogen facility globally and its 10th manufacturing facility in North America. Construction of this site further establishes Incitec Pivot as a global leader in the manufacture of ammonia and demonstrates its commitment to Sustainability.

No safety or environmental incidents have occurred to date during construction.

As is Company policy for all major development projects, Incitec Pivot is engaging with the community in Louisiana where the facility is being built. Regular updates are given to the Jefferson Parish President's office, Louisiana Economic Development, the Jefferson Parish Economic Development and Port District and the Cornerstone Chemical Company Community Advisory Panel.

When operational, the plant will apply the industry's leading technology and will be among the most efficient plants of its kind in the world. As is consistent with Incitec Pivot's management of all of its operations, safety and community engagement will be an ongoing focus of site management.

Highlights include:

- **Local employment:** Louisiana Economic Development estimates the Louisiana ammonia project will bring 65 new permanent skilled positions to the local area

- **Efficient Energy Use:** Beyond the simple scale efficiencies, the gas purifier technology in the new plant will provide cleaner gas at high precision ratios, maximising gas efficiency. This technology also allows the plant to operate at lower temperatures than other plants of its kind, thereby demanding less energy. In addition, steam created during manufacturing will be recaptured and reused, further conserving energy
- **Low NO_x Emissions:** The Louisiana ammonia plant will use the best available Selective Catalyst Reduction (SCR) technology to reduce emissions of nitrogen oxides (NO and NO₂, referred to collectively as NO_x) by up to 98%. SCR converts the NO_x in flue gases to harmless nitrogen and water vapour
- **Zero CO₂ Emissions:** Incitec Pivot intends for the Louisiana site to be a carbon neutral site with the potential to capture and compress its carbon dioxide (CO₂) emissions for use in other industries. Potential uses include food grade products and/or for geological sequestration through enhanced oil recovery
- **Clean, sustainably sourced water:** All water used in manufacturing will be sourced from the Mississippi River then passed through a four-stage cleaning process in the ammonia plant. All wastewater and stormwater streams will also be treated onsite and returned as clean water to the river, meeting strict water quality limits

GOVERNANCE

Incitec Pivot's highest governing body, the Board of Directors, is responsible for charting the direction, policies, strategies and financial objectives of the Company. The Board serves the interests of the Company and its shareholders, as well as other stakeholders including employees, creditors, customers and the community, in a manner designed to create and continue to build sustainable value.

The Board Charter, Code of Ethics and other key policies and systems which define Incitec Pivot business practices are available on the Incitec Pivot website. Further information on Governance, including risk oversight and management, can be found in the Corporate Governance Statement at page 32 of this Annual Report.

ENVIRONMENT

Approach

As an international manufacturer of industrial explosives and fertilisers, Incitec Pivot operations have the potential to create environmental impacts such as soil and groundwater contamination. In addition, the manufacture of nitrogen-based products is energy intensive and results in the production of greenhouse gas emissions.

Incitec Pivot is committed to continuously improving the management processes and systems in place to make its operations and products more sustainable, and to ensure that stakeholders are kept informed in regard to the associated environmental impacts and dependencies.

2014 priorities

Incitec Pivot continues to strive to improve environmental performance, and in the 2014 financial year focused on:

- Engaging with the Australian Federal Government on energy and carbon policy
- The continued roll out of Business Excellence (BEx) across all business areas, including those that impact on the environment and on resource efficiencies
- Continued focus on education and training to further embed principles of sustainable resource use and environmental best practice across the business

Performance

Energy and emissions

Incitec Pivot used 41,248,949 gigajoules (GJ) of energy over the past year, 1,954,653 of which was electricity. The absolute Scope 1 and 2 greenhouse gas emissions from Incitec Pivot's global operations decreased slightly to 2.6 million tonnes whilst global production remained stable.

In line with the sustainability strategy to 'Use Less' and 'Care for the Environment', Incitec Pivot's manufacturing plants continued to reduce both energy use and carbon dioxide equivalent (CO₂e) emissions through initiatives such as lighting reviews, the Cheyenne Plant Energy Optimization Project and continuous improvements made during scheduled shutdowns. In the 2014 financial year, at St Helens, Oregon, modifications to steam header vent valves, waste heat boilers and ammonia reflux piping are expected to reduce annual energy use by over 940,000 GJ, reduce emissions by 48,000 tonnes of carbon dioxide equivalent (tCO₂e) and also reduce the risk of future releases of ammonia.

Incitec Pivot also continued to invest in NO_x reduction technology, replacing both catalysts in the combustors at the Donora, USA site. The St Helens, Oregon site commissioned an acid tank scrubber to remove fugitive NO_x emissions and the nitrous oxide (N₂O) abatement unit at Moranbah, Queensland reduced N₂O emissions by 554,092 tCO₂e during the year.

Water use

Incitec Pivot's water use in the 2014 financial year, was 43,395 megalitres (ML), approximately the same as in the 2013 financial year. Continuous improvements made to reduce water use included the refurbishment of the cooling tower at the Donora, Pennsylvania site, eliminating steam leaks as part of the Cheyenne Plant Energy Optimization Project and several projects to reuse water: at Cheyenne, Wyoming, a mobile reverse osmosis unit reclaimed 53,000 kilolitres (kL) of waste water for reuse in the cooling towers and at Phosphate Hill, Australia, 33,815 kL of water was recovered from waste gypsum stockpiles.

Water discharge

During the 2014 financial year, Incitec Pivot discharged 32,478,251 m³ of water to the environment, approximately the same as last year.

Most (97%) of this water was clean cooling water that was discharged to the rivers from which it was taken. Improved nitrogen recovery at Cheyenne, USA has resulted in greater recapture of nutrients and cleaner discharge to aquifers in the past year. At Louisiana, Missouri, continued operation of the new Electro-Dialysis Reduction unit reduced nitrate discharge to the Mississippi River by approximately 80% in the past year.

Waste

During the 2014 financial year, Incitec Pivot produced 13,493 t of solid waste, 1,470,412 t of solid chemical waste, and 23,469 kL of liquid waste.

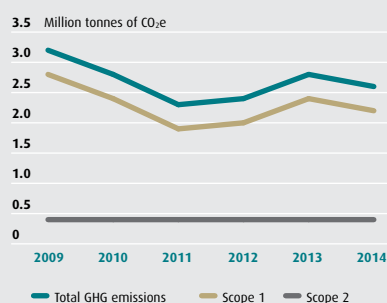
Continuous improvement in reducing all types of waste and increasing recycling has resulted in several new initiatives. Examples include a bailer purchased at the Graham, Kentucky plant to enable 7t per year of solid plastics to be diverted from landfill to reuse. At Louisiana, Missouri a project is underway to install an Imhoff Ozone-UV sanitary sewer discharge system to eliminate the current septic sewer outfall.

The Research and Development (R&D) team in the USA is currently developing methods to treat different types of wastewater for reuse in product manufacturing and also assisted the explosives business to recycle 2,265 t of chemical waste into making new emulsions. The Australian R&D team enabled the recycling of 1,400 t of similar material into making emulsions.

Environmental Compliance and Remediation

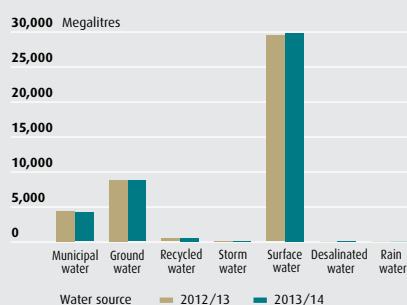
Continuous improvement in environmental compliance during the 2014 financial year included a review and simplification of IPL's Global Environmental Standards (as part of a review of all HSE Standards). Developed using BEx methodologies, the focus was to create a management tool that would be used daily by sites to further mitigate potential environmental risks. Further detail on environmental compliance, including incidents and fines, can be found on pages 3 and 4 of the Directors' Report.

Total direct and indirect greenhouse gas emissions



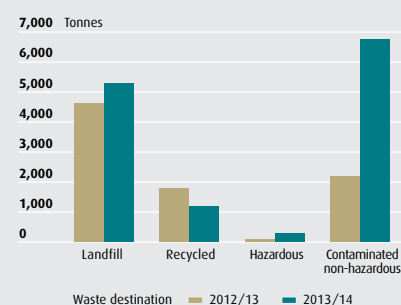
Water use by source

Total water used was 43,395 megalitres



Solid waste by destination

Total solid waste was 13,493 tonnes



Sustainability Report

Remediation works have been completed successfully at Parafield Gardens and Wallaroo in Australia and also at the disused burning grounds in Carthage, USA. Progress was also made on remediation at the Cockle Creek and Pinkenba sites in Australia. At the Wallaroo site, \$20 million was invested in remediating soil and groundwater and in completing heritage works on an area of historical significance. This area was officially handed over to the District of Copper Coast Council on 11 September 2014.

2015 priorities

- Working with the Australian Federal Government on energy and carbon policy to ensure favourable outcomes for both business and the environment
- Working across the global business to drive energy efficiencies, including finalising and implementing North American resource efficiency targets
- The continued roll out of Business Excellence (BEx) across all areas of the business, including areas which impact on the environment and resource efficiencies
- Continued focus on education and training, embedding principles of sustainable resource use and environmental best practice

SUSTAINABLE PRODUCTS AND SERVICES

Approach

Incitec Pivot aims to assess and, where feasible, improve the environmental and social impacts of all products across their life cycle and work with customers to encourage them to use these products to achieve the best sustainability outcomes.

Raw materials

Natural gas supply is an important issue for the Incitec Pivot business. In Australia, access to competitively priced gas is a well-documented challenge for the manufacturing industry. Incitec Pivot believes that it is essential that Australia find a solution that balances the needs of supplying gas to value-adding manufacturing with those of a strong energy export market. The company will continue to work with Federal and State governments on this issue.

Phosphate rock, a naturally occurring mineral rock, is used in the production of both single superphosphate (SSP) and ammonium phosphate (AP) fertilisers. AP is produced at Phosphate Hill, Queensland using phosphate rock from the mine adjacent to that plant.

At Geelong and Portland plants in Victoria, SSP is manufactured using a blend of imported phosphate rock. The composition of phosphate rock varies according to the place of origin and presents with varying levels of available phosphorus, cadmium, odour and reactivity which must be balanced to produce a product that meets Australia's regulations. Further information on phosphate rock sourcing is available on the Incitec Pivot website.

Supplier engagement

Incitec Pivot has processes in place to assess potential and current suppliers to ensure sustainability risks are well understood and addressed. Potential suppliers are assessed using a questionnaire that covers environment, social and governance aspects and the Global Procurement team works with suppliers on gap closing action plans where required. Contracts between Incitec Pivot and materials suppliers also contain clauses that outline Company expectations of suppliers' workplace health, safety and environmental performance. The assessment of suppliers and close out of assigned actions is monitored through monthly reporting.

During the past year, Incitec Pivot began a review of its sustainable supply chain model applying BEx methodologies. In particular the current processes within the Global Supply Chain and Procurement teams were reviewed and a number of opportunities were identified which will make internal processes more robust and encourage better engagement with current and future suppliers. In the past year, a review of internal policies against the United Nations Declaration of Human Rights, including those relating to supply chain was conducted.

Research and development

Work continued with customers to promote best practice use of fertiliser and explosives products, training in agronomy, and offering technology which reduces post blast fume, and the leaching of both ammonia and nitrates.

Highlights during the 2014 financial year were:

- The launch of the Australian TITAN 9000 high performance explosives emulsion range, which is specially formulated to reduce blast fumes
- Sales of new Green NV enhanced efficiency fertiliser product doubled
- The commercialisation of the use of waste oil in emulsion explosives

manufacture was extended beyond Indonesia to some Australian customers

- Research into the replacement of bulk fillers in explosives with more sustainable alternatives continued
- Ongoing fertiliser research and development programs increased their focus on joint development and extension with customers. New Projects include involvement in the 'Dairy Nitrogen for Greater Profit Project' and 'Mitigation of Nitrous Oxide Emissions in the Vegetable Industry', with trials across three states
- Incitec Pivot began to transition to the Globally Harmonised System of Classification and Labelling of Chemicals (GHS) in order to improve communication and safety as products move between countries which use different languages
- The Dyno Nobel business worked closely with the Institute of Makers of Explosives (IME) on the Safety and Security Guidelines for Ammonium Nitrate, promoting best industry practices for minimising security and safety risk. The document is available at https://www.osha.gov/chemicalexecutiveorder/an_guidelines_IAFC-IME-NSSGA-ISEE.pdf

Further information on Incitec Pivot products and services is available at: www.dynonobel.com and www.incitecpivotfertilisers.com.au

Dow Jones Sustainability Index (DJSI)

The DJSI is widely recognised as the leading reference point in the growing field of sustainability investing due to the robustness of the assessment process. Since 2010 IPL has been included in the Dow Jones Sustainability Indices (DJSI) and our performance is benchmarked against peers in the global 'Chemicals' sector. The annual results are represented below:

Dimension	2010	2011	2012	2013	2014
Economic	61	61	59	70	65
Environmental	51	50	51	59	60
Social	37	45	63	68	67
Total for IPL	49	51	58	66	64
Chemicals sector average	55	57	55	52	55

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

WORKPLACE HEALTH AND SAFETY

Approach

At Incitec Pivot, the Company value of “Zero Harm for Everyone, Everywhere” is prioritised above all others. In 2012 Incitec Pivot adopted a five-year Global HSE Strategy to achieve world-class safety performance and an all worker TRIFR of less than 1 by 2016.

Incitec Pivot has in place a fully integrated HSEC Management System which provides the foundation for effective identification and management of health, safety and environmental risks. This foundation is complemented by the corporate commitment to continuous improvement through BEx.

2014 priorities

The 2014 priorities towards achieving Zero Harm were to:

- Demonstrate a continuous year-on-year reduction in injury rates
- Focus on leadership including both Senior Management and Site leaders
- Focus on safety culture, recognising that leaders need to model behaviour through site interactions
- Focus on safety culture through the behavioural safety programme ‘Safety Partners’
- Ensure that all significant risks, including process safety, were fully assessed, understood and mitigated

Performance

The following were highlights:

- Achievement of a TRIFR of 0.97¹, a 20% reduction from 2013
- Drive to increase ‘near miss’ reporting and investigate high potential near miss events. Near miss reporting has increased 185% with 100% of all ‘high potentials’ investigated
- Release of an updated HSE strategy and standards
- Specific and comprehensive Executive Team member ‘Zero Harm’ goals including undertaking safety-focused site walks during site visits, and taking part in and reviewing risk assessments and incident investigations
- Executive Team member led management reviews of high potential incidents and group wide communication of the resulting learnings

- Implementation of a risk based approach to Incitec Pivot’s internal corporate audit protocol
- Implementation of a global approach to incident investigation and production of incident investigation training materials
- The continued roll out of the ‘Safety Partners’ training program across the business divisions

2015 priorities

The following challenges and opportunities have been identified for 2015 and will be priorities in maintaining Incitec Pivot’s Zero Harm focus:

- Continued TRIFR improvement through behavioral safety training, identifying the root cause of near misses/incidents and management of risk
- Effective change management processes embedded into key HSE initiatives
- Leveraging the learnings from High Potential Incidents across the business
- Integration of ‘Safety Partner’ (behavioural) principles into HSE systems and tools

Awards

Incitec Pivot’s commitment to ‘Zero Harm for Everyone, Everywhere’ was recognised with a number of awards during the 2014 financial year focusing on the Company’s practices to keep employees, customers and communities safe. In particular the following sites were recognised:

- Graham, Kentucky received the Governor’s Safety and Health Award in March 2014. The plant achieved over one million hours without a lost time incident
- Donora, Pennsylvania received the 2014 Rear Admiral Richard E Bennis Award for Excellence in Maritime Security, recognising the site’s exceptional security program and practices
- In June 2014 the Clermont, Queensland team was awarded the Mine’s first General Manager award by the site owners, Glencore, for achieving 1,000 days injury free

PEOPLE & CULTURE

Approach

Incitec Pivot endeavours to be a business where Company Values guide behaviours in the workplace and where employees have the flexibility, tools and freedom to

learn what they need to execute business objectives within a multi-geography, multi-cultural organisation. The Company’s people and culture are the key to creating the outstanding business performance required to be ‘best in market’ consistent with the Company’s vision.

2014 priorities

Key 2014 priorities were to:

- Sustainably embed new human resources policies and procedures
- Implement and communicate Human Capital metrics across the Group to enable focused improvements
- Enhance the Incitec Pivot talent management process
- Deepen the Company’s continuous improvement culture and capability

Performance

Underpinned by BEx principles and methodologies, in the 2014 financial year the Human Resources team focused on strengthening and aligning existing processes and procedures. Critically, a number of new initiatives were also developed and implemented which will support Incitec Pivot as a flexible employer with a skilled and diverse talent pool. A number of these initiatives were developed with input from a range of external stakeholder groups including the Traditional Custodians of the lands we operate on. Further reporting on Incitec Pivot’s Diversity Strategy can be found at pages 36 and 37 of this Annual Report.

Key highlights during the year were:

- The Global Talent and Succession Planning Framework was put in place and made operational, supporting career paths and movement of skilled people across Incitec Pivot business groups
- A target of 2% Indigenous Employment across the Australian businesses was met
- Implementation of the Cultural Capability Program across the Australian businesses with 80% of Company leadership and management participating in the program
- Development of the Incitec Pivot Australian Indigenous Relations Policy
- Development of the Incitec Pivot Australian Reconciliation Action Plan
- Re-Launch of the Flexible Work Policy to include flexible leave options

1. Subject to finalisation of classification of any pending incidents

Directors' Report

The directors of Incitec Pivot Limited present the directors' report, together with the financial report, of the Company and its controlled entities (the Group) for the year ended 30 September 2014 and the related auditor's report.

Directors

The directors of the Company during the financial year and up to the date of this report are:

Name, qualifications and special responsibilities	Experience
Paul Brasher BEc(Hons), FCA Non-executive Chairman Chairman of the Nominations Committee Member of the Remuneration Committee	Mr Brasher was appointed as a director on 29 September 2010. He is a non-executive director of Perpetual Limited, a non-executive director of Amcor Limited and the Deputy Chairman of the Essendon Football Club. From 1982 to 2009, Mr Brasher was a partner of PricewaterhouseCoopers (and its predecessor firm, Price Waterhouse), including five years as the Chairman of the Global Board of PricewaterhouseCoopers. Mr Brasher brings to the Board his local and global experience as a senior executive and director, particularly in the areas of strategy, finance, audit and risk management and public company governance, as well as his experience as a non-executive director of Australian companies with significant overseas operations.
Kathryn Fagg FTSE, BE(Hons), MCom(Hons) Non-executive director Member of the Health, Safety, Environment and Community Committee	Ms Fagg was appointed as a director on 15 April 2014. Ms Fagg is a non-executive member of the Reserve Bank of Australia, and is also a non-executive director of Djerriwarrh Investments Limited and Boral Limited. She is Chair of the Melbourne Recital Centre and a non-executive director of the Breast Cancer Network of Australia. Ms Fagg was previously President of Corporate Development at Linfox Logistics Group and, prior to that, she held executive roles with BlueScope Steel and Australia and New Zealand Banking Group. Ms Fagg was also a consultant with McKinsey and Co. Ms Fagg brings to the Board extensive executive experience across a range of industries in Australia and Asia, including logistics, manufacturing, resources, banking, professional services and strategy consulting, as well as her experience in managing international subsidiaries for global businesses.
Gregory Hayes MAppFin, GradDipACC, BA, ACA Non-executive director Member of the Audit and Risk Management Committee	Mr Hayes was appointed as a director on 1 October 2014. His prior roles include: Chief Financial Officer and Executive Director of Brambles Limited, Chief Executive Officer & Group Managing Director of Tenix Pty Ltd, Chief Financial Officer and later interim CEO of the Australian Gaslight Company (AGL), CFO Australia and New Zealand of Westfield Holdings and Executive General Manager, Finance of Southcorp Limited. Mr Hayes is an experienced executive having worked across a range of industries including energy, infrastructure and logistics. He brings to the Board skills and experience in the areas of strategy, finance, mergers and acquisitions and strategic risk management, in particular in listed companies with global operations.
Anthony Larkin FCPA, FAICD Non-executive director Chairman of the Audit and Risk Management Committee Member of the Nominations Committee	Mr Larkin was appointed as a director on 1 June 2003. Mr Larkin is also a non-executive director of Oakton Limited and MMG Limited. He was previously a non-executive director of OZ Minerals Limited, Corporate Express Australia Limited and Eyecare Partners Limited, Executive Director Finance of Orica Limited, Chairman of Incitec Limited and Chairman of Ausmelt Limited. During his career with BHP Limited, which spanned 38 years, he held the position of Group Treasurer and, prior to that, he held senior finance positions in its steel and minerals businesses and various senior corporate roles. Mr Larkin has extensive knowledge of markets relevant to Incitec Pivot including fertilisers, explosives and mining. He brings to the Board his experience in the areas of finance and financial markets, governance, strategy and risk management and public policy.
John Marlay BSc, FAICD Non-executive director Chairman of the Remuneration Committee Member of the Audit and Risk Management Committee	Mr Marlay was appointed as a director on 20 December 2006. Mr Marlay is Chairman of Cardno Limited and a non-executive director of Boral Limited. He is also the independent Chairman of Flinders Ports Holdings Limited. Mr Marlay is a former Chief Executive Officer and Managing Director of Alumina Limited, a former director of Alesco Corporation Limited, Alcoa of Australia Limited and the Business Council of Australia, the former Chairman of the Australian Aluminium Council and the former independent Chairman of Tomago Aluminium Company Pty Ltd. Mr Marlay brings extensive international experience as a public company chief executive, operational experience including in manufacturing industries as well as non-executive director experience in companies with global operations, particularly in North America.

Name, qualifications and special responsibilities	Experience
Rebecca McGrath BTP(Hons), MASC, FAICD Non-executive director Chairman of the Health, Safety, Environment and Community Committee Member of the Audit and Risk Management Committee Member of the Nominations Committee	Ms McGrath was appointed as a director on 15 September 2011. Ms McGrath is currently a non-executive director of OZ Minerals Limited, CSR Limited and Goodman Group. Ms McGrath is also a member of the Advisory Council at JP Morgan Australia. During her 23 year career with BP plc, Ms McGrath held a number of senior roles including as Chief Financial Officer and Executive Board member for BP Australia and New Zealand. Ms McGrath is also a former director of Big Sky Credit Union Limited. Ms McGrath brings to the Board over 20 years' experience in the international oil industry, senior executive experience in operations and finance, an operational and strategic understanding of occupational health and safety both as an executive and as a director, and has had significant exposure to manufacturing and supply chain management.
Graham Smorgon AM B.Juris, LLB Non-executive director Member of the Health, Safety, Environment and Community Committee Member of the Nominations Committee Member of the Remuneration Committee	Mr Smorgon was appointed as a director on 19 December 2008. Mr Smorgon is a non-executive director of Arrium Limited, Chairman of Smorgon Consolidated Investments and the GBM Group, and a Trustee of the Victorian Arts Centre Trust. His former roles include Chairman of the Print Mint Group, director of Fed Square Pty Ltd, Chairman of Smorgon Steel Group Ltd, Deputy Chairman of Melbourne Health, Director of The Walter and Eliza Hall Institute of Medical Research, Chairman of Creative Brands, Chairman of GBM Logic, and partner of law firm Barker Harty & Co, where he practised as a commercial lawyer for 10 years. Mr Smorgon has extensive experience as both an executive and public company director in industries relevant to Incitec Pivot including in resources and manufacturing. He brings to the Board skills in the areas of commercial law, public company governance and risk management.
James Fazzino BEc(Hons) Managing Director & CEO Member of the Health, Safety, Environment and Community Committee	Mr Fazzino was appointed Managing Director & CEO on 29 July 2009. Mr Fazzino was first appointed as a director on 18 July 2005, following his appointment as Chief Financial Officer in May 2003. Before joining Incitec Pivot, he had many years' experience with Orica Limited in several business financial roles, including Investor Relations Manager, Chief Financial Officer for the Orica Chemicals group and Project Leader of Orica's group restructure in 2001. Mr Fazzino brings to the Board his deep knowledge of the fertilisers and explosives industries including extensive knowledge of the global participants in these markets, as well as manufacturing experience.

Company Secretary

Ms Daniella Pereira holds the office of Company Secretary.

Ms Pereira joined the Company in 2004, and was appointed Company Secretary on 31 October 2013. Prior to joining the Company, Ms Pereira practised as a lawyer with Blake Dawson (now Ashurst). Ms Pereira holds a Bachelor of Laws (with Honours) and a Bachelor of Arts.

Directors' interests in share capital

The relevant interest of each director in the share capital of the Company, as notified by the directors to the Australian Securities Exchange (ASX) in accordance with section 205G(1) of the Corporations Act 2001 (Cth), as at the date of this report is as follows:

Director	Fully paid ordinary shares Incitec Pivot Limited
P V Brasher ⁽¹⁾	40,600
K Fagg ⁽¹⁾	10,000
G Hayes	0
A C Larkin	5,000
J Marlay ⁽²⁾	37,926
R J McGrath ⁽¹⁾	13,758
G Smorgon AM	0
J E Fazzino ⁽¹⁾	1,708,180

(1) Held both directly and indirectly.

(2) Held indirectly.

Further details of directors' interests in share capital are set out on page 30 of the Remuneration Report.

Directors' Report

Directors' meetings

The number of directors' meetings held (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year are listed below:

Director – Current ^{(1),(2),(3)}	Board		Audit and Risk Management		Remuneration		Nominations		Health, Safety, Environment and Community	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
P V Brasher ⁽⁴⁾	10	10			4	4	2	2	1	1
A C Larkin	10	10	4	4			2	2		
K Fagg ⁽⁵⁾	4	4							2	2
J Marlay	10	10	4	4	5	5				
R J McGrath ⁽⁶⁾	10	10	4	4			2	2	4	4
G Smorgon AM	10	10			5	5	2	2	4	4
J E Fazzino	10	10							4	4
Director – Former										
A D McCallum ⁽⁷⁾	4	4			1	1			1	1

Chairman Member

- (1) 'Held' indicates the number of meetings held during the period that the director was a member of the Board or Committee.
 (2) 'Attended' indicates the number of meetings attended during the period that the director was a member of the Board or Committee.
 (3) Mr Gregory Hayes was appointed as a director on 1 October 2014 and as a member of the Audit and Risk Management Committee on 2 October 2014.
 (4) Mr Paul Brasher was appointed as a member of the Remuneration Committee and the Health, Safety, Environment and Community Committee on 19 December 2013 and ceased to be a member of the Health, Safety, Environment and Community Committee on 15 April 2014.
 (5) Ms Kathryn Fagg was appointed as a director on 15 April 2014 and was also appointed as a member of the Health, Safety, Environment and Community Committee on that date.
 (6) Ms Rebecca McGrath was appointed Chairman of the Health, Safety, Environment and Community Committee on 19 December 2013.
 (7) Mr Allan McCallum retired as a director on 19 December 2013.

Principal activities

The principal activities of the Group during the course of the financial year were the manufacture, trading and distribution of fertilisers, industrial explosives and chemicals, and the provision of related services. No significant changes have occurred in the nature of these activities during the financial year.

Operating and financial review

Refer to the operating and financial review on page 5.

Dividends

Dividends paid since the last annual report were:

Type	Cents per share	Total amount \$mill	Franked/Unfranked	Date of payment
<i>Paid during the year</i>				
2013 final dividend	5.8	94.5	75% franked	18 December 2013
2014 interim dividend	3.5	57.6	75% franked	1 July 2014
<i>Paid after end of year</i>				
2014 final dividend	7.3	120.8	10% franked	16 December 2014
Dealt with in the financial report as:				
			Note	\$mill
Dividends			28	152.1
Subsequent event			28	120.8

Changes in the state of affairs

There have been no significant changes to the Group's state of affairs during the financial year.

Events subsequent to reporting date

Since the end of the financial year, in November 2014, the directors determined to pay a final dividend for the Company of 7.3 cents per share on 16 December 2014. The dividend is 10% franked. (Refer to Note 28 to the financial statements.)

Other than the matters reported on above, the directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2014 that has affected or may affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years, which has not been covered in this report.

Likely developments

Refer to the operating and financial review for information on likely developments and future prospects of the Group.

Environmental regulation and performance

The operations of the Group are subject to environmental regulation under the jurisdiction of the countries in which those operations are conducted including Australia, United States of America, Mexico, Canada, Indonesia, Papua New Guinea and Turkey. The Group is committed to complying with environmental legislation, regulations, standards and licences relevant to its operations.

The environmental laws and regulations generally address the potential aspects and impacts of the Group's activities in relation to, among other things, air and noise quality, soil, water, biodiversity and wildlife.

The Group operates under a Global Health, Safety and Environment Management System which sets out guidelines on the Group's approach to environmental management, including a requirement for sites to undertake an Environmental Site Assessment.

In certain jurisdictions, the Group holds licences for some of its operations and activities from the relevant environmental regulator. The Group measures its compliance with such licences and reports statutory non-compliances as required.

Measurement of the Group's environmental performance is based not only on the actual impact of incidents, but also upon the potential consequence, consistent with Incitec Pivot's risk based focus.

The Group has continued to focus on remediation of legacy sites. Remediation works have been completed successfully at Parafield Gardens and Wallaroo in Australia and also at a disused site in Carthage, USA. Progress was also made at the Cockle Creek and Pinkenba sites in Australia. At the Wallaroo site, soil and groundwater remediation has been completed together with heritage works on an area of historical significance, involving a total investment of \$20 million.

For the 2014 financial year, the aggregate amount of fines for environmental incidents was \$US1,500 which related to a single incident at the Group's US operations.

Indemnification and insurance of officers

The Company's Constitution provides that, to the extent permitted by law, the Company must indemnify any person who is, or has been, a director or secretary of the Company against any liability incurred by that person including any liability incurred as an officer of the Company or a subsidiary of the Company and legal costs incurred by that person in defending an action.

The Constitution further provides that the Company may enter into an agreement with any current or former director or secretary or a person who is, or has been, an officer of the Company or a subsidiary of the Company to indemnify the person against such liabilities. The Company has entered into Deeds of Access, Indemnity and Insurance with officers. Pursuant to those deeds, the Company has paid a premium in respect of a contract insuring officers of the Company and officers of its controlled entities against liability for costs and expenses incurred by them in defending civil or criminal proceedings involving them as such officers, with some exceptions. The contract of insurance prohibits disclosure of the nature of the liability insured against and the amount of the premium paid.

Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327B(2) of the Corporations Act 2001 (Cth).

Non-audit services

Deloitte Touche Tohmatsu has provided non-audit services to the amount of \$155,200 during the year ended 30 September 2014 (Refer Note 7 to the financial statements).

As set out in Note 7 to the financial statements, the Audit and Risk Management Committee must approve individual non-audit engagements provided by Deloitte Touche Tohmatsu above a value of \$100,000, as well as the aggregate amount exceeding \$250,000 per annum. Further, in accordance with its Charter, during the year the Committee has continued to monitor and review the independence and objectivity of the auditor, having regard to the provision of non-audit services. Based on the advice of the Audit and Risk Management Committee, the directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and does not compromise the external auditor's independence.

Lead Auditor's Independence Declaration

The lead auditor has provided a written declaration that no professional engagement for the Group has been carried out during the year that would impair Deloitte Touche Tohmatsu's independence as auditor.

The lead auditor's independence declaration is set out on page 41.

Rounding

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order, the amounts shown in this report and in the financial statements have been rounded off, except where otherwise stated, to the nearest one hundred thousand dollars.

Operating and Financial Review

Group Overview

Incitec Pivot Limited is an industrial chemicals company that supplies fertilisers and industrial explosives products and services to the agriculture and mining industries. Through Dyno Nobel, Incitec Pivot is a leading supplier of industrial explosives and blasting services to the mining, quarrying, seismic and construction industries in North America and to the mining industry in Asia Pacific, principally Australia. Incitec Pivot Fertilisers is Australia's largest supplier of fertilisers, dispatching around 1.9 million tonnes each year for use in the grain, cotton, pasture, dairy, sugar and horticulture industries.

The Company has operations in Australia, North America, Europe, Asia, Latin America and Africa.

Incitec Pivot operates through three business units, details of which are set out in this review:

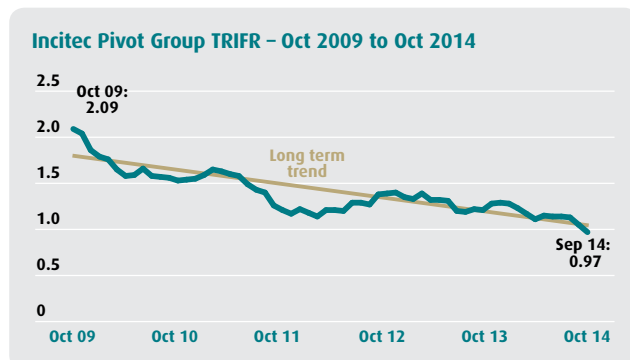
- Dyno Nobel Asia Pacific ("DNAP");
- Dyno Nobel Americas ("DNA"); and
- Fertilisers (Incitec Pivot Fertilisers ("IPF") and Southern Cross International ("SCI")).

Zero Harm

Incitec Pivot prioritises the "Zero Harm for Everyone, Everywhere" company value above all others. The Company's approach to workplace health and safety focuses on four key areas known as the '4Ps': Passionate Leadership, People, Procedures and Plant and is underpinned by the corporate commitment to continuous improvement through Business Excellence ("BEx").

Incitec Pivot has in place a fully integrated Health, Safety and Environment ("HSE") Management System which provides the foundation for effective identification and management of health, safety and environmental risks.

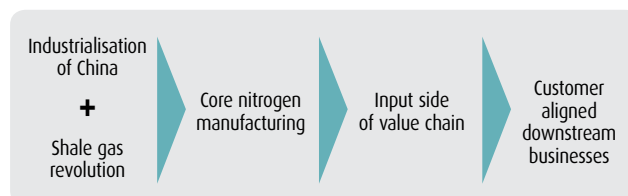
In 2012, Incitec Pivot adopted a five year Global HSE Strategy to achieve world class safety performance and have an all worker Total Recordable Injury Frequency Rate (TRIFR)⁽¹⁾ of less than 1.0 by 2016. The Company has continued its trend of TRIFR improvement, delivering a TRIFR of 0.97⁽²⁾ for the 2014 financial year. As demonstrated in the chart below, the Company safety performance as measured by TRIFR has improved by more than 50% in the last five years.



- (1) TRIFR is expressed as the number of recordable injuries per 200,000 hours worked.
 (2) Subject to finalisation of the classification of any pending incidents.

Strategy

As an industrial chemicals company, Incitec Pivot's strategy is to leverage dislocations in the world's two largest economies, being the industrialisation and urbanisation of China and the shale gas revolution in the USA. Incitec Pivot executes its strategy by positioning itself on the input side of the value chain, leveraging core nitrogen and high explosives chemicals manufacturing expertise and servicing customers via aligned downstream businesses.



In the medium term, Incitec Pivot's growth is linked to two global economic engines:

- Asia: The industrialisation of Asia, in particular China, through the Moranbah ammonium nitrate plant; and
- USA: the recovery and re-industrialisation of the United States through the DNA business, the Louisiana ammonia plant and the \$US sensitivity of the Fertiliser business.

With the medium term growth platform set, the immediate focus for all businesses is now firmly on optimising existing manufacturing assets, improving productivity and executing strategies to maximise returns. BEx, Incitec Pivot's globally integrated continuous improvement system, aims to drive sustainable and ongoing business efficiency and productivity through an empowered and engaged workforce.

Moranbah Ammonium Nitrate ("AN") Plant

Over the last 18 months, the ramp-up of the Moranbah Ammonium Nitrate plant has been a key strategic project for the business. Following the maintenance shut in March/April, the plant performed well for the remainder of 2014, producing 299,000 metric tonnes and, since April 2014, has been producing in line with the target of 330,000 metric tonnes for 2015.

Louisiana Ammonia Plant

On 17 April 2013, Incitec Pivot announced an investment of \$US850m to build an 800,000 metric tonne per annum ammonia plant in Louisiana, USA. More than half way through the project, construction and costs are on track. Production is anticipated to commence in the third quarter of 2016 and the key financial metrics remain unchanged: 15 percent IRR and a 5 year payback.

In the past year, \$388.4m of growth capital has been directed toward the project. The ammonia tank is well progressed, below ground civil works including piling and underground piping are complete and construction of the ground infrastructure for the plant is well underway. The cooling tower is complete and the primary reformer, control room and water treatment plant are currently being installed. The main compressors have been tested and are scheduled to be installed before the end of the calendar year. Capital expenditure on the plant to the end of the 2014 year was approximately \$US450m. Expected capital expenditure in 2015 is \$US250m and in 2016 is \$US150m. In addition, interest will be capitalised during construction.

From late 2016, the project will drive significant earnings growth in DNA by capturing the US ammonia manufacturing margin.

Business Excellence ("BEx")

BEx is Incitec Pivot's business and continuous improvement system. Through BEx, the Company is building a culture of continuous improvement within its businesses, which will support productivity improvements, the focus on Zero Harm and the furtherance of sustainability initiatives. BEx is strongly aligned to Incitec Pivot's corporate values and has lean principles at its core.

BEx has completed its second full year and has been implemented in a comprehensive manner in most areas and regions of the business. While adoption of BEx is still at an early stage, the benefits of BEx in changing the way the Group conducts its business operations are becoming apparent.

Group Financial Performance Review

Incitec Pivot has delivered profit growth from all businesses in the face of challenging markets. Strong financial disciplines, coupled with BEx, continues to drive efficiency, productivity gains and earnings growth.

INCITEC PIVOT GROUP FINANCIAL PERFORMANCE	Year Ended 30 September		
	2014 \$Amill	2013 ⁽⁴⁾ \$Amill	Change %
Sales revenue	3,352.0	3,403.7	(2%)
EBITDA ex IMIs ⁽¹⁾	742.7	645.2	15%
EBIT ex IMIs ⁽²⁾	519.4	461.5	13%
NPAT ex IMIs ⁽³⁾	356.3	293.5	21%
IMIs	(109.2)	73.6	n/a
NPAT attributable to shareholders	247.1	367.1	(33%)
Business Segment EBIT			
Dyno Nobel Asia Pacific ("DNAP")	203.3	162.3	25%
Dyno Nobel Americas ("DNA")	165.7	163.2	2%
Intercompany Elimination	1.5	(1.1)	
Explosives	370.5	324.4	14%
Southern Cross International ("SCI")	79.6	70.3	13%
Incitec Pivot Fertilisers ("IPF")	103.7	95.0	9%
Intercompany Elimination	0.1	3.0	
Fertilisers	183.4	168.3	9%

(1) EBITDA ex IMIs = Earnings Before Interest, Tax, Depreciation and Amortisation, excluding Individually Material Items ("IMIs").

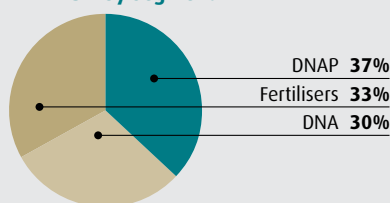
(2) EBIT ex IMIs = Earnings Before Interest, Tax, excluding IMIs.

(3) NPAT ex IMIs = Net Profit After Tax attributable to shareholders of Incitec Pivot, excluding IMIs.

(4) Comparative information has been restated as a result of adopting the revised Australian Accounting Standard, AASB 119 "Employee benefits".

FY14 EBIT by Segment

Incitec Pivot Limited



Incitec Pivot reported Net Profit After Tax ("NPAT") of \$247.1m, down \$120.0m from the prior year of \$367.1m. Net Profit After Tax excluding Individually Material Items ("NPAT ex IMIs") increased by 21 percent, or \$62.8m to \$356.3m (2013: \$293.5m), which largely reflected growth in Moranbah earnings.

Group sales revenues decreased by two percent, or \$51.7m, to \$3,352.0m (2013: \$3,403.7m). Fertiliser revenue was lower, reflecting the net negative impact of lower global fertiliser prices and drought conditions in the northern region of Australia, partly offset by the lower \$A.

Explosives revenue was higher, driven primarily by sales growth to Moranbah customers and the translation benefit of the lower \$A on DNA's \$US revenues.

Individually Material Items (IMIs) over the period resulted in a charge of \$109.2m after tax. The IMIs for 2014 relate to:

- A \$56.5m after tax write down relating to impairment and restructure costs of Nitromak (a Turkish explosives business acquired as a part of the Dyno Nobel acquisition). Following lower earnings and a soft outlook for this business due to regional instability and increased competition in the Turkish explosives market, Nitromak goodwill and property, plant and equipment have been impaired and the business is being restructured.
- A \$26.0m after tax write down relating to impairment of the investment in Fabchem China Limited to reflect the excess supply of AN in China and the market value of the shareholding. The investment in this business was acquired as part of the Dyno Nobel acquisition.
- A \$26.7m after tax impairment of Donora ammonium nitrate ("AN") manufacturing assets due to the loss of some customer volumes.

The Explosives business delivered a strong earnings performance despite difficult market conditions. DNAP delivered earnings growth from the Moranbah ammonium nitrate plant, partially offset by volume reductions in the more challenged Hard Rock and Underground markets. DNA explosives EBIT grew due to the benefits of price improvements and efficiencies generated by BEx, partially offset by lower earnings from the Coal segment. Overall, DNA's \$US EBIT declined due to lower global commodity prices impacting profit from fertiliser sales.

The Fertilisers business contributed an EBIT improvement in both IPF and SCI. The domestic distribution business delivered a solid result in the face of low average global fertiliser prices and drought in northern Australia. The impact of lower global fertiliser prices was partially offset by the benefit associated with the weaker \$A.

Manufacturing reliability is a key focus area for the Group. In 2014, significant progress was made toward improving manufacturing reliability. Turnarounds were completed at Phosphate Hill, Mt Isa and Moranbah and exit production rates at all plants are in line with nameplate capacities.

The overhead reduction announced in November 2013 was completed, with the goal of \$20m savings delivered in one year, rather than two years as originally projected.

A detailed analysis of the business segment performance is provided on the following pages.

Directors' Report

Group Financial Position Review

Incitec Pivot's Balance Sheet at 30 September 2014 reflects the ongoing financial discipline throughout the business.

INCITEC PIVOT GROUP	Year Ended 30 September		
	2014 \$Amill	2013 \$Amill	Change \$Amill
Balance Sheet			
Trade Working Capital – Fertilisers	(136)	(151)	15
Trade Working Capital – Explosives	197	188	9
Net property plant and equipment	3,511	3,034	477
Intangible assets	2,992	2,961	31
Environmental & restructure provisions	(113)	(127)	14
Tax liabilities	(360)	(292)	(68)
Net other liabilities	(204)	(115)	(89)
Net Debt⁽¹⁾	(1,480)	(1,278)	(202)
Net Assets	4,407	4,220	187
Equity	4,407	4,220	187

Balance Sheet Key Performance Indicators		
Net tangible assets per share (\$)	0.85	0.77
Fertilisers – Average TWC % Rev ⁽²⁾	1.4%	3.4%
Explosives – Average TWC % Rev ⁽²⁾	12.2%	14.0%
Group – Average TWC % Rev ⁽²⁾	8.0%	9.5%
Financing Key Performance Indicators		
Interest cover (times) ⁽³⁾	9.1x	6.2x
Net Debt/EBITDA (times) ^{(1),(4)}	2.0x	2.0x

- (1) In financial year 2013, the definition of 'Net Debt' was broadened to better represent the Group's exposure to interest bearing liabilities. The revised definition aggregates interest bearing liabilities plus the fair value of derivative instruments in place economically to hedge the Group's interest bearing liabilities, less available cash and cash equivalents.
- (2) Average TWC % Rev = 13 month average trade working capital/Annual Revenues.
- (3) Interest cover = 12 month rolling EBITDA/net interest expense.
- (4) Net Debt/EBITDA is based on Net Debt at point in time/last 12 month historical EBITDA excluding IMIs.

Trade working capital ("TWC") increased by \$24m from 30 September 2013 to \$61m, primarily due to the timing of fertiliser imports. The Group's lower average thirteen month TWC as a percentage of the Group's annual revenues reflected Incitec Pivot's continuous focus on efficient cash management, driven by BEx.

Net property, plant and equipment increased by \$477m to \$3,511m from 30 September 2013. The significant items in this movement include: capital expenditure on the Louisiana Ammonia plant of \$388.4m (2013: \$109.3m), sustenance capital expenditure of \$256.9m (2013: \$169.7m), a positive foreign currency translation of non \$A denominated assets of \$71.1m, depreciation of \$194.1m, asset impairments of \$53.2m and disposals of \$9.5m.

The intangible assets balance increased due to a positive translation of foreign currency denominated intangible assets, partially offset by amortisation of intangibles and the impairment charge related to Nitromak.

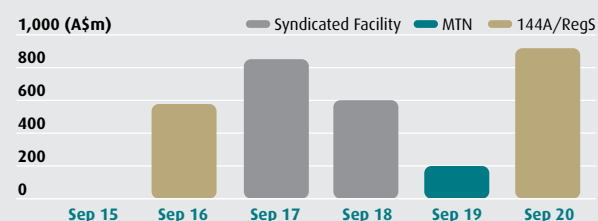
Environmental and other provisions reduced by \$14m to \$113m (2013: \$127m) resulting from payments made against environmental provisions during the course of the year as remediation progressed.

Deferred tax increased by \$68m to \$360m (2013: \$292m) primarily due to the difference between tax and accounting depreciation rates related to recent capital spend (Moranbah, Phosphate Hill and Mt Isa turnarounds).

Net other liabilities increased, largely due to unfavourable market value movements of derivative hedging instruments (offsetting the foreign exchange movements in \$US net assets) and movements in the retirement benefit obligations, partially offset by reduction in carbon tax liability and gas prepayments.

The chart below illustrates the tenor and diversity of the Company's debt book, with funding secure throughout the construction phase of the Louisiana ammonia plant.

Incitec Pivot Group Debt Book – Year ending Sep 2015 to Sep 2020



At 30 September 2014, Incitec Pivot's net debt was \$1.5bn (2013: \$1.3bn), with committed headroom available of \$1.5bn (2013: \$1.7bn), representing the \$1.45bn undrawn syndicated bank facility and cash on hand at 30 September 2014.

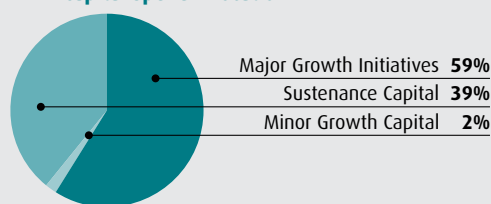
Net Debt/EBITDA (excluding Individually Material Items ("IMIs")) result of 2.0 (2013: 2.0) remains within the target range of ≤ 2.5 times, notwithstanding the current investment being made in the Louisiana ammonia plant. Interest cover improved over the 12 months, up to 9.1 times (2013: 6.2 times).

Capital Allocation

Incitec Pivot's capital allocation process is centralised and overseen by the Corporate Finance and Strategy & Business Development functions. Capital is allocated on a prioritised basis and all submissions are assessed against Incitec Pivot's risk, financial, strategic and corporate governance criteria. Capital is broadly categorised into major growth initiatives, minor growth capital and sustenance capital. In line with the strategy, major growth initiatives continue to receive the vast majority of the Company's growth capital.

INCITEC PIVOT GROUP	Year Ended 30 September		
	2014 \$Amill	2013 \$Amill	Change \$Amill
Capital Allocation			
Major growth initiatives	388.4	164.7	223.7
Minor growth capital	17.1	99.7	(82.6)
Sustenance capital	256.9	169.7	87.2
Total Capital	662.4	434.1	228.3

FY14 Capital Spend Allocation



Major growth capital of \$388.4m represents the investment into the build of the Louisiana ammonia plant in 2014. Minor growth capital of \$17.1m (2013: \$99.7m) was tightly controlled to allow capital funding to be channelled into the Louisiana ammonia plant. Spending on sustenance capital was \$256.9m (2013: \$169.7m); the major items being the Phosphate Hill, Mt Isa and Moranbah turnarounds and the new gypsum cell at Phosphate Hill.

Shareholder Returns & Dividends

Earnings per share excluding IMIs ("EPS ex IMIs") increased 21 percent to 21.7cps (2013: 18.0cps).

INCITEC PIVOT GROUP	Year Ended 30 September		
	2014 cents per share	2013 cents per share	Change %
Shareholder Returns			
EPS ex IMIs ⁽¹⁾	21.7	18.0	21%
EPS	15.0	22.5	(33%)
Dividend per share ⁽²⁾	10.8	9.2	17%

(1) EPS ex IMIs = Earnings Per Share, excluding IMIs.

(2) Dividend declared in respect of the financial year.

Since the end of the financial year, in November 2014, the directors determined to pay a final dividend for the Company of 7.3 cents per share on 16 December 2014. The dividend is 10% franked. This brings the total dividend in respect of the 2014 financial year to 10.8 cents per share. The dividend represents a payout ratio of 50%.

Incitec Pivot will maintain its dividend reinvestment plan ("DRP"). A discount of 1.5 percent will be applied in determining the offer price under the DRP. The 2014 final dividend will not be underwritten.

Company Outlook

BEx, Incitec Pivot's continuous improvement system will continue to deliver benefits in 2015. The quantum of benefits in any one year is difficult to predict, but a net benefit similar to the 2014 outcome is the goal.

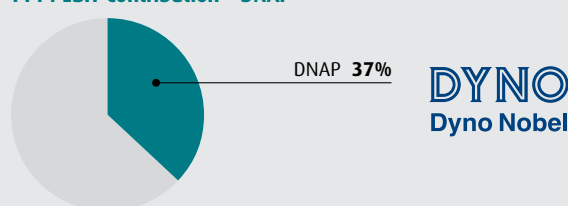
As the 2014 overhead reduction program has been completed, there will be no corporate restructuring costs in 2015. Corporate costs are expected to be in the range of \$22m to \$24m.

2015 net borrowing costs are expected to be approximately \$90m, assuming a slight increase in US interest rates during 2015. The full year effective tax rate is expected to be approximately 23 percent.

The business units' outlook commentary follows within the respective business performance overviews.

Dyno Nobel Asia Pacific

FY14 EBIT Contribution – DNAP



DYNO
Dyno Nobel

Overview

Dyno Nobel Asia Pacific ("DNAP") is a leading supplier of industrial explosives and blasting services to the mining industry across Australia, Indonesia and Papua New Guinea. In particular, DNAP supplies industrial explosives and blasting services to surface and underground mining in the thermal coal, metallurgical coal, iron ore and other mining sectors. DNAP is the second largest supplier in Australia – the third largest explosives market in the world.

Strategy

DNAP's strategy is to invest in capability to maximise returns across growing markets directly linked to the industrialisation of Asia, with the immediate focus on maximising returns on the ammonium nitrate plant in Moranbah, Queensland.

FINANCIAL SUMMARY – DNAP	Year Ended 30 September		
	2014 \$Amill	2013 ⁽¹⁾ \$Amill	Change %
Revenue	897.0	862.3	4%
EBIT	203.3	162.3	25%

(1) As a part of the Group's restructure in this financial year, the Turkey explosives business ("Nitromak") now forms part of the DNAP reporting segment, previously formed part of the DNA reporting segment. The comparative financial information in the DNA and DNAP sections of this report has been updated to reflect this change. The impact is a reclassification of EBIT from DNA to DNAP of \$A12.9m.

Performance

Overall DNAP's EBIT was up \$41m or 25 percent to \$203.3m (2013: \$162.3m). Moranbah represents the majority of this earnings improvement, with production of 299,000 metric tonnes in 2014 enabling incremental earnings. Overhead and administration restructuring, coupled with BEx initiatives, resulted in efficiencies that provided additional benefit for the business.

The business faced some significant headwinds in 2014, in particular the softness of demand in the Hard Rock, Underground and PNG markets, cost increases brought about by alternative sourcing of AN for the Western Australia market due to an outage at a domestic supplier, the final impact of the 2013 customer loss in the Hunter Valley and earnings declines due to challenging market conditions for Nitromak and Fabchem.

Market Summary

Coal (East Coast incl. Moranbah)

Coal region sales accounted for 55 percent of total AN sales, with growth of 24 percent over 2013. Consistent with a relatively dry wet season, the volume sold was skewed to AN prill. Moranbah is now fully operational, with the majority of production sold into the plant footprint. The final impact of the 2013 Hunter Valley customer loss impacted first half earnings.

Iron Ore (Western Australia)

Iron Ore sales accounted for 29 percent of the AN volumes, with growth of 13 percent in 2014. Earnings in this region grew slightly, after the adverse margin impact related to the four month force majeure outage at a domestic supplier and cost focused customers structuring their businesses to lower product and services costs and implement in-sourcing services at some sites. Looking forward, this will be an increasingly challenging market with impending over-capacity of regionally produced AN.

Hard Rock & Underground

Hard Rock and Underground sales accounted for five percent of the AN volumes. In the face of lower commodity prices (particularly gold), AN volumes were 35 percent lower for the year. In order to focus on cash flow optimisation, customers reduced mining costs by closing mines, moving mining operations to higher grade pits, processing stockpiles and scaling back explosives intensive development of block caving operations.

Indonesia and Papua New Guinea ("PNG")

Indonesia and PNG markets accounted for 11 percent of the AN volumes. Volumes grew modestly in Indonesia and fell in PNG due to a customer in the gold sector reducing mining activities and processing stockpiles.

Nitromak

Nitromak is a Turkish subsidiary, acquired as part of the Dyno Nobel acquisition in 2008. The business has delivered reasonably constant earnings until the current financial year. Nitromak earnings declined in 2014. The outlook is negative for this business due to regional instability and increased competition in the Turkish explosives market.

Outlook

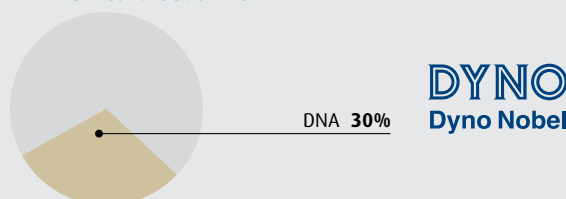
With the challenging mining environment globally, DNAP is experiencing tougher market conditions. Nonetheless, DNAP is relatively well positioned given the contractual commitments for AN volumes from the Moranbah plant. Based on anticipated contracted volumes, in 2015 Moranbah is projected to produce 330,000 metric tonnes and EBIT of \$140m.

Outside of earnings growth generated from Moranbah, earnings from the Australian market are expected to decline in 2015 as customers review the viability of high cost mining operations and continue their cashflow optimisation focus and look to drive down their costs through efficiency programs.

Consistent with soft global mining markets, the Turkish and Indonesian explosives markets are both challenging markets. DNAP's earnings from these regions are expected to decline in 2015.

Dyno Nobel Americas

FY14 EBIT Contribution – DNA



Overview

Dyno Nobel Americas ("DNA") is a leading supplier of industrial explosives and blasting services to the mining, quarrying and construction industries. DNA is a market leader in North America – the largest explosives market in the world. DNA also includes earnings from industrial explosives products and services sold to customers in Latin America.

Additionally, DNA supplies nitrogen based products to several agricultural and industrial chemical markets in North America.

Strategy

DNA's strategy is to produce improved and sustainable earnings by leveraging established infrastructure, brand and channel strategies, as well as to capitalise on industry size to build scale and expertise which can be deployed into other markets.

FINANCIAL SUMMARY – DNA	Year Ended 30 September		
	2014 \$mill	2013 ^{(1),(2)} \$mill	Change %
\$Am			
Revenue	1,205.2	1,127.7	7%
EBIT	165.7	163.2	2%
\$USm			
Revenue	1,109.9	1,118.5	(1%)
EBIT	152.8	162.3	(6%)

(1) Comparative information has been restated as a result of adopting the revised Australian Accounting Standard, AASB 119 "Employee benefits".

(2) As a part of the Group's restructure in this financial year, the Turkey explosives business ("Nitromak") now forms part of the DNAP reporting segment, previously formed part of the DNA reporting segment. The comparative financial information in the DNA and DNAP sections of this report has been updated to reflect this change. The impact is a reclassification of EBIT from DNA to DNAP of \$A12.9m.

Performance

DNA's \$US EBIT decrease of \$9.5m or six percent to \$152.8m (2013: \$162.3m) was primarily due to lower fertiliser prices impacting revenue of the North American agricultural business.

The North American Explosives business delivered an EBIT improvement due to financial benefits gained through its BEx system, improved margins driven by a combination of product and customer mix, transportation savings and price increases and a reduction in overhead and administration costs. These gains were offset by the impact of lower global sales of Initiating Systems primarily into Indonesia and Latin America, and the margin and translation impact of the weaker Canadian dollar.

The North American Agriculture & Industrial Chemicals business was negatively impacted by the lower realised fertiliser prices, increased purchased ammonia costs, increased gas prices and slightly lower production volume which increased the unit cost of fertiliser production.

Market Summary

Quarry & Construction ("Q&C")

Q&C accounted for 18 percent of total AN volume. Sales volumes were up seven percent for the year, with growth experienced across both residential and non-residential construction. Q&C volumes are driven by public construction, non-residential construction and the residential construction industries. Non-residential construction is primarily driven by the shale gas and tight oil boom, where low priced gas has led to a significant investment in the petrochemical sector across the USA. In the residential market, sustained positive US residential starts has led to some growth in new housing estates. DNA remains well positioned for the recovery in this market.

Coal

Coal accounted for 52 percent of total AN volumes. Volumes were flat, reflecting the negative impact of the carryover of high coal inventories and an extremely cold winter in the first half followed by production growth in the second half, predominantly in the Powder River Basin.

Notwithstanding that, the moderate US summer tempered coal production growth in the second half of the year.

Metals & Mining

Metals & Mining accounted for 30 percent of total AN volumes. Sales volumes were consistent with 2013, reflecting both the impact from extreme cold winter conditions in the first half and miners reducing spend by cutting capital expenditure and concentrating mining operations on high grade pits. In the current low price environment for hard commodities, it is expected that miners will continue to look for cash flow optimisation and for cost efficiency opportunities.

Outlook

The explosives segment earnings are expected to be flat in 2015.

Market conditions in Coal and Metals are expected to be relatively flat in 2015, with up to four percent growth in Quarry & Construction activity.

During the 2014 year, a number of customer contracts were renegotiated, with some wins and some losses. The net impact is an expected 10 percent decline in volumes in the 2015 year. Notwithstanding this volume impact, the net EBIT outcome of contract negotiations will be positive.

Offsetting this positive is a short term increased cost of purchased ammonia feedstock. Interim supply agreements have now been finalised for the period until the Louisiana ammonia plant start-up. These interim agreements reflect the tightness in the global ammonia market, the attractiveness of the gas to ammonia part of the AN value chain, both of which confirm the Louisiana ammonia plant investment case.

Global Initiating Systems volumes are expected to be consistent with 2014.

Agriculture & Industrial Chemicals ("AG & IC") production volumes are expected to be lower than 2014 (producing approximately 150,000 metric tonnes urea equivalent in 2015), as St Helens will be taken offline for 60 days for a control system upgrade and a planned maintenance turnaround.

EBIT Sensitivities

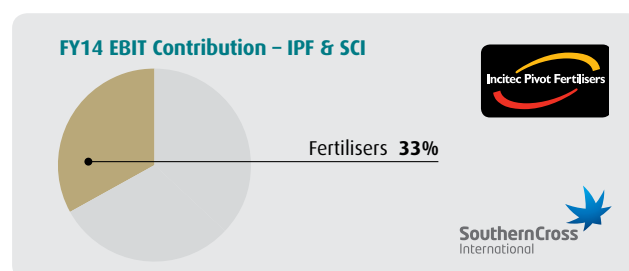
The table below shows the sensitivities associated with the DNA business:

	Sensitivity (per annum)
DNA: Urea (NOLA FOB) ⁽¹⁾	+/- \$US10/t = +/- \$US1.8m
DNA: Forex – translation of Explosives earnings ⁽²⁾	+/- 1 cent = +/- \$A2.2m

Assumptions:

- (1) 180,000 short tonnes (nameplate St Helens production capacity) urea equivalent sales.
- (2) Based on 2014 US dollar denominated earnings and the 2014 average exchange rate of \$A/\$US0.9204 (representing the average exchange rate in the twelve month period ended 30 September 2014).

Fertilisers (Incitec Pivot Fertilisers and Southern Cross International)



Overview

Incitec Pivot Fertilisers ("IPF") is Australia's largest supplier of fertilisers, dispatching around 1.9 million tonnes each year for use in the grain, cotton, pasture, dairy, sugar and horticulture industries. Bulk and packaged fertiliser products are distributed to farmers through a network of more than 200 business partners and agents. IPF supports farmers in eastern Australia, from tropical fruit growers in north Queensland to dairy producers in Tasmania, and sources fertilisers from the Group's Gibson Island plant, Southern Cross International and imports. IPF also manufactures various industrial chemical products used in water treatment, process manufacturing and other industrial applications.

Southern Cross International ("SCI") sells manufactured fertiliser to other importers in Australia and actively markets IPF's own product in offshore markets such as South East Asia and Latin America, via Quantum Fertilisers, an Incitec Pivot subsidiary. In addition, SCI sells manufacturing by-products and fertiliser products into non-Agricultural markets through its Industrial Chemicals business.

Directors' Report

Strategy

The Fertilisers strategy is to maximise value by leveraging asset positions and alternative channels to market to maximise returns and reduce volatility in earnings.

FINANCIAL SUMMARY – FERTILISERS	Year Ended 30 September		
	2014 \$Amill	2013 ⁽¹⁾ \$Amill	Change %
IPF			
Revenue	953.2	1,095.4	(13%)
EBIT	103.7	95.0	9%
SCI			
Revenue	542.8	562.9	(4%)
EBIT	79.6	70.3	13%

(1) Comparative information has been restated as a result of adopting the revised Australian Accounting Standard, AASB 119 "Employee benefits".

Performance

IPF's EBIT increased by \$8.7m or 9 percent to \$103.7m (2013: \$95.0). IPF's EBIT was negatively impacted by lower global fertiliser prices and the impact of lower distribution volumes due to unfavourable growing conditions. These deficiencies were offset with a lower average \$A:\$US exchange rate compared to 2013, BEx efficiencies, improved distribution margins and profit on sale of excess assets.

SCI's EBIT increased by \$9.3m or 13 percent to \$79.6m (2013: \$70.3m). A number of factors contributed to SCI's result:

- The favourable \$A:\$US compared to prior year, together with BEx initiatives were sufficient to counter the revenue impact of DAP being \$US32/t less than the average price of 2013.
- Phosphate Hill produced 772,000 metric tonnes with time down for reliability issues and a planned turnaround. Since the turnaround, the Phosphate Hill and Mt Isa plants ran reliably producing 255,000 tonnes of ammonium phosphates in the July to September period. This is a good result, although it is acknowledged that this is only the first quarter post turnaround. Reliability of these two plants remains a key focus for the manufacturing teams.
- Industrial & Trading EBIT decreased primarily as a result of reduced revenue due to falling global urea prices impacting product prices. Quantum's EBIT increased marginally and the Quantum business continues to provide value and flexibility to the broader fertiliser business.

Market Summary

Summer Crop

Drought in the northern region of Australia negatively impacted cotton and sorghum crops. In the non-irrigated cotton regions of NSW and Southern Queensland, sales volumes were approximately 25 percent down on the prior year.

Pasture Markets

The strong seasonal sales in the first half fuelled the overall growth for the year. With drier conditions in the last quarter in the southern dairy and pasture regions, the outlook for the market is mixed.

The Single Superphosphate strategic review announced at the Investor Day in September 2014 continues. The review is focused on maximising returns from the manufacturing and logistics assets in Geelong and Portland.

Winter Crop

Early season sales made in the first half of the financial year were stronger than the first half of 2013. However, rainfall deficiencies and extended frost conditions across Southern NSW, Victoria and South Australia in the June to September period, drove below average nitrogen top dress for broadacre grains.

Outlook

Given the potential material impact of movements in fertiliser prices and foreign exchange markets on the Group result, the Fertiliser business does not provide price forecasts. Seasonal conditions remain a challenge and volume is largely reliant on rainfall. At this early stage, IPF distribution margins are expected to approximate 2014 levels. As a result of persistent dry conditions in northern NSW and Queensland, along with weak soft commodity prices, distribution volumes are expected to be similar to 2014.

2015 is a full production year, with no scheduled turnarounds. Phosphate Hill's production milestone for 2015 is to produce above 900,000 metric tonnes, with the goal of achieving nameplate capacity of 950,000 metric tonnes. Phosphate Hill has a higher gas cost from February 2015, which will have a negative cost impact of \$38m in 2015 financial year. This cost increase will be offset by the benefit of increased production. The full year gas cost impact is approximately \$50m. For further details on input cost risks, refer to the Principal Risks section.

The Group has hedged 90% of its estimated first half 2015 \$US referenced fertiliser sales at a rate of \$0.89, with participation in positive rate movements to \$0.82. The second half hedging program will be put in place during the first half of the 2015 financial year.

EBIT Sensitivities

The sensitivities shown below have been calculated based on the 2014 achieved di-ammonium phosphate ("DAP") and urea prices, at an average foreign exchange rate between Australian and US dollars of \$0.9204 (representing the average exchange rate in the twelve month period ended 30 September 2014), and nameplate urea and DAP production.

	Sensitivity (per annum)
IPF: Urea – Middle East Granular Urea (FOB) ⁽¹⁾	+/- \$US10/t = +/- \$A4.4m
SCI: DAP – Di-Ammonium Phosphate Tampa (FOB) ⁽²⁾	+/- \$US10/t = +/- \$A10.3m
Forex – transactional (DAP & Urea) ⁽³⁾	+/- 1 cent = (\$A6.5m)/\$A6.7m

Assumptions:

- (1) 405,000 metric tonnes (nameplate Gibson Island production capacity) urea equivalent sales at a 2014 realised price of \$US323/t and the 2014 average exchange rate of \$A/\$US0.9204.
- (2) 950,000 metric tonnes (nameplate Phosphate Hill production capacity) DAP sales at a 2014 realised price of \$US450/t and the 2014 average exchange rate of \$A/\$US0.9204.
- (3) DAP & urea volumes and FOB price based on assumptions (1) and (2) (excludes impact of hedging).

Principal Risks

Set out below are the principal risks and uncertainties associated with Incitec Pivot's business and operations. These risks, which may occur individually or concurrently, could significantly affect the Group's business and operations. There may be additional risks unknown to Incitec Pivot and other risks, currently believed to be immaterial, which could become material. In addition, any loss from such risks may not be recoverable in whole or in part under Incitec Pivot's insurance policies. The treatment strategies do not remove the risks, but may in some cases either partially or fully mitigate the exposure.

The Group's process for managing risk is set out in the Corporate Governance Statement (Principle 7: Recognise and manage risk).

Risk	Description and potential consequences	Treatment strategies employed by Incitec Pivot
General Economic and Business Conditions		
Changing global economic and business climate	The current global economic and business climate and any sustained downturn in the North American, South American, Chinese, Indian, European or Australian economies may adversely impact Incitec Pivot's overall performance. This may affect demand for fertilisers, industrial chemicals, industrial explosives and related products and services, and profitability in respect of them.	• Diversification across explosives and fertilisers markets in numerous geographical locations helps spread exposures. • BEx provides long term sustainable competitiveness and business fluidity, through its focus on continuous improvement in productivity and efficiency. • Continuous review and management of country specific business climate risks.
Commodity price risks	Pricing for fertilisers, certain industrial chemicals and ammonium nitrate are linked to internationally traded commodities (e.g. urea, DAP, ammonia); price fluctuations in these products could adversely affect Incitec Pivot's business. The pricing of internationally traded commodities is based on international benchmarks and is affected by global supply and demand forces. Weaker hard and soft commodity prices (particularly coal, iron ore, gold, corn, wheat, cotton and sugar) could have an adverse impact on the Group's customers and has the potential to impact the customers' propensity to purchase, impacting volume and market prices.	• The Group seeks to maintain low cost positions in its chosen markets, which helps its business units to compete in changing and competitive environments. • Sales and operations planning ("S&OP") process helps inventory management to minimise profit in stock risk. • Incitec Pivot Fertilisers employs a "value at risk" framework to help mitigate its short and medium term commercial exposure to commodity price fluctuations. • To ensure volume and price commitments are upheld, the Group works with its customers and enforces customer supply contracts.
External financial risk	The appreciation or depreciation of the Australian dollar against the US dollar may materially affect Incitec Pivot's financial performance. A large proportion of Incitec Pivot's sales are denominated either directly or indirectly in foreign currencies, primarily the US dollar. In addition, Incitec Pivot also borrows funds in US dollars, and the Australian dollar equivalent of these borrowings will fluctuate with the exchange rate. Other financial risks that can impact Incitec Pivot's earnings include the cost and availability of funds to meet its business needs and movements in interest rates.	• Incitec Pivot's capital management strategy is aimed at maintaining an investment grade credit profile to allow it to optimise the weighted average cost of capital over the long term while maintaining an appropriate mix of \$US and \$A debt, provide funding flexibility by accessing different debt markets and reduce refinance risk by ensuring a spread of debt maturities. A detailed discussion of financial risks is included in Note 32 (Financial Risk Management). • Group Treasury undertakes financial risk management in accordance with policies approved by the Board. Hedging strategies are adopted to manage, to the extent possible and appropriate, currency and interest rate risks. • As part of the S&OP process, the IPF business employs a value at risk framework and customer term contracts to help mitigate its short and medium term commercial exposure to currency movements.
Industry structure and competition risks	Incitec Pivot operates in highly competitive markets with varying competitor dynamics and industry structures. The actions of established or potential competitors could have a negative impact on sales and market share and hence the Group's financial performance. The balance between supply and demand of the products that Incitec Pivot manufactures and sells can greatly influence prices and plant utilisation. The Fertilisers business operates in a distribution and manufacturing market competing against manufacturers with lower input costs and potentially having regulatory and economic advantages. A competitive market may also lead to the loss of customers which may negatively impact earnings.	• Incitec Pivot seeks to maintain competitive cost positions in its chosen markets, whilst maintaining quality product and service offerings. This focus on cost and quality help its business units compete over the medium to longer term in changing and competitive environments. • Where practical, Incitec Pivot prefers to engage in long term customer and supply contractual relationships. • Pricing and risk management processes exist in all businesses.

Risk	Description and potential consequences	Treatment strategies employed by Incitec Pivot
Customer risks	Incitec Pivot has strong relationships with key customers for the supply of products and services. These relationships are fundamental to the Group's success, and the loss of key customers may have a negative impact on Incitec Pivot's financial performance. This is particularly relevant in the Explosives business where supply contracts tend to be longer term and significant high value customers are represented.	- Where practical, for high value customers in the explosives businesses, Incitec Pivot prefers to engage in long term customer contractual relationships. - The Group attempts to diversify its customer base, to reduce the potential impact of the loss of any single customer. - Sales and customer plans are developed in line with the business strategy.
Oversupply of AN in Australia and North America	New ammonium nitrate capacity has recently been or is soon to be introduced in both the DNAP and DNA geographic regions. In both instances, the markets are predominantly domestically supplied and the new capacity may create a supply/demand imbalance. Excess supply may result in margin erosion as there is an increased likelihood of lost customers and downward price pressure.	- Where practical, for high value customers in the explosives businesses, Incitec Pivot prefers to engage in long term customer contractual relationships. - Incitec Pivot seeks to maintain competitive cost positions in its chosen markets, whilst maintaining quality product and service offerings. - Planning, pricing and risk management processes are in place to ensure appropriate emphasis on value versus volume.
Operational Risks		
Production, transportation and storage risks	Incitec Pivot operates 17 key manufacturing and assembly sites and is exposed to operational risks associated with the manufacture, transportation and storage of fertilisers, ammonium nitrate, industrial chemicals and industrial explosives products. Incitec Pivot's manufacturing systems are vulnerable to equipment breakdowns, energy or water disruptions, natural disasters and acts of God, unforeseen human error, sabotage, terrorist attacks and other events which may disrupt Incitec Pivot's operations and materially affect its financial performance. Timely and economic supply of key raw materials, such as ammonia, represents a potential risk to the Group's ability to supply.	- Comprehensive HSE management system is in place with clear principles and policies communicated to employees. - HSE risk management strategies are employed at all times and across all sites. Incidents are investigated and learnings are shared throughout the Group. - Global appropriate workers compensation programs are in place to assist employees who have been injured while at work, including external insurance coverage. - Management undertakes risk identification and mitigation strategies across all sites. - Incitec Pivot undertakes business continuity planning and disaster preparedness across all sites. - Global industrial special risk insurance is obtained from a variety of highly rated insurance companies to ensure the appropriate coverage is in place. The policies protect the business, subject to policy limits, from damage to its plants and property and the associated costs from business interruptions. - Flexible supply chain and, in many instances, alternative sourcing solutions are maintained as a contingency. - The S&OP process and inventory management practices provide flexibility and assurance to deal with short term disruptions. - The Group has strict processes around the stewardship, movement and safe handling of dangerous goods and other chemicals.
Natural gas risk	Gas is one of the major inputs required for the production of ammonia and therefore is a critical feedstock for Incitec Pivot's nitrogen manufacturing operations. The Group has various gas contracts and supply arrangements for its plants across Australia and North America. In respect of the Australian fertiliser operations there is a risk that a reliable, committed source of gas at economically viable prices may not be available following the expiry of current contractual arrangements. The cost of gas impacts the variable cost of production of ammonia and can influence the plants' overall competitive position.	- The Group has medium term gas contracts in place for its Australian manufacturing sites. The contracts have various tenures and pricing mechanisms. - The US gas market is a liquid market, with offtake facilitated by an extensive gas pipeline infrastructure and pricing commonly referenced to a quoted market price. DNA has short term gas supply arrangements in place for its gas needs with market referenced pricing mechanisms. - Gas supply has been contracted for the new Louisiana ammonia plant for its first 5 years of production with market referenced pricing mechanisms. - In respect of the DNA business (including the Louisiana ammonia plant), there is some ability to hedge gas prices and the Group reviews its approach to gas hedging in the USA on a regular basis.

Risk	Description and potential consequences	Treatment strategies employed by Incitec Pivot
Sulphuric acid cost and supply into Phosphate Hill	Sulphuric acid is a major raw material required for the production of ammonium phosphates. Approximately 40 percent of Phosphate Hill's sulphuric acid needs come from processing metallurgical gas sourced from Glencore's Mt Isa Mines copper smelting facility. Glencore publicly announced the planned closure of its copper smelting operation at Mt Isa, Queensland by the end of 2016. Alternative sources of sulphuric acid are likely to negatively impact the cost of producing ammonium phosphates at the Phosphate Hill facility. The quantum of the impact will depend on the future availability and price of sulphur and/or sulphuric acid and the prevailing \$A:\$US rate. Sulphuric acid supply into Phosphate Hill may be negatively impacted from a volume and/or price perspective, after the closure of the Mt Isa Mines copper smelter.	• The Group has several sources of sulphuric acid for supply for Phosphate Hill. Along with sulphuric acid produced from metallurgical gas capture, Mt Isa produces sulphuric acid from burning imported elemental sulphur. Phosphate Hill's operations are also supplemented with sulphuric acid purchased directly from a domestic smelter to meet total sulphuric acid requirements for the production of ammonium phosphates. In addition, Phosphate Hill uses phosphoric acid reclaimed from its gypsum stacks in place of sulphuric acid. It is unlikely that the majority of the lost sulphuric acid can be replaced but the cost impact is yet to be determined. • The Mt Isa site is a leased site, with a lease contract in place with Mt Isa Mines to 2020. Accordingly, Incitec Pivot is able to continue to produce sulphuric acid at Mt Isa (albeit at a higher cost) by burning elemental sulphur until 2020, notwithstanding cessation of the copper smelter operation.
Phosphate Rock	Phosphate rock, used in the manufacture of both ammonium phosphates and single superphosphate fertilisers, is a naturally occurring mineral rock. Phosphate rock is an internationally traded commodity with pricing based on international benchmarks and is affected by global supply and demand forces and its cost for single superphosphate manufacturing purposes is also impacted by fluctuations in foreign currency exchange rates, particularly the \$A:\$US rate. Fluctuations in either of these variables can impact the cost of Incitec Pivot's single superphosphate manufacturing operations, as these operations rely on rock imported from limited foreign supply sources.	• Incitec Pivot mines phosphate rock at its own facility at Phosphate Hill which is used for the production of ammonium phosphates at that facility. • Phosphate rock used in the production of single superphosphate at Incitec Pivot's Geelong and Portland operations is sourced from a small number of international suppliers.
Labour	A shortage of skilled labour or loss of key personnel could disrupt Incitec Pivot's business operations or adversely affect Incitec Pivot's business and financial performance. Incitec Pivot's manufacturing plants require skilled operators drawn from a range of disciplines, trades and vocations. Incitec Pivot has operations in regional and remote locations where it can be difficult to attract and retain critical and diverse talent.	• Incitec Pivot's scale provides some, albeit limited, ability to relocate staff to cover shortages or losses of critical staff. • The Group has policies and procedures, including flexible working arrangements and competitive compensation structures, designed to help attract and retain workforce. • Management identifies critical roles and attempts to implement policies to help ensure that appropriate succession and retention plans are in place.
Weather	In relation to both its Fertilisers business and its Explosives business, seasonal conditions (particularly rainfall), are a key factor for determining demand and sales. Any prolonged adverse weather conditions could impact the future profitability and prospects of Incitec Pivot.	• The S&OP process incorporates forecasting which enables scenario planning and some supply flexibility. Forecasts are based on typical weather conditions and are reviewed monthly as the seasons progress to help align supply to changing demand.

Risk	Description and potential consequences	Treatment strategies employed by Incitec Pivot
Construction Risk		
Louisiana ammonia plant construction and commissioning risk	A potential risk is that the construction of the Louisiana ammonia plant is completed late and/or exceeds the budgeted capital amount. Risks associated with construction and commissioning of the Louisiana ammonia plant and associated infrastructure include, but are not limited to, natural disasters and acts of God, sabotage, unforeseen human error, terrorist attacks and other issues which may disrupt or delay the construction and commissioning phase. The construction of such a large scale chemical plant requires skilled personnel drawn from a range of disciplines, trades and vocations. A shortage in skilled labour or loss of key personnel could also impact the construction phase of the Louisiana ammonia plant.	• Incitec Pivot has a competent project team on site, managing the outside battery limits works and reviewing the contractors activity for all inside battery limits ("IBL") works. • The construction contract for all IBL works is a lump sum turn-key contract, with allowance for specific variations only. • Management undertakes risk identification and mitigation strategies across all sites and has engaged an external party to conduct regular audit services on Incitec Pivot's risk management in respect of this project. • Management identifies critical roles and, where possible, ensures that appropriate recruitment, succession and retention plans are in place. • A steering committee is in place with Executive leadership to support the team and oversee successful implementation.
Compliance, Regulatory and Legal Risk		
Compliance, regulatory and legal risk	Changes in federal or state government legislation, regulations or policies in any of the countries in which it operates may adversely impact Incitec Pivot's business, financial condition and operations. This includes changes in domestic or international laws relating to sanctions, and geopolitical risks relating to countries with which Incitec Pivot engages to buy or sell products and materials. In addition, changes in tax legislation or compliance requirements in the jurisdictions in which Incitec Pivot operates, or changes in the policy or practices of the relevant tax authorities in such jurisdictions, may result in additional compliance costs and/or increased risk of regulatory action. Incitec Pivot's business is subject to environmental laws and regulations that require specific operating licences and impose various requirements and standards. Changes in these laws and regulations (for example, increased regulation of coal fired energy generation in the US), or changes to licence conditions, may have a detrimental effect on Incitec Pivot's operations and financial performance, including the need to undertake environmental remediation. Incitec Pivot is exposed to potential legal and other claims or disputes in the course of its business, including contractual disputes, and property damage and personal injury claims in connection with its operations.	• Management, through the Managing Director & CEO and the Chief Financial Officer, is responsible for the overall design, implementation, management and coordination of the Group's risk management and internal control system. • Each business unit has responsibility for identification and management of risks specific to the business. This is managed through an annual risk workshop, risk register and internal audits aligned to the material business risks. • Corporate functions are in place to provide sufficient support and guidance to ensure regulatory risks are identified and addressed within the business well in advance. • Country regulatory risk is regularly reviewed through the Group's risk management framework. • Where possible, Incitec Pivot appoints local business leaders and management teams who bring a strong understanding of the local operating environment and strong customer relationships. • Comprehensive HSE management system is in place with clear principles and policies communicated to employees. • HSE risk management strategies are employed at all times and across all sites. Incidents are investigated and learnings are shared throughout the Group. • The Group has strict processes regarding the stewardship, movement and safe handling of dangerous goods and other chemicals.

Directors' Report

Remuneration Report

Introduction from the Chairman of the Remuneration Committee

Dear Shareholders,

On behalf of the Remuneration Committee and the Board, I am pleased to present the Remuneration Report for 2014.

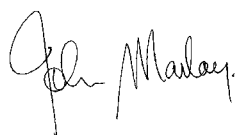
The 2014 result was delivered in the face of challenging markets and has set a solid platform for the future. The year's strong performance resulted in Executives being awarded short term incentives for the first time since 2011. No long term incentives vested during the year based on the three year retrospective performance in relative total shareholder return and compound annual growth in earnings per share.

During the year, the Remuneration Committee reviewed a number of aspects of the Company's remuneration design, in particular, the structure and design of the short and long term incentives, to further enhance the approach to remuneration and performance. As a result, the following changes have been implemented for the 2015 financial year:

- adoption of a policy on clawback for short term incentives which will apply in the event there is a material misstatement in the Company's financial statements;
- adjustment to the structure of long term incentives so that the majority (70%) of the long term incentive grant is based on relative total shareholder return, with the remaining 30% to be based on a new performance measure linked to the Company's strategic initiatives.

The directors are confident that the Company's strategic intent of delivering top quartile performance as measured against S&P/ASX 100 companies will be enhanced by these changes.

On behalf of the Board and the Remuneration Committee, I invite you to read the 2014 Remuneration Report and welcome your feedback on the Company's approach to, and disclosure of, its remuneration arrangements.



John Marlay
Chairman, Remuneration Committee

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Directors' Report

Remuneration Report

Remuneration Report

The directors of Incitec Pivot Limited (the Company or Incitec Pivot) present the Remuneration Report prepared in accordance with section 300A of the Corporations Act 2001 (Cth) for the Company and its controlled entities (collectively referred to in this report as the "Group") for the year ended 30 September 2014. This Remuneration Report is audited.

This Remuneration Report forms part of the Directors' Report.

Details of the Group's remuneration strategy and arrangements for the 2013/14 financial year are set out in this Remuneration Report.

This Remuneration Report is prepared in respect of the Key Management Personnel, being those persons who have authority and responsibility for planning, directing and controlling the activities of the Group.

The Board has determined that the Key Management Personnel are the non-executive directors of the Company (refer to Table B.1), certain former executives (refer to Table C.4) and the people referred to in the table below.

The term "Executives", when used in this Remuneration Report, means the people listed in the following table (and certain former executives, as the context requires).

Name	Position
Mr James Fazzino	Managing Director & CEO
Mr Frank Micallef	Chief Financial Officer
Mr Jamie Rintel	President, Strategy & Business Development
Mr James Whiteside	Chief Operating Officer, Incitec Pivot Fertilisers
Mr Stephen Dawson	President, Manufacturing Operations
Mr Daniel McAtee	President, Dyno Nobel Americas
Mr Simon Atkinson	President, Dyno Nobel Asia Pacific & Global Technology
Ms Elizabeth Hunter	Chief Human Resources Officer
Mr Alan Grace	President, Strategic Engineering

A. Executive Remuneration Strategy

Incitec Pivot aims to generate competitive returns for its shareholders through its strategy as a leading global chemicals Group, manufacturing and distributing industrial explosives, fertilisers and related products and services. Incitec Pivot recognises that, to achieve this, the Group needs outstanding people who are capable, committed and motivated. The philosophy of Incitec Pivot's remuneration strategy is that it should support the objectives of the business and enable the Group to attract, retain and reward Executives of the necessary skill and calibre. Accordingly, the key principles of Incitec Pivot's remuneration strategy are as follows:

- to reward strategic outcomes at both the Group and business unit level that create top quartile long term shareholder value;
- to encourage integrity and disciplined risk management in business practice;
- to drive strong alignment with shareholder interests through delivering part of the reward in the form of equity;
- to structure the majority of executive remuneration to be "at risk" and linked to demanding financial and non-financial performance objectives;
- to reward Executives for high performance within their role and responsibilities, and ensure rewards are competitive within the industry and market for their role in respect of pay level and structure; and
- to ensure the remuneration framework is simple, transparent and easily implemented.

Overview of Remuneration Changes for 2014/15

During the year, the Remuneration Committee reviewed several aspects of the Company's remuneration design, including the structure and design of the short and long term incentives. As a result, the Board has implemented the following changes to the remuneration arrangements for the Executives for the 2014/15 financial year:

Introduction of Clawback: A clawback provision has been included in the Short Term Incentive (STI) plan for Executives for the 2014/15 financial year which will require the repayment of all or part of any STI awarded within three years after a payment is made in the event of a material misstatement which results in a restatement of the financial accounts.

Changes to Long Term Incentive performance conditions:

The performance conditions for the Long Term Incentive (LTI) plan have been revised. For the three year performance period commencing 1 October 2014 and ending 30 September 2017, the performance conditions will be measured by reference to the relative Total Shareholder Return (TSR) of the Company (measuring TSR against companies in the S&P/ASX 100) (TSR Condition) and the delivery of certain strategic initiatives (Strategic Initiatives Condition). The TSR Condition will apply to 70% of the performance rights in a grant of performance rights made under the 2014/17 LTI Plan. The Strategic Initiatives Condition will apply to the remaining 30%.

The Strategic Initiatives Condition, which has been introduced for the first time in the 2014/17 LTI Plan, replaces the earnings per share growth condition previously used. It will comprise two equal components of 15% relating to:

- (i) delivery of the Louisiana Ammonia Project (based on the Project business case as approved by the Board in April 2013); and
- (ii) delivery of the Business Excellence System (comprising measures for business system maturity, cumulative productivity benefits and manufacturing plant uptime).

Further details of the 2014/17 LTI Plan will be disclosed in the Company's 2015 Remuneration Report.

B. Non-Executive Director Remuneration

Incitec Pivot's policy is to:

- remunerate non-executive directors by way of fees and payments which may be in the form of cash and superannuation benefits; and
- set the level of non-executive directors' fees and payments to be consistent with the market and to enable Incitec Pivot to attract and retain directors of an appropriate calibre.

Non-executive directors are not remunerated by way of options, shares, performance rights, bonuses nor by incentive-based payments.

Non-executive directors receive a fee for being a director of the Board and non-executive directors, other than the Chairman of the Board, receive additional fees for either chairing or being a member of a Board Committee. The level of fees paid to a non-executive director is determined by the Board after an annual review and reflects a non-executive director's time commitments and responsibilities. A review of the level of fees paid to Incitec Pivot's non-executive directors was undertaken during the financial year, and the directors determined to increase non-executive fees for the 2014/15 financial year by 3%, with effect from 1 October 2014. The last increase to non-executive director fees occurred on 1 October 2011.

For the 2013/14 financial year, fees paid to non-executive directors amounted to \$1,559,000, which was within the \$2,000,000 limit approved by shareholders at the 2008 Annual General Meeting.

Table B.1 – Non-executive directors' remuneration

Details of the non-executive directors' remuneration for the financial year ended 30 September 2014 are set out in the following table:

For the year ended 30 September 2014

	Year	Short-term benefits ^(A)	Post-employment benefits	Other long term benefits ^(B)	Total
		Fees	Superannuation benefits		
		\$000	\$000	\$000	\$000
Non-executive directors					
– Current⁽¹⁾					
P V Brasher, Chairman	2014	498	18	–	516
	2013	499	17	–	516
K Fagg ⁽²⁾	2014	81	7	–	88
	2013	–	–	–	–
A C Larkin	2014	208	18	–	226
	2013	209	17	–	226
J Marlay	2014	211	18	–	229
	2013	212	17	–	229
R J McGrath	2014	215	18	–	233
	2013	203	17	–	220
G Smorgon AM	2014	197	18	–	215
	2013	198	17	–	215
Non-executive directors					
– Former					
A D McCallum ⁽³⁾	2014	45	4	3	52
	2013	207	17	11	235
Total non-executive directors	2014	1,455	101	3	1,559
	2013	1,528	102	11	1,641

(A) Apart from the fees paid or payable to the non-executive directors, no other short term benefits were paid or are payable in respect of the reporting period.

(B) Consistent with best practice, with the exception of the contractual entitlements paid to Mr McCallum who was appointed to the Board prior to 1 June 2003, the Company does not pay additional benefits to non-executive directors.

(1) On 1 October 2014, Mr Gregory Hayes was appointed to the Board as a non-executive director.

(2) Ms Fagg was appointed to the Board as a non-executive director effective 15 April 2014.

(3) Mr McCallum retired as a director on 19 December 2013. Mr McCallum, who was appointed as a director prior to 1 June 2003, had a contractual right to a retirement benefit. The contract, which was entered into prior to the merger with Incitec Fertilizers Limited in 2003, provided that on Mr McCallum's retirement from the Board, on condition of him serving 10 years on the Board, he was entitled to receive a payment calculated as to approximately 54% of the aggregate remuneration he received from the Company in the three years immediately prior to his retirement, where the percentage represents his years of service from the date of appointment to 31 May 2003, as a proportion of 10 years' service. In accordance with the terms of his contract, on his retirement he received a payment of \$351,887 which was paid in the 2013/14 financial year. While Mr McCallum received this payment in the 2013/14 financial year, with the exception of \$2,519 which was accrued in the 2013/14 financial year, all amounts were accrued and expensed in prior reporting periods.

C. Executive Remuneration

Executive remuneration policy and practice

The remuneration of the Executives is set by the Board.

In alignment with its remuneration strategy, the Board's policy on executive remuneration is that it comprises both a fixed component (fixed annual remuneration (FAR)) and an "at risk" or performance-related component (short term and long term incentives) where:

- (i) the majority of executive remuneration is "at risk"; and
- (ii) the level of FAR for Executives will be benchmarked against that paid for similar positions at the median of companies in a comparator group with a range of market capitalisations (50% – 200% of that of Incitec Pivot).

Remuneration arrangements for Executives are reviewed annually to ensure the arrangements continue to remain market competitive and consistent with the strategy of creating sustained shareholder value and in alignment with the Group's business strategy.

For the 2013/14 financial year, the Remuneration Committee received market data from Ernst & Young. Ernst & Young were engaged by and reported directly to the Remuneration Committee. The information provided by Ernst & Young did not include a "remuneration recommendation" (as defined in the Corporations Act 2001 (Cth)). For the 2013/14 financial year, the Board approved an increase of 2.4% to the FAR of Executives with effect from 1 October 2013. In addition, Mr Atkinson received a further increase with effect from 1 January 2014 on his appointment to the role of President, Dyno Nobel Asia Pacific & Global Technology, such that his effective increase for the 2013/14 financial year was 24%.

The relative proportion of the Executives' total remuneration packages for the 2013/14 financial year that was performance-based is set out in the table below, and indicates a majority of the Executives' total remuneration is "at risk" (64% – 67%).

Table C.1 – Remuneration structures by level

	% of Total remuneration (annualised)		
	Fixed remuneration	Performance-based remuneration	
	FAR	STI	LTI
Managing Director & CEO	33%	33%	34%
Executives	36%	36%	28%

In calculating the "at risk" compensation as a proportion of total remuneration for the 2013/14 year, for each Executive, the maximum entitlement under the Short Term Incentive (STI) or Long Term Incentive (LTI) was taken into account.

Key features of the components of Executive remuneration

The key features of the three components of Executive remuneration that are relevant to the 2013/14 financial year are set out below.

Fixed annual remuneration

The terms of employment for all Executives contain a fixed remuneration component. Executives receive their fixed remuneration in a variety of forms, including cash, superannuation, and any applicable fringe benefits. Fixed annual remuneration is not dependent upon Company performance and is set by reference to appropriate benchmark information for each Executive's role, level of knowledge, skill, responsibilities and experience. The level of remuneration is reviewed annually in alignment with the financial year and is reviewed with reference to, among other things, market data provided by an appropriately qualified and independent external consultant.

Refer to Table C.4 for details of the fixed annual remuneration for the Executives for the year ended 30 September 2014.

At risk remuneration – Short Term Incentive (STI) Plan

The STI is an annual "at risk" cash incentive which is dependent on the achievement of particular performance measures in the financial year to 30 September 2014. All of the Executives (as well as other selected employees) participate in the STI Plan.

What were the STI performance measures for the 2013/14 STI?

STI Gate

To ensure STI awards are aligned with business performance, the Group's financial performance must meet the required Earnings Per Share (EPS) growth threshold before any awards are made. This is known as the "STI Gate". The STI Gate is determined by the Board by reference, principally, to the prior year's EPS performance.

If financial performance across the Group does not meet the STI Gate, no awards are made under the STI, save that the STI Gate does not apply to the safety measure component of the STI (refer to further details on the safety measure in this section).

The measures for the STI were set by the Board prior to the commencement of the 2013/14 financial year.

Financial performance measures

There were two financial performance measures for 2013/14:

- Growth in EPS (before Individually Material Items (IMIs))
- Business Unit Earnings Before Interest and Tax (EBIT) which included a cash conversion measure, such that part of the STI was linked to the percentage of EBIT of the relevant business unit (before depreciation and amortisation) that was converted to operating cash flow.

Non-financial performance measures

In addition, to ensure STI awards drive performance and behaviours consistent with achieving the Group's strategy for 2013/14 and Zero Harm objectives, the non-financial performance measures for 2013/14 comprised:

- Safety: All Worker Total Recordable Injury Frequency Rate (TRIFR) of 1.05 (TRIFR is calculated based on work-related incidents classified and reported in accordance with the United States Occupational Safety and Health Act and regulations). In the event of a fatality or life threatening incident, the extent of the impact of that fatality/incident on the achievement of the safety measure is assessed by the Board having regard to the circumstances of the incident and may result in all or part of this component of the STI being forfeited.
- Business appropriate strategic and performance measures including:
 - (i) production outcomes from major operations (for example, Moranbah ammonium nitrate production and Phosphate Hill ammonium phosphate production);
 - (ii) Business Excellence (BEx) and productivity, in particular, delivering the next level of BEx maturity across manufacturing and supply chain and the implementation of the BEx human capital module; and
 - (iii) corporate strategic objectives as to capital investments and major projects (for example, the investment in Louisiana).

Table C.2 below sets out the STI performance measure weightings for the Executives for the year ended 30 September 2014.

Why were these measures chosen?

STI Gate & Financial Measures

The STI measures (other than safety) are subject to the STI Gate to ensure that Executive reward is aligned with the creation of shareholder value.

EPS growth is considered an appropriate financial measure because it is aligned with the Company's strategic intent of achieving top quartile performance as measured against S&P/ASX 100 companies. In addition, the EBIT of a business unit is also used as a measure for Executives in relevant business units as it ensures robust alignment of performance in a particular business unit with reward for the Executive managing that business unit. The inclusion of a cash conversion requirement within the EBIT performance measure ensures a focus on driving both profit and cash generation.

Non-financial Measures

These measures were chosen to drive performance and behaviours consistent with achieving the Group's strategy, to leverage core nitrogen and high explosives chemicals manufacturing expertise and to service customers via aligned downstream businesses.

For this reason, measures were set with regards to production outcomes from the Group's major operations, such as ammonium nitrate volumes from the Group's plant at Moranbah, Queensland as well as continuing to pursue initiatives established in 2012/13 to drive continuous improvement to the next level of BEx maturity.

Table C.2 – STI performance measure weightings for Executives

For the year ended 30 September 2014	Financial		Non-financial			Maximum STI opportunity
	Growth in EPS (before IMIs)	Business Unit EBIT (including cash conversion requirement)	Safety: TRIFR target of 1.05	Business Excellence and productivity targets	Production outcomes from major operations (including Moranbah)	Objectives for strategic growth projects
J E Fazzino Managing Director & CEO	90%		10%			100%
F Micallef Chief Financial Officer	80%		10%	10%		100%
J Rintel President – Strategy & Business Development	60%		10%	10%		20% 100%
J D Whiteside Chief Operating Officer – Incitec Pivot Fertilisers		80%	10%	10%		100%
S Dawson President – Manufacturing Operations			10%	10%	80%	100%
D McAtee President – Dyno Nobel Americas		80%	10%	10%		100%
S Atkinson President – Dyno Nobel Asia Pacific & Global Technology		80%	10%			10% 100%
E Hunter Chief Human Resources Officer	60%		10%	30%		100%
A Grace President – Strategic Engineering			10%	20%	70%	100%

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In addition, since 2012/13, the STI has included a safety measure based on TRIFR which is aligned with the Company's commitment to "Zero Harm for Everyone, Everywhere". In 2012, the Company adopted its five year Global HSE Strategy to drive continued improvement in the Group's health, safety and environmental performance. On its journey to achieve world class safety performance, to have a TRIFR of less than one, the Company sets annual targets on TRIFR, seeking year-on-year improvements. For the 2013/14 financial year, the target was 1.05.

What is the method for determining if the measures are satisfied?

Financial measures

Satisfaction of these measures is based on a review by the Board of the audited accounts and the financial performance of the Group for the financial year.

Non-financial performance measures

Executive performance is reviewed by the Board, in the case of safety, based on a review of the TRIFR for the year, as well as safety performance generally and, in relation to the other non-financial performance measures, following the annual performance review process for the Executives.

Does the STI include mechanisms for clawback and deferral?

For the 2013/14 STI, there was no deferral or clawback under the Company's STI. However, the STI measures were subject to the STI Gate which required the Group's financial performance to meet the required growth threshold before any awards can be made.

What were the outcomes in relation to the STI for the year ended 30 September 2014?

In relation to the financial performance measures, notwithstanding EPS (before IMIs) grew 21% to 21.7 cents per share and increases in Business Unit EBIT, Executives received only partial STI awards in respect of the financial performance measures.

In relation to the non-financial performance measures:

- **Safety:** The Group achieved a TRIFR of 0.97, which was better than the target of 1.05.
- **Business Excellence and productivity:** These were achieved in full with BEx delivering \$27 million of net benefits in 2014, the majority of which was delivered from the manufacturing and supply chain functions consistent with an improved business maturity level. Implementation of the BEx Human Capital module progressed to plan. The overhead reduction program was completed in full, with \$21 million in cost savings delivered, well above the 2014 target of \$13 million.
- **Production outcomes from major operations:** These were partially achieved. While nitrogen production targets were met overall, Phosphate Hill ammonium phosphate production did not meet the required target.
- **Objectives for strategic growth projects:** These were achieved, with the Louisiana ammonia project meeting the applicable project milestones as at 30 September 2014 and the Moranbah earnings for 2014 delivered in full.

Details of the STI payments made to the Executives in respect of the financial year ended 30 September 2014 are set out in tables C.4 and C.5.

At risk remuneration – Long Term Incentive (LTI) Plans

The LTI Plans are 'performance rights' plans which entitle the participant to acquire ordinary shares in the Company for no consideration at a later date, subject to the satisfaction of certain conditions. As no shares are transferred to participants until exercise, performance rights have no dividend entitlement.

The only LTI Plan to mature in the 2013/14 financial year was the Long Term Incentive Performance Rights Plan for 2011/14 (LTI 2011/14) which matured on 30 September 2014.

There are two other LTI Plans in place:

- Long Term Incentive Performance Rights Plan for 2012/15 (LTI 2012/15); and
- Long Term Incentive Performance Rights Plan for 2013/16 (LTI 2013/16).

These plans do not mature until 30 September 2015 and 30 September 2016, respectively.

Executives and other selected managers participate in the LTI 2011/14 and the LTI 2012/15. For the LTI 2013/16, participation was limited to the Executives who are Key Management Personnel, with other selected and senior managers participating in a new cash-based, deferred payment performance plan (being the Sustained Performance Plan). The primary objective of the Sustained Performance Plan is to align value creation with factors that are directly within the control of an employee and, in doing so, achieve a higher correlation between contribution to Company performance and individual outcomes.

Details of the Executives' participation in LTI plans are set out in Tables C.6 and C.7.

What is the purpose of the LTIs?

The LTIs are the long term incentive component of remuneration for the Executives, who are able to influence the sustained generation of shareholder value through their direct contribution to the Company's performance.

The LTIs are designed to link reward with the key performance drivers which underpin sustainable growth in shareholder value – which comprises EPS, share price growth and returns to shareholders. Rewards resulting in share ownership on the achievement of demanding targets, ties remuneration to Company performance, as experienced by shareholders. The arrangements also support the Company's strategy for retention and motivation of the Executives.

What is the process for deciding who will participate in the LTI Plans?

The decision to grant performance rights and to whom they will be granted is made annually by the Board, noting that the grant of performance rights to the Managing Director is subject to shareholder approval. Grants of performance rights to participants are based on a percentage of the relevant participant's fixed annual remuneration.

Whether or not those performance rights will vest is determined in accordance with the plan rules for the LTI 2011/14, the LTI 2012/15 and the LTI 2013/16.

What is the performance period of the LTI Plans?

The LTI 2011/14, LTI 2012/15 and LTI 2013/16 are performance rights plans each of which has a performance period of three years:

- LTI 2011/14 – 1 October 2011 to 30 September 2014
- LTI 2012/15 – 1 October 2012 to 30 September 2015
- LTI 2013/16 – 1 October 2013 to 30 September 2016

What are the performance conditions for the LTI Plans?

The performance rights will only vest if certain performance conditions are met. The Board approves the performance conditions on the commencement of the relevant plans.

For each of the LTI 2011/14, the LTI 2012/15 and the LTI 2013/16, the performance conditions are based on the relative Total Shareholder Returns of the Company and growth in Earnings Per Share (before IMIs).

Total Shareholder Return (TSR) Condition

The TSR Condition requires growth in the Company's total shareholder returns to be at or above the median of the companies in the comparator group, being the S&P/ASX 100.

If, at the end of the performance period, the Company's TSR over the three year performance period is:

- below the 50th percentile of the comparator group of companies ranked by their TSR performance: no performance rights in this tranche will vest;
- between the 50th and 75th percentile of the comparator group of companies ranked by their TSR performance: the portion of performance rights in this tranche that will vest will be increased on a pro rata basis from 50%; and
- equal to or above the 75th percentile of the comparator group of companies ranked by their TSR performance: all performance rights in this tranche will vest.

Earnings Per Share (EPS) Condition

For the LTI 2011/14 if, at the end of the performance period, the compound annual growth rate on EPS over the performance period, from the base year, is:

- below 7% per annum: no performance rights in this tranche will vest;
- equal to or greater than 7% per annum but less than 15% per annum: the portion of performance rights in this tranche that will vest will be increased on a pro rata basis between 50% and 100%; and
- 15% or greater: all performance rights in this tranche will vest.

For the LTI 2012/15 and LTI 2013/16 if, at the end of the performance period, the compound annual growth rate on EPS over the performance period, from the base year, is:

- below 6% per annum: no performance rights in this tranche will vest;
- equal to or greater than 6% per annum but less than 12.5% per annum: the portion of performance rights in this tranche that will vest will be increased on a pro rata basis between 50% and 100%; and
- 12.5% or greater: all performance rights in this tranche will vest.

Each of these performance conditions are equally weighted.

Measuring the performance conditions

After the expiry of the relevant performance period, the Board determines whether the performance conditions are satisfied. The performance conditions are tested once, at the end of the relevant performance period. If the performance conditions are satisfied the participant is entitled to acquire ordinary shares in the Company. The participant does not pay for those shares.

If the performance conditions are not satisfied during the performance period, the performance rights will lapse.

What happens if a participant leaves the Group?

The performance rights will lapse on a cessation of employment except where the participant has died, becomes totally and permanently disabled, is retrenched or retires. In those circumstances, the performance rights will be reduced pro rata to the proportion of days worked during the relevant performance period.

What performance rights have vested?

No performance rights vested under the LTI 2011/14 and so these performance rights have lapsed.

The performance conditions under LTI 2012/15 and LTI 2013/16 will not be tested until after 30 September 2015 and 30 September 2016, respectively.

In what circumstances can the performance rights vest before the expiry of the performance period under the LTI Plans?

On the occurrence of one of the following during the relevant performance period:

- a takeover bid is made to holders of shares in the Company;
- a statement is lodged with ASX to the effect that a person has become entitled to not less than 50% of the shares in the Company;
- the Court orders a meeting to be held in relation to a proposed compromise or arrangement in connection with a scheme for the reconstruction of the Company or its amalgamation with any other companies;
- the Company passes a resolution for a voluntary wind-up; or
- an order is made for the compulsory winding-up of the Company,

the Board may give a notice that the performance rights vest at the time specified by the Board in the notice.

What are the plan incentive limits in the LTI Plans?

As the LTI Plans are performance rights plans, with participation determined by reference to the participant's fixed annual remuneration, there are no plan incentive limits.

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Analysis of relationship between the Group's performance, shareholder wealth and remuneration

In considering the Group's performance, the benefit to shareholders and appropriate remuneration for the Executives and other selected senior employees, the Board, through its Remuneration Committee, has regard to financial and non-financial indices, including the indices shown in Table C.3 in respect of the current financial year and the preceding four financial years.

Table C.3 – Indices relevant to the Board's assessment of the Group's performance and the benefit to shareholders

	2010	2011	2012	2013 ⁽²⁾	2014
Net Profit After Tax excluding minority interests (before individually material items) (NPAT (before IMIs)) (\$m)	442.8	530.1	404.7	293.5	356.3
Earnings Per Share (before individually material items) (EPS (before IMIs)) (cents)	27.3	32.5	24.8	18.0	21.7
Dividends – paid in the financial year – per share (cents)	4.1	9.3	11.5	12.5	9.3
Dividends – declared in respect of the financial year – per share (DPS (declared)) (cents)	7.8	11.5	12.4	9.2	10.8
Share price (\$) (Year End)	3.59	3.27	2.98	2.69	2.71
Total Shareholder Return (TSR) (%) ⁽¹⁾	3	(10)	4	(16)	(7)

- (1) For the financial years ended 30 September 2010, 30 September 2011 and 30 September 2012, the TSR was based on a 3 year compound rate per annum. For the financial years ended 30 September 2013 and 30 September 2014, TSR is calculated in accordance with the rules of the LTI 2010/13 and LTI 2011/14 respectively over the 3 year performance period, having regard to the volume weighted average price of the shares over the 20 business days up to but not including the first and last day of the performance period.
- (2) Comparative information has been restated as a result of the Group adopting the revised AASB 119 "Employee Benefits".

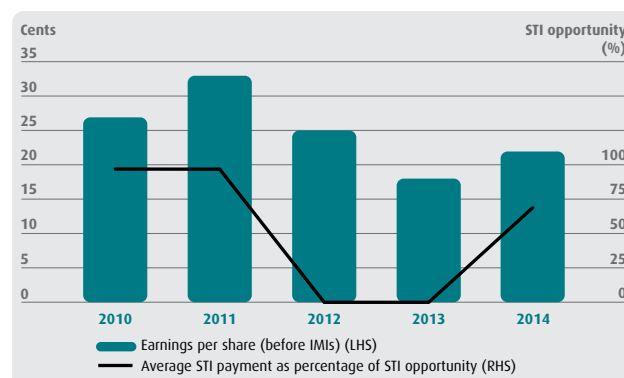
The "at risk" or performance related components of the Executives' total remuneration, in the form of short term and long term incentives, reward Executives only where value is delivered to shareholders, directly linking the reward to the Group's financial results and its overall performance, in the case of the long term incentive, over a sustained period of three years.

In relation to the LTI, the Company's approach is to set challenging targets to drive the creation of shareholder value. LTI awards are only made where there is exceptional performance over a sustained period.

For the LTI 2011/14, which used relative Total Shareholder Return and EPS growth as its performance measures, as the Company's relative Total Shareholder Return and EPS growth for the three year performance period ending 30 September 2014 did not meet the minimum hurdle, no performance rights vested.

The following graph illustrates the relationship between Company performance and STI awards in respect of the current financial year and the preceding four financial years. Notably, in 2011, with EPS (before IMIs) growing 19% awards were made to Executives under the relevant STI plan applicable for that year. Conversely, in respect of the 2012 and 2013 financial years, EPS (before IMIs) decreased 24% and 27% respectively and, accordingly, no awards were made under those plans. In 2014, with EPS (before IMIs) growing by 21% to 21.7cps, awards were made to Executives under the 2013/14 STI plan.

Company performance and STI outcomes



Executives' remuneration arrangements

Managing Director & Chief Executive Officer

Mr James Fazzino was appointed as Managing Director & CEO on 29 July 2009. The terms of Mr Fazzino's appointment as Managing Director & CEO are set out in a single contract of service dated 29 July 2009.

Details of the nature and amount of each element of remuneration of the Managing Director & CEO are included in Table C.4.

The following is a summary of Mr Fazzino's employment arrangements and remuneration.

Fixed annual remuneration

For 2013/14, Mr Fazzino's fixed annual remuneration was \$2,163,345, effective 1 October 2013. His fixed annual remuneration is reviewed annually having regard to Incitec Pivot's executive remuneration policy.

STI

Mr Fazzino is eligible to participate in Incitec Pivot's STI Plan.

For 2013/14, Mr Fazzino's maximum STI opportunity was 100% of his fixed annual remuneration and was determined by reference to growth in EPS (before IMIs) in the 2013/14 financial year.

Given EPS (before IMIs) grew 21% in the 2013/14 financial year, Mr Fazzino was awarded a STI payment of \$1,730,166 in respect of the period from 1 October 2013 to 30 September 2014.

LTI

Mr Fazzino participated in the LTI 2011/14, the performance period for which ended on 30 September 2014. On determination of performance measured against the performance conditions, in accordance with the LTI 2011/14 plan rules, none of Mr Fazzino's performance rights vested.

In addition, Mr Fazzino currently participates in the following LTI Plans:

- the LTI 2012/15 pursuant to which Mr Fazzino was issued 728,497 performance rights as approved by shareholders in accordance with the ASX Listing Rules at the 2012 Annual General Meeting held on 18 December 2012; and
- the LTI 2013/16 pursuant to which Mr Fazzino was issued 804,218 performance rights as approved by shareholders in accordance with the ASX Listing Rules at the 2013 Annual General Meeting held on 19 December 2013.

The LTI 2012/15 and LTI 2013/16 are each for a three year period and the performance conditions will not be tested until after 30 September 2015 and 30 September 2016, respectively.

Termination by Incitec Pivot

The Company may terminate Mr Fazzino's employment:

- immediately for cause, without payment of any separation payment, save as to accrued fixed annual remuneration, accrued annual leave and long service leave;
- otherwise, without cause, with or without notice, in which case the Company must pay a separation payment plus accrued fixed annual remuneration, accrued annual leave and long service leave. The separation payment will be equal to 52 weeks of fixed annual remuneration as at the date of termination.

Termination by Managing Director & CEO

The agreement provides that Mr Fazzino may terminate his employment on six months' notice.

Effect of termination on long term incentives

For the LTI 2012/15 and the LTI 2013/16, generally the performance rights will lapse except in circumstances of death, total and permanent disablement, retrenchment or retirement. In those circumstances, the performance rights will be reduced pro rata to the proportion of days worked during the relevant performance period.

Executive Team

Remuneration and other terms of employment for the Executives (excluding Mr Fazzino, whose arrangements are set out above) are formalised in service agreements between the Executive and the Group, details of which are summarised below. Most Executives are engaged on similar contractual terms, with minor variations to address differing circumstances. The Group's policy is for service agreements for the Executives to be unlimited in term, but capable of termination in the manner described below. Details of the nature and amount of each element of remuneration of the Executives are included in Table C.4.

Fixed annual remuneration

Fixed annual remuneration comprises salary paid in cash and mandatory employer superannuation contributions. Fixed annual remuneration may also come in other forms such as fringe benefits (e.g. motor vehicles).

This component of remuneration is subject to annual review. For the 2013/14 financial year, the fixed annual remuneration for the Executives was increased by 2.4% with effect from 1 October 2013. In addition, Mr Atkinson received a further increase to his fixed annual remuneration on his appointment to the role of President, Dyno Nobel Asia Pacific & Global Technology on 1 January 2014.

STI

Participation is at the Board's discretion. For all Executives, for the 2013/14 financial year, the maximum STI opportunity was 100% of fixed annual remuneration and was determined with reference to performance conditions outlined on pages 19 and 20.

LTI

Participation is at the Board's discretion. For the LTI 2011/14, the LTI 2012/15 and the LTI 2013/16, for all Executives, the maximum LTI opportunity was 80% of fixed annual remuneration (save for Mr McAtee, whose participation in the LTI 2011/14 was calculated by reference to his fixed annual remuneration prior to him becoming a KMP) and vesting of rights is determined with reference to conditions based on relative TSR and growth in EPS (before IMIs).

Termination by Incitec Pivot

Incitec Pivot may terminate the service agreements:

- immediately for cause, without payment of any separation sum, save as to accrued fixed annual remuneration, accrued annual leave and long service leave;
- on notice in the case of incapacity, and the Company must pay a separation payment plus accrued fixed annual remuneration, accrued annual leave and long service leave;
- otherwise, without cause, with or without notice and the Company must pay a separation payment plus accrued fixed annual remuneration, accrued annual leave and long service leave.

The amount of a separation payment is calculated on a "capped" number of weeks basis as set out in the contract with each Executive. The following table sets out the "capped" number of weeks for each Executive.

	Number of Weeks
Mr Frank Micallef	26 weeks
Mr Jamie Rintel	26 weeks
Mr James Whiteside	45.41 weeks
Mr Stephen Dawson ⁽¹⁾	26 weeks
Mr Daniel McAtee ⁽²⁾	26 weeks
Mr Simon Atkinson	52 weeks
Ms Elizabeth Hunter ⁽³⁾	26 weeks
Mr Alan Grace ⁽⁴⁾	26 weeks

(1) In addition, Mr Dawson's contract provides where Mr Dawson is terminated for reasons not related to performance or conduct, the Company will also pay Mr Dawson an additional amount of one months' FAR at the time of termination for each completed year of continuous service, up to 12 months' FAR.

(2) Mr McAtee ceased employment with the Company on 7 October 2014.

(3) Ms Hunter joined the Company on 9 October 2013 and is considered to be a Key Management Person from that date.

(4) Mr Grace became a Key Management Person on 1 October 2013.

Termination by the Executive

An Executive may terminate his/her employment on 13 weeks' notice (save for Mr Atkinson and Mr Grace who may terminate on 8 weeks' notice) and the Company may require the Executive to serve out the notice period or may make payment in lieu.

Effect of termination on long term incentives

For the LTI 2012/15 and the LTI 2013/16, on cessation of employment, the performance rights lapse except in circumstances of death, total and permanent disablement, retrenchment or retirement. In those circumstances, the performance rights will be reduced pro rata to the proportion of days worked during the relevant performance period.

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Details of Executive remuneration

Table C.4 – Executive remuneration

Details of the remuneration paid to each Executive for the year ended 30 September 2014 are set out below.

	Year	Short-term benefits		Post-employment benefits	Other long term benefits ⁽¹⁾	Termination benefits	Share-based payments					Short Term Incentive & other bonuses as a proportion of remuneration ^(E)	Accounting value of current year share-based payments as a proportion of remuneration ^(F)	
		Accounting values												
		Salary & Fees	Short Term Incentive & other bonuses ^(A)				Other short term benefits ^(B)	Super-annuation benefits	Current period expense ^(B)	Prior periods expense write-back ^(B)	Total share-based payments			Total
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	%	%			
Executives – Current														
J E Fazzino Managing Director & CEO	2014	2,145	1,730	–	18	65	–	864	(347)	517	4,475	36	18	
	2013	2,096	–	–	17	78	–	940	(926)	14	2,205	0	30	
F Micallef Chief Financial Officer	2014	872	732	–	18	23	–	285	(114)	171	1,816	38	15	
	2013	853	–	–	17	7	–	301	(282)	19	896	0	26	
J Rintel President – Strategy & Business Development	2014	743	643	–	18	20	–	227	(95)	132	1,556	39	14	
	2013	708	–	–	17	38	–	244	(226)	18	781	0	24	
J D Whiteside Chief Operating Officer – Incitec Pivot Fertilisers	2014	724	148	–	17	22	–	237	(95)	142	1,053	13	21	
	2013	708	–	–	17	26	–	244	(217)	27	778	0	25	
S Dawson ⁽¹⁾ President – Manufacturing Operations	2014	724	470	4	18	29	–	237	(95)	142	1,387	32	16	
	2013	708	–	–	17	29	–	243	(214)	29	783	0	24	
D McAtee ⁽²⁾ President – Dyno Nobel Americas	2014	669	364	1	–	–	–	169	(77)	92	1,126	30	14	
	2013	603	–	4	–	–	–	122	(2)	120	727	0	17	
S Atkinson ⁽³⁾ President – Dyno Nobel Asia Pacific & Global Technology	2014	692	435	–	18	32	–	189	(79)	110	1,287	32	14	
	2013	583	–	115	17	24	–	196	(171)	25	764	0	21	
E Hunter ⁽⁴⁾ Chief Human Resources Officer	2014	500	459	79	18	2	–	100	–	100	1,158	40	9	
	2013	–	–	–	–	–	–	–	–	–	–	0	0	
A Grace ⁽⁵⁾ President – Strategic Engineering	2014	724	519	–	18	62	–	216	(75)	141	1,464	34	14	
	2013	–	–	–	–	–	–	–	–	–	–	0	0	
Executives – Former														
K J Gleeson ⁽⁶⁾ General Counsel & Company Secretary	2014	181	–	51	4	7	371	–	–	–	614	0	0	
	2013	708	–	–	17	21	–	254	(245)	9	755	0	25	
B C Walsh ⁽⁷⁾ President – Global Manufacturing	2014	3	–	97	–	–	–	51	(33)	18	118	0	34	
	2013	744	–	–	17	30	904	271	(267)	4	1,699	0	14	
Total Executives	2014	7,977	5,500	232	147	262	371	2,575	(1,010)	1,565	16,054	32	15	
	2013	7,711	–	119	136	253	904	2,815	(2,550)	265	9,388	0	24	

(A) Certain STI payments are awarded in US\$. Such STI payments were converted to A\$ at the spot rate on 30 September 2014, being 1.149.

(B) Other short term benefits include annual leave paid, the taxable value of fringe benefits paid attributable to the fringe benefits tax year (2014: 1 April 2013 to 31 March 2014) (2013: 1 April 2012 to 31 March 2013), rent and mortgage interest subsidies, relocation allowances and other allowances. For Mr Atkinson, this includes rental, health insurance, education support and home leave travel in relation to his former role as President, Dyno Nobel International. For Ms Hunter, this includes commuting costs, comprising airfares and car transfers. For Mrs Gleeson and Mr Walsh, this includes annual leave paid on termination.

(C) Other long term benefits represent long service leave accrued during the reporting period.

(D) In accordance with accounting standards, remuneration includes the amortisation of the fair value of performance rights issued under the LTI Plans that are expected to vest, less any write-back on performance rights lapsed or expected to lapse as a result of actual or expected performance against non-market hurdles ("Option Accounting Value"). The value disclosed in Table C.4 represents the portion of fair value allocated to this reporting period and is not indicative of the benefit, if any, that may be received by the Executive should the performance conditions with respect to the relevant long term incentive plan be satisfied. In respect of the LTI 2012/15, the Company wrote-back an amount of \$1.0 million which had previously been incurred as an expense in the financial year ended 30 September 2013 relating to the issues of performance rights to Executives at that time. The accounting standards provide that prior period expenses must be written back in certain circumstances. Where these write-backs relate to named executives and directors in the remuneration report, the write-back has been recorded against the remuneration of the relevant executives and directors, which is reflected in this Remuneration Report.

External valuation advice from PricewaterhouseCoopers has been used to determine the fair value at grant date of these rights. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the right. The fair value has been allocated evenly over the performance period.

Refer to section C of this Remuneration Report for further details of the LTI 2011/14, the LTI 2012/15, the LTI 2013/16 and LTIs generally.

(E) The short term incentive and other bonuses as a proportion of remuneration is calculated based on the short term incentive expense as a proportion of the total remuneration (excluding the prior period share-based payment expense write-back).

(F) The accounting value of current year share-based payments as a proportion of remuneration is calculated based on the current period expense as a proportion of the total remuneration (excluding the prior period's expense write-back).

The terms and conditions of each grant affecting remuneration in this or future reporting periods are as follows:

	Grant date	Vesting date	Fair value per share treated as rights at grant date
LTI 2011/14 – TSR	02/02/2012	30/09/2014	\$1.72
LTI 2011/14 – EPS	02/02/2012	30/09/2014	\$2.90
LTI 2012/15 – TSR	25/01/2013	30/09/2015	\$1.54
LTI 2012/15 – EPS	25/01/2013	30/09/2015	\$2.86
LTI 2013/16 – TSR	06/01/2014	30/09/2016	\$1.40
LTI 2013/16 – EPS	06/01/2014	30/09/2016	\$2.39

Once vested, a performance right is deemed to be exercised automatically and no amount is payable on exercise.

The number of rights for the purposes of remuneration, held by each Executive is referred to in section C of this Remuneration Report.

- (1) On 1 January 2014, Mr Dawson was appointed President, Manufacturing Operations. Prior to that Mr Dawson held the role of President, Dyno Nobel Asia Pacific.
- (2) Mr McAtee's fixed annual remuneration is inclusive of 401K pension contributions. Mr McAtee's payments were converted from US\$ to A\$ at the average rate for 1 October 2013 to 30 September 2014, being 1.0865. On 7 October 2014, Mr McAtee ceased employment with the Company.
- (3) On 1 January 2014, Mr Atkinson was appointed President, Dyno Nobel Asia Pacific & Global Technology. Prior to that, Mr Atkinson held the role of President, Dyno Nobel International.
- (4) Ms Hunter commenced employment during the 2014 financial year. The disclosures for the 2014 year are from the date she became a Key Management Person, 9 October 2013.
- (5) Mr Grace became a Key Management Person on 1 October 2013. The disclosures for the 2014 year are from that date.
- (6) On 31 October 2013, Mrs Gleeson resigned as General Counsel and Company Secretary, and ceased employment with the Company on 31 December 2013. The payments received by Mrs Gleeson in the 2014 financial year included a separation payment in the amount of \$370,944 and accrued annual leave and long service leave in the amount of \$50,519 and \$122,225 respectively. Mrs Gleeson was entitled to these payments under her contract of employment dated 19 January 2004. In relation to Mrs Gleeson's long service leave and annual leave payment, \$6,544 was accrued in the 2014 financial year. The remaining amount was accrued and expensed during the term of her employment.
- (7) On 1 October 2013, Mr Walsh ceased employment with the Company following a restructure of Global Manufacturing Operations, pursuant to which Global Manufacturing Operations was split into two functions with effect from 1 October 2013. The payments received by Mr Walsh in the 2013/14 financial year include a separation payment in the amount of \$904,031 and accrued annual leave and long service leave in the amount of \$96,850 and \$337,314 respectively. Mr Walsh was entitled to these payments under his contract of employment dated 17 October 2003.

Details of performance related remuneration: short term incentives

Table C.5 – Short term incentives awarded for the year ended 30 September 2014

Details of the vesting profile of the STI payments awarded for the year ended 30 September 2014 as remuneration to each Executive are set out below:

	Short term incentive		
	Included in remuneration \$000	% vested in year	% forfeited in year
Executives – Current			
J E Fazzino	1,730	80	20
F Micallef	732	82	18
J Rintel	643	87	13
J D Whiteside	148	20	80
S Dawson	470	63	37
D McAtee	364	52	48
S Atkinson	435	59	41
E Hunter	459	87	13
A Grace	519	70	30
Executives – Former			
K J Gleeson	–	–	–
B C Walsh	–	–	–

Directors' Report

Remuneration Report

Details of performance related remuneration: long term incentives

Table C.6 – Details of long term incentives granted and vested in the year ended 30 September 2014 and the vesting profile of long term incentives granted as remuneration

The movement during the reporting period, by value, of rights for the purposes of remuneration held by each Executive and the vesting profile of long term incentives granted as remuneration are detailed below:

Grant date			Granted during 2014 as remuneration ^(A) \$000	Vested in year ^(B) \$000	Forfeited in year ^(C) \$000	Exercised in year ^(D) \$000	% Vested in year	% Forfeited in year ^(E)	Financial year in which grant may vest
Key Management Personnel									
Executives – Current									
J E Fazzino	Performance Rights Plan 2011/14	2 February 2012	–	–	1,364	–	0	100	2014
	Performance Rights Plan 2012/15	25 January 2013	–	–	–	–	–	–	2015
	Performance Rights Plan 2013/16	6 January 2014	1,524	–	–	–	–	–	2016
F Micallef	Performance Rights Plan 2011/14	2 February 2012	–	–	449	–	0	100	2014
	Performance Rights Plan 2012/15	25 January 2013	–	–	–	–	–	–	2015
	Performance Rights Plan 2013/16	6 January 2014	502	–	–	–	–	–	2016
J Rintel	Performance Rights Plan 2011/14	2 February 2012	–	–	295	–	0	100	2014
	Performance Rights Plan 2012/15	25 January 2013	–	–	–	–	–	–	2015
	Performance Rights Plan 2013/16	6 January 2014	418	–	–	–	–	–	2016
J D Whiteside	Performance Rights Plan 2011/14	2 February 2012	–	–	374	–	0	100	2014
	Performance Rights Plan 2012/15	25 January 2013	–	–	–	–	–	–	2015
	Performance Rights Plan 2013/16	6 January 2014	418	–	–	–	–	–	2016
S Dawson	Performance Rights Plan 2011/14	2 February 2012	–	–	374	–	0	100	2014
	Performance Rights Plan 2012/15	25 January 2013	–	–	–	–	–	–	2015
	Performance Rights Plan 2013/16	6 January 2014	418	–	–	–	–	–	2016
D McAtee ⁽¹⁾	Performance Rights Plan 2011/14	2 February 2012	–	–	30	–	0	100	2014
	Performance Rights Plan 2012/15	25 January 2013	–	–	–	–	–	–	2015
	Performance Rights Plan 2013/16	6 January 2014	372	–	–	–	–	–	2016
S Atkinson	Performance Rights Plan 2011/14	2 February 2012	–	–	252	–	0	100	2014
	Performance Rights Plan 2012/15	25 January 2013	–	–	–	–	–	–	2015
	Performance Rights Plan 2013/16	6 January 2014	346	–	–	–	–	–	2016
E Hunter ⁽²⁾	Performance Rights Plan 2011/14	2 February 2012	–	–	–	–	0	100	2014
	Performance Rights Plan 2012/15	25 January 2013	–	–	–	–	–	–	2015
	Performance Rights Plan 2013/16	6 January 2014	299	–	–	–	–	–	2016
A Grace ⁽³⁾	Performance Rights Plan 2011/14	2 February 2012	–	–	295	–	0	100	2014
	Performance Rights Plan 2012/15	25 January 2013	–	–	–	–	–	–	2015
	Performance Rights Plan 2013/16	25 January 2013	418	–	–	–	–	–	2016
Executives – Former									
K J Gleeson ⁽⁴⁾	Performance Rights Plan 2011/14	2 February 2012	–	–	360	–	0	100	2014
	Performance Rights Plan 2012/15	25 January 2013	–	–	440	–	–	100	2015
B C Walsh ⁽⁵⁾	Performance Rights Plan 2011/14	2 February 2012	–	–	262	–	0	100	2014
	Performance Rights Plan 2012/15	25 January 2013	–	–	–	–	–	–	2015

(A) The value of rights granted in the year is the fair value of those rights calculated at grant date using a Black-Scholes option-pricing model. The value of these rights is included in the table above. This amount is allocated to the remuneration of the applicable Executive over the vesting period (i.e. in financial years 2014 to 2016 for the LTI 2013/16).

(B) The value of rights that vested during the year represents awards to the applicable Executives who satisfied the criteria under the LTI performance plan. As the criteria under the LTI 2011/14 were not satisfied, no rights vested during the 2013/14 financial year.

(C) The value of rights that were forfeited during the year represents the benefit foregone and is calculated by reference to the fair value of those rights calculated at grant date using a Black-Scholes option-pricing model. Please refer to footnote (D) of Table C.4 for further details of the fair value of performance rights at the date of forfeiture.

(D) The value of rights exercised during the year represents where rights, previously granted as compensation, were exercised during the reporting period. No performance rights vested in relation to the LTI 2011/14, accordingly no rights were exercised during the 2013/14 financial year.

(E) The percentage forfeited in the year represents the reduction in the maximum number of rights available to vest due to the performance conditions or other conditions not being achieved, noting that the LTI 2012/15 and the LTI 2013/16 are not tested until 30 September 2015 and 30 September 2016, respectively.

(1) Mr McAtee's employment commenced 2 April 2012. Mr McAtee's rights were granted under the LTI 2011/14 based on his fixed annual remuneration prior to him becoming a Key Management Person. Mr McAtee ceased employment with the Company on 7 October 2014.

(2) Ms Hunter's employment commenced on 9 October 2013 and she is not a participant in either the LTI 2011/14 or the LTI 2012/15.

(3) Mr Grace's rights were granted under the LTI 2011/14 and LTI 2012/15 based on his fixed annual remuneration prior to him becoming a Key Management Person on 1 October 2013.

(4) On 31 December 2013, Mrs Gleeson ceased employment with the Company. As a result of ceasing employment during the 2013/14 financial year and, in accordance with her employment arrangements, a portion of Mrs Gleeson's entitlements under the LTI 2011/14 and the LTI 2012/15 were forfeited. Additionally, during the financial year, Mrs Gleeson elected to forfeit all of her remaining rights under the LTI 2011/14 and the LTI 2012/15, together with 18,134 performance rights issued to her in respect of the performance period 1 October 2013 to 30 September 2016.

(5) On 1 October 2013, Mr Walsh ceased employment with the Company following a restructure of the Global Manufacturing Operations. As a result of ceasing employment with the Company on 1 October 2013, and in accordance with his employment arrangements, a portion of Mr Walsh's entitlements under the LTI 2011/14 and the LTI 2012/15 were forfeited. In addition, as the criteria under the LTI 2011/14 were not satisfied, none of Mr Walsh's remaining rights under the LTI 2011/14 vested during the 2013/14 financial year.

The minimum value of rights yet to vest is \$nil as the performance criteria may not be met and, in such circumstances, there would be no vesting. The maximum value of rights yet to vest is not determinable as it depends on the market price of the Company's shares on the ASX at the date of exercise.

Details of the terms and conditions of each grant of rights made during the reporting period are set out in section C of this Remuneration Report and in Note 35 to the financial statements including:

- the fair value per right at grant date, the exercise price per right, the amount, if any, paid or payable by the recipient, the expiry date and the date of exercise; and
- a summary of the service and performance criteria that must be met before the beneficial interest vests in the person.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including rights) granted to a Key Management Person have been altered or modified by the issuing entity during the reporting period.

Table C.7 – Movements in rights over equity instruments in the Company

The movement during the reporting period in the number of rights over shares in the Company, held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Year	Number of Rights				Closing balance
		Opening balance	Granted as compensation ^(A)	Vested ^(B)	Forfeited ^(C)	
Key Management Personnel						
Executives – Current						
J E Fazzino	2014	1,319,122	804,218	–	(590,625)	1,532,715
	2013	1,101,989	728,497	–	(511,364)	1,319,122
F Micallef	2014	434,278	264,763	–	(194,444)	504,597
	2013	344,444	239,834	–	(150,000)	434,278
J Rintel	2014	327,437	220,636	–	(127,575)	420,498
	2013	258,523	199,862	–	(130,948)	327,437
J D Whiteside	2014	361,899	220,636	–	(162,037)	420,498
	2013	272,492	199,862	–	(110,455)	361,899
S Dawson	2014	361,899	220,636	–	(162,037)	420,498
	2013	270,219	199,862	–	(108,182)	361,899
D McAtee	2014	173,615	196,095	–	(12,997)	356,713
	2013	12,997	160,618	–	–	173,615
S Atkinson	2014	274,717	182,721	–	(109,200)	348,238
	2013	203,745	165,517	–	(94,545)	274,717
A Grace ⁽¹⁾	2014	284,170	220,636	–	(127,575)	377,231
	2013	–	–	–	–	–
E Hunter ⁽¹⁾	2014	–	157,621	–	–	157,621
	2013	–	–	–	–	–
Executives – Former						
K J Gleeson	2014	355,787	–	–	(355,787)	–
	2013	290,925	199,862	–	(135,000)	355,787
B C Walsh	2014	379,907	–	–	(309,780)	70,127
	2013	317,373	209,807	–	(147,273)	379,907

(A) For the 2013/14 financial year, this represents the rights acquired by Executives during the reporting period pursuant to the LTI 2013/16.

(B) For the 2013/14 financial year, this represents the number of rights that vested during the reporting period.

(C) For the 2013/14 financial year, this represents rights that were forfeited by Executives during the reporting period under the LTI 2011/14. In the case of Mr Walsh and Mrs Gleeson who ceased employment during the reporting period, a portion of the rights held by these Executives under the LTI 2012/15 were also forfeited as at the relevant date of cessation, in accordance with the plan rules. Mrs Gleeson subsequently forfeited her remaining rights under the LTI 2012/15.

(1) The opening balance in the current year represents rights held as at the date of becoming a key management person. Movements are from this date.

Directors' Report

Remuneration Report

Table C.8 – Actual Pay

The table below provides a summary of actual remuneration paid to the Executives in the financial year ended 30 September 2014. The accounting values of the Executives' remuneration reported in accordance with the Accounting Standards may not always reflect what the Executives have actually received, particularly due to the valuation of share based payments. The table below seeks to clarify this by setting out the actual remuneration that the Executives have been paid in the financial year. Executive remuneration details prepared in accordance with statutory requirements and the Accounting Standards are presented in Table C.4 of this report.

	Year	Salary & Fees ^(A) \$000	Short Term Incentive & other bonuses ^(B) \$000	Other Short Term benefits ^(C) \$000	Superannuation benefits \$000	Termination benefits ^(D) \$000	Total \$000
Executives – Current							
J E Fazzino	2014	2,145	–	–	18	–	2,163
Managing Director & CEO	2013	2,096	–	–	17	–	2,113
F Micallef	2014	872	–	–	18	–	890
Chief Financial Officer	2013	853	–	–	17	–	870
J Rintel	2014	724	–	–	18	–	742
President – Strategy & Business Development	2013	708	–	–	17	–	725
J D Whiteside	2014	724	–	–	17	–	741
Chief Operating Officer – Incitec Pivot Fertilisers	2013	708	–	–	17	–	725
S Dawson	2014	724	–	4	18	–	746
President – Manufacturing Operations	2013	708	–	–	17	–	725
D McAtee⁽¹⁾	2014	667	–	1	–	–	668
President – Dyno Nobel Americas	2013	603	–	4	–	–	607
S Atkinson	2014	692	–	–	18	–	710
President – Dyno Nobel Asia Pacific & Global Technology	2013	583	–	115	17	–	715
E Hunter	2014	500	–	79	18	–	597
Chief Human Resources Officer	2013	–	–	–	–	–	–
A Grace	2014	724	–	–	18	–	742
President – Strategic Engineering	2013	–	–	–	–	–	–
Executives – Former							
K J Gleeson⁽²⁾	2014	181	–	51	4	493	729
General Counsel & Company Secretary	2013	708	–	–	17	–	725
B C Walsh⁽³⁾	2014	3	–	97	–	1,241	1,341
President – Global Manufacturing	2013	744	–	–	17	–	761
Total Executives	2014	7,956	–	232	147	1,734	10,069
	2013	7,711	–	119	136	–	7,966

(A) For Mr Rintel and Mr McAtee, the salary and fees paid in the reporting period differs from the corresponding amounts for those Executives in Table C.4 due to timing of certain payments to those Executives at year end.

(B) Represents short term incentives paid during the financial year.

(C) Other short term benefits include annual leave paid, the taxable value of fringe benefits paid attributable to the fringe benefits tax year (2014: 1 April 2013 to 31 March 2014) (2013: 1 April 2012 to 31 March 2013), rent and mortgage interest subsidies, relocation allowances and other allowances. For Mr Atkinson, this includes rental, health insurance, education support and home leave travel in relation to this former role as President, Dyno Nobel International. For Ms Hunter, this includes commuting costs, comprising airfares and car transfers. For Mrs Gleeson and Mr Walsh, this includes annual leave paid on termination.

(D) Termination benefits paid during the financial year. In relation to Mrs Gleeson and Mr Walsh, this includes long service leave payments on termination.

(1) On 7 October 2014, Mr McAtee ceased employment with the Company. Pursuant to his contract of employment dated 31 May 2012, Mr McAtee is entitled to a payment of US\$48,164 in respect of accrued annual leave. These amounts will be paid to Mr McAtee in the 2014/15 financial year.

(2) On 31 December 2013, Mrs Gleeson ceased employment with the Company. Pursuant to her contract of employment dated 19 January 2004, Mrs Gleeson was entitled to a separation payment of \$370,944 and payment of \$50,519 for accrued annual leave and \$122,225 for accrued long service leave. These amounts were paid to Mrs Gleeson in the 2013/14 financial year.

(3) On 1 October 2013, Mr Walsh ceased employment with the Company following a restructure of Global Manufacturing Operations. Pursuant to his contract of employment dated 17 October 2003, Mr Walsh was entitled to a separation payment of \$904,031 and payment of \$96,850 for accrued annual leave and \$337,314 for accrued long service leave. These amounts were paid to Mr Walsh in the 2013/14 financial year.

D. Key management personnel disclosures

Table D.1 – Movements in shares in the Company

The movement during the reporting period in the number of shares in the Company held directly, indirectly or beneficially, by each key management person, including their related parties, is set out in the table below:

	Year	Number of Shares ^(A)			
		Opening balance	Shared acquired	Shares disposed	Closing balance
Non-executive directors – Current⁽¹⁾					
P V Brasher	2014	40,600	–	–	40,600
	2013	20,600	20,000	–	40,600
K Fagg ⁽²⁾	2014	–	10,000	–	10,000
	2013	–	–	–	–
A C Larkin	2014	5,000	–	–	5,000
	2013	5,000	–	–	5,000
J Marlay	2014	37,926	–	–	37,926
	2013	37,926	–	–	37,926
R J McGrath	2014	7,000	6,758	–	13,758
	2013	7,000	–	–	7,000
G Smorgon	2014	–	–	–	–
	2013	–	–	–	–
Non-executive directors – Former					
A D McCallum ⁽³⁾	2014	216,501	–	–	216,501
	2013	216,501	–	–	216,501
Executive directors – Current					
J E Fazzino	2014	1,708,180	–	–	1,708,180
	2013	1,708,180	–	–	1,708,180
Executive – Current					
F Micallef	2014	–	–	–	–
	2013	–	–	–	–
J Rintel	2014	–	–	–	–
	2013	–	–	–	–
A Grace ⁽²⁾	2014	111,000	–	–	111,000
	2013	–	–	–	–
J D Whiteside	2014	3,500	–	–	3,500
	2013	58,500	–	(55,000)	3,500
S Dawson	2014	23,867	–	–	23,867
	2013	23,867	–	–	23,867
D McAtee ⁽⁴⁾	2014	–	–	–	–
	2013	–	–	–	–
S Atkinson	2014	3,380	–	–	3,380
	2013	3,380	–	–	3,380
E Hunter ⁽²⁾	2014	–	–	–	–
	2013	–	–	–	–
Executive – Former					
K J Gleeson ⁽⁵⁾	2014	3,241	–	–	3,241
	2013	3,241	–	–	3,241
B C Walsh ⁽⁶⁾	2014	10,500	–	(10,500)	–
	2013	100,360	10,140	(100,000)	10,500

(A) Includes fully paid ordinary shares and shares acquired under the Employee Share Ownership Plan (ESOP). Details of the ESOP are set out in Note 35, Share based payments.

(1) On 1 October 2014, Mr Gregory Hayes was appointed to the Board as a non executive director.

(2) The opening balance represents shares held as at the date of becoming a key management person. Movements are from this date.

(3) Mr McCallum retired as a director effective 19 December 2013.

(4) Mr McAtee ceased employment with the Company effective 7 October 2014.

(5) Mrs Gleeson ceased employment with the Company effective 31 December 2013.

(6) Mr Walsh ceased employment with the Company effective 1 October 2013.

Directors' Report

Remuneration Report

(a) Loans to key management personnel

In the year ended 30 September 2014, there were no loans to key management personnel and their related parties (2013: nil).

(b) Other key management personnel transactions

The following transactions, entered into during the year and prior year with key management personnel, were on terms and conditions no more favourable than those available to other customers, suppliers and employees:

- (1) The spouse of Mr Fazzino, the Managing Director & Chief Executive Officer, is a partner in the accountancy and tax firm PricewaterhouseCoopers (PwC) from which the Group purchased services of \$4,701,371 during the year (2013: \$9,934,124). Mr Fazzino's spouse did not directly provide these services. Mr Fazzino has not engaged PwC at any time for any assignment.
- (2) During the year ended 30 September 2013, a related party of Mr Smorgon provided printing services to the value of \$3,300. No services were provided by the related party to the Company during the year ended 30 September 2014. The balance owing by the Company at 30 September 2014 was \$nil (2013: \$nil).
- (3) The spouse of Ms Fagg is a partner in the accountancy and tax firm KPMG from which the Group purchased services of \$89,078 during the year (2013: \$770,435). Ms Fagg's spouse did not directly provide these services. Ms Fagg, who was appointed to the Board on 15 April 2014, was not involved in any engagement of KPMG.

Directors' Report

Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. Since Incitec Pivot's listing on the Australian Securities Exchange (ASX) in July 2003, the Board has implemented, and operated in accordance with, a set of corporate governance principles which the Board sees as fundamental to the Company's continued growth and success and the achievement of its corporate ambition and strategy.

The Board continues to review its corporate governance framework and practices to ensure they meet the interests of shareholders and are consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations). This Corporate Governance Statement outlines the key aspects of the Company's corporate governance framework. This statement is structured and numbered in the order of the Principles set out in the ASX Recommendations. It includes cross-references to other relevant information in this document and the Company's charters, policies and codes, details of which are available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance.

The Board considers that Incitec Pivot's corporate governance framework and practices have complied with the ASX Recommendations throughout the financial year ended 30 September 2014.

In March 2014, the ASX Corporate Governance Council released the third edition of the ASX Recommendations (Third Edition), which applies to ASX listed companies in respect of their first full financial year commencing on or after 1 July 2014. Accordingly, the Third Edition will apply to Incitec Pivot for its financial year ending 30 September 2015. The Board has commenced work to review its corporate governance framework and practices to ensure they comply with the recommendations in the Third Edition, and Incitec Pivot's Corporate Governance Statement for its financial year ending 30 September 2015 will report its compliance against those recommendations. The disclosures in this statement respond to the second edition of the ASX Recommendations (Second Edition).

Summaries or copies of the charters, policies and codes referred to in this statement, together with a checklist cross-referencing the ASX Recommendations to the relevant sections of this statement and elsewhere in this document, are available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance.

Principle 1: Lay solid foundations for management and oversight

Role of the Board and management

The Board of directors of Incitec Pivot is responsible for charting the direction, policies, strategies and financial objectives of the Company. The Board serves the interests of the Company and its shareholders, as well as Incitec Pivot's other stakeholders such as employees, customers and the community, in a manner designed to create and continue to build sustainable value for the Company.

The Board operates in accordance with the principles set out in its Board Charter. A copy of the Board Charter is available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance. The Charter sets out the Board's own tasks and activities, as well as the matters it has reserved for its own consideration and decision-making.

The Board Charter has specifically reserved a number of key matters for consideration and decision by the Board. These responsibilities include:

- *Direction and objectives* – approving the Company's corporate strategy and budgets;
- *Compliance* – monitoring compliance with all laws, governmental regulations and accounting standards;
- *Ethical* – monitoring and influencing Incitec Pivot's culture and implementing procedures and principles to promote ethical and responsible decision-making and confidence in Incitec Pivot's integrity; and
- *Managing Director & CEO and direct reports* – appointing the Managing Director & CEO, approving the appointment of the direct reports to the Managing Director & CEO, monitoring management's performance and reviewing executive succession planning.

Day-to-day management of Incitec Pivot's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated to the Managing Director & CEO. The Delegated and Reserved Powers Policy details the authority delegated to the Managing Director & CEO, including the limits on the way in which the Managing Director & CEO can exercise that authority. A summary of the Delegated and Reserved Powers Policy is set out on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance.

Management performance evaluation

As part of the Board's oversight of executive management, the Board monitors and evaluates the performance of the Managing Director & CEO and his direct reports.

All Incitec Pivot executives are subject to annual performance reviews. The annual review involves each executive being evaluated by his or her immediate superior, the Managing Director & CEO. The executive is assessed against agreed performance objectives, including business/financial/operational targets, functional/managerial goals and personal accountabilities.

The performance evaluation of the Managing Director & CEO is conducted by the Chairman. This evaluation involves an assessment of a range of performance standards as determined by the Board, including assessing performance with regard to execution of the strategic objectives and the overall performance of the Company, and also incorporates feedback from the other directors.

Performance evaluations for the 2013/14 financial year were conducted in the final quarter of the 2014 calendar year in accordance with the process outlined above.

Principle 2: Structure the Board to add value

Composition of the Board

Incitec Pivot's Constitution requires that the Company must have not less than three, and not more than nine, directors. Under the Company's Board Charter, the number of directors and composition of the Board is determined having regard to what is appropriate for Incitec Pivot to achieve efficient and prudent decision making. The Board will consist of a majority of non-executive, independent directors.

Directors' Report

Corporate Governance Statement

The Board comprises eight directors, including seven non-executive directors and one executive director (being the Managing Director & CEO). The Company engages all non-executive directors by a letter of appointment setting out the key terms and responsibilities of their role.

The directors were appointed on the following dates:

- Anthony Larkin: 1 June 2003;
- James Fazzino: 18 July 2005;
- John Marlay: 20 December 2006;
- Graham Smorgon AM: 19 December 2008;
- Paul Brasher: 29 September 2010;
- Rebecca McGrath: 15 September 2011;
- Kathryn Fagg: 15 April 2014; and
- Gregory Hayes: 1 October 2014.

In terms of the mix of skills and diversity which the Board is looking to achieve, the key objective, as prescribed in the Board's Charter, is to have directors with an appropriate range of skills, experience and expertise and an understanding of, and competence to deal with, current and emerging issues in the Company's business. Further, the Board's oversight of both its own succession plan, as well as those for the Managing Director & CEO and his direct reports, is designed to maintain an appropriate balance of skills, experience, expertise and diversity on the Board as well as in management.

The Board considers that, collectively, the directors have significant commercial, business, operational and financial experience in a diverse range of industries and geographies, and that this breadth is appropriate for the Company and its businesses. As such, the directors bring skills and expertise which, in aggregate, combine to form a Board which is equipped to discharge its responsibilities. The directors' biographies together with details on their term of office and information about their skills, expertise and experience are set out on pages 1 and 2.

The ASX Listing Rules require that no member of the Board (other than the Managing Director & CEO) may serve for more than three years without being re-elected by shareholders at an annual general meeting of the Company.

The Company's Constitution provides that, at each annual general meeting, one-third of the directors (not including the Managing Director & CEO) must retire and are eligible to be re-elected by the shareholders. In this respect, two directors are retiring at the 2014 Annual General Meeting, Ms Rebecca McGrath and Mr Anthony Larkin.

Ms McGrath will be standing for re-election at the 2014 Annual General Meeting. Mr Larkin will not be seeking re-election.

In addition, the Company's Constitution provides that a director appointed by the directors must retire at the next annual general meeting, and is eligible for re-election at that meeting. Ms Kathryn Fagg, who was appointed as a director on 15 April 2014, and Mr Gregory Hayes, who was appointed as a director on 1 October 2014, will stand for re-election at the 2014 Annual General Meeting.

The Managing Director & CEO serves as a director until he ceases to be the Managing Director & CEO.

The roles of Chairman and Managing Director & CEO are separate.

The Board's role is assisted by the Company Secretary. The Company Secretary is responsible for assisting the Chairman in

developing and maintaining information systems and processes that are appropriate for the Board to fulfil its role and to achieve Incitec Pivot's objectives. The Company Secretary is also responsible to the Board for ensuring that Board procedures and the Constitution are complied with. The Board appoints and removes the Company Secretary and the Company Secretary is accountable to the Board, through the Chairman, on all governance matters.

Board Committees

To assist the Board in meeting its responsibilities, the Board currently has the following four Committees:

- the Audit and Risk Management Committee;
- the Nominations Committee;
- the Remuneration Committee; and
- the Health, Safety, Environment and Community Committee.

The Board Charter provides that the Board may establish other committees of the Board from time to time as may be necessary to deal with specific matters.

Each of the Committees has its own Charter which establishes the Committee's terms of reference and operating procedures. In line with the Board Charter, each Board Committee is to review its performance at least annually, review its Charter annually, recommend any changes to the Board and report regularly to the Board as to its activities.

Nominations Committee

The Nominations Committee has a Charter approved by the Board. A copy of the Charter for the Nominations Committee is available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance. Under its Charter, the Committee assists and advises the Board on Board composition, director selection and appointment practices, succession planning for the Board and the executives, performance evaluation processes, induction training and development for directors and strategies to address Board diversity, in each case, to ensure that the Board comprises individuals able to discharge the responsibilities of directors, with the benefit of a range of skills, experience, expertise, perspectives and diversity appropriate for the Company and its businesses and that appropriate succession plans are in place.

As part of the Nomination Committee's role, the Committee is to review and make recommendations to the Board on matters relating to the size and composition of the Board and to assess, from time to time as necessary, or at any time on request of the Board, the appropriate mix of skills, experience, expertise and diversity required on the Board and the extent to which such skills are represented on the Board. As and when necessary, the Nominations Committee will, having regard to the skills and competencies represented on the Board and the competencies required, implement a process to identify suitable candidates, which may include a search being undertaken by an appropriate third party. The Committee will evaluate prospective candidates and make recommendations to the Board for the appointment of new Board members. When the Board considers that a suitable candidate has been found, that person is appointed by the Board and, in accordance with Incitec Pivot's Constitution, must stand for re-election by shareholders at the next annual general meeting.

The Committee comprises four independent non-executive directors, being Paul Brasher (Chairman), Anthony Larkin, Rebecca McGrath and Graham Smorgon AM.

The Committee is to meet as frequently as required but not less than two times a year.

The attendance of the members of the Nominations Committee at each meeting held during the financial year ended 30 September 2014 is set out on page 3.

Remuneration Committee

The Remuneration Committee has a Charter approved by the Board. A copy of the Charter for the Remuneration Committee is available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance. Under its Charter, the Committee assists and advises the Board on remuneration policies and practices for the Board, the Managing Director & CEO, the Executive Team, senior management and other employees, with such policies and practices to be designed to enable Incitec Pivot to attract, retain and motivate its people to create value for shareholders.

The Committee comprises three independent non-executive directors, being John Marlay (Chairman), Graham Smorgon AM and Paul Brasher.

The Committee is to meet as frequently as required but not less than four times a year.

The attendance of the members of the Remuneration Committee at each meeting held during the financial year ended 30 September 2014 is set out on page 3.

Health, Safety, Environment and Community Committee

The Health, Safety, Environment and Community Committee has a Charter approved by the Board. A copy of the Charter is available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance. The Committee was established in February 2007 to assist the Board in discharging its overall responsibilities in relation to health, safety, environment and community matters arising out of the Company's activities as they may affect employees, contractors and the local communities in which it operates.

The Charter provides for the Committee to comprise at least four members, three of whom will be non-executive directors and one of whom will be the Managing Director & CEO. The current members of the Committee are Rebecca McGrath (Chairman), Graham Smorgon AM, Kathryn Fagg and James Fazzino.

The Committee is to meet as frequently as required but not less than four times a year. The attendance of the members of the Health, Safety, Environment and Community Committee at each meeting held during the financial year ended 30 September 2014 is set out on page 3.

Audit and Risk Management Committee

Details of the Audit and Risk Management Committee are set out under the heading "Principle 4: Safeguard integrity in financial reporting" on page 37.

Board meetings

Details of the Board meetings held during the financial year ended 30 September 2014 are set out on page 3.

The Board holds nine scheduled meetings during each year, plus any extraordinary meetings that may be necessary to address any significant matters, as and when they arise.

Materials for Board meetings are circulated to directors in advance. The agendas for meetings are formulated with input from the Managing Director & CEO and the Chairman. Directors are free to nominate matters for inclusion on the agenda for any Board meeting. Presentations to the Board are frequently made by executives and senior management, and telecommunications technologies may be used to facilitate participation.

Director independence

The Board comprises a majority of independent non-executive directors.

The Board, excluding the director in question, will regularly assess the independence of each director, in light of any interest disclosed by them. The Board considers all of the circumstances relevant to a director in determining whether the director is independent and free from any interest, relationship or matter which could, or may reasonably be expected to, interfere with the director's ability to act in the best interests of the Company. A range of factors is considered by the Board in assessing the independence of its directors, including those set out in the ASX Recommendations.

In assessing the independence of a director, consideration is given to the underlying purpose behind any relationship a director may have with a third party that is identified as relevant to the assessment and overall purpose of independence. In determining whether a sufficiently material relationship (as defined in Box 2.1 of the ASX Recommendations) exists between Incitec Pivot and a third party for the purposes of determining the independence of a director, the Board has regard to all the circumstances of the relationship, including among other things:

- the value (in terms of aggregate and proportionate expenses or revenues) that the relationship represents to both Incitec Pivot and the third party;
- the strategic importance of the relationship to Incitec Pivot's business; and
- the extent to which the services provided by or to Incitec Pivot are integral to the operation of Incitec Pivot's business, including the extent to which the services provided are unique and not readily replaceable.

The Board considers that each of Paul Brasher, Anthony Larkin, John Marlay, Rebecca McGrath, Graham Smorgon AM, Kathryn Fagg and Gregory Hayes are independent when assessed on the criteria above, taking into account all the relevant interests, matters and relationships of the particular director. As Managing Director & CEO of the Company, James Fazzino is not considered to be an independent director. In summary, of the eight directors, the Board considers seven directors are independent.

The Board Charter requires that an independent non-executive director hold the position of Chairman.

Access to information and independent advice

Directors are entitled to full access to the information required to discharge their responsibilities. Subject to obtaining the prior approval of the Chairman, the directors have the right to seek independent professional advice at Incitec Pivot's expense to assist in carrying out their Board duties.

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Director performance evaluations

Each year, as provided for by the Board Charter, the Board undertakes an annual performance evaluation. The process for the review of the Board's performance and the evaluation of individual directors' performance is overseen by the Chairman and the Nominations Committee. Performance assessments are intended to assist the Board in carrying out its responsibilities (as set out in its Charter) and ensure the Board remains effective.

The Board's annual performance review took place in September 2014 by way of assessment of the Board's role, structure and processes with one-on-one interviews conducted by the Chairman with each director. For Ms McGrath, who is retiring by rotation and standing for re-election at the 2014 Annual General Meeting, her performance was reviewed as part of her nomination for re-election.

Director induction, training and continuous education

The Nominations Committee is responsible for developing and reviewing induction procedures for new appointees to the Board to enable them to effectively discharge their duties. The Charter for the Committee provides that the induction procedures should enable new appointees to gain an understanding of the Company's financial, strategic, operational and risk management position, the culture and values of Incitec Pivot, the rights, duties and responsibilities of the directors, the roles and responsibilities of senior executives, the role of Board Committees, meeting arrangements and director interaction.

Additionally, the Committee ensures that continuous education measures are in place to enhance director competencies, keep directors up to date with new developments and enhance directors' knowledge and skills. These measures are to include having access to education concerning key developments in the Company and in the industries in which the Company operates.

Principle 3: Promote ethical and responsible decision-making

Codes of conduct

Incitec Pivot is committed to operating to the highest standards of ethical behaviour and honesty, with full regard for the safety and health of its employees, customers, the wider community and the environment.

The Company has codes of conduct which set ethical standards for directors, senior management and employees. The codes describe core principles designed to ensure ethical conduct is maintained in the interests of shareholders and other stakeholders.

In particular, Incitec Pivot's key codes of conduct, copies of which are available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance, are:

- *Incitec Pivot's Code of Ethics* – Compliance Policies and Guide, which is a code of conduct for all employees. The Code's key principles require employees to comply with the letter and spirit of the laws affecting Incitec Pivot's business, as well as the Company's policies and codes; to act honestly and with integrity, and to strive to earn and maintain the respect and trust of co-employees, customers and the wider community; to use Incitec Pivot's resources, including information systems, in an appropriate and responsible way;

to work safely and with due regard for the safety and well-being of fellow employees, contractors, customers and all persons affected by Incitec Pivot's operations or products; to avoid situations which involve or may involve a conflict between their personal interests and the interests of Incitec Pivot; to have due regard for cultural diversity in the workplace; and to respect the environment and ensure that work activities are managed in an acceptable manner so as to give benefit to society.

- *Incitec Pivot's Code of Conduct for Directors and Senior Management*, which sets out additional ethical standards for directors and senior management reporting to the Managing Director & CEO.
- *Incitec Pivot's Health, Safety, Environment & Community Policy*, which sets out the Company's commitment to its values of "Zero Harm for Everyone, Everywhere" and "Care for the Community and our Environment". The Policy provides that the Company will establish and maintain health and safety management standards and systems in compliance with relevant industry standards and regulatory requirements, and that the Company will provide a safe and healthy working environment. The Policy also provides for the Company to conduct its operations in compliance with all relevant environmental licences and regulations, and to strive to be a valued corporate citizen in the communities in which it operates.

Anti-bribery and corruption

As part of its commitment to operating to the highest standards of ethical behaviour, Incitec Pivot has an Anti-Bribery and Improper Payments Policy which prohibits the making of unlawful or improper payments to any individual or entity. The policy also outlines the processes for ensuring that appropriate controls are implemented in relation to third parties who are engaged to act on behalf of the Company. The Company has implemented mandatory and regular compliance training for relevant persons to ensure compliance with the Policy. The Anti-Bribery and Improper Payments Policy forms part of, and is supported by, the Fraud and Corruption Control Framework. Anti-bribery and corruption compliance is monitored and reported within Incitec Pivot's key corporate governance structures, including by the Board's Audit and Risk Management Committee.

In addition, the Company has adopted a Sanctions Policy, which outlines the expected standards of conduct relevant to the Group's compliance with Australian and international sanctions laws when engaging in international trade. This includes engagement in appropriate due diligence in relation to third parties, transactions or activities that present a potential risk in relation to sanctions laws compliance. As with the Anti-Bribery and Improper Payments Policy, the Sanctions Policy is supported by compliance training and is monitored and reported within the Company's key governance structures, including by the Board's Audit and Risk Management Committee. Summaries of the Anti-Bribery and Improper Payments Policy and Sanctions Policy are available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance.

Whistleblower protection

Employees are encouraged to raise any concerns, including those arising out of activities or behaviour that may not be in accordance with Incitec Pivot's codes of conduct, any of its other policies, or any other regulatory requirements, with management, the human resources team or the legal and compliance team.

Employees can also raise concerns about breaches of the Company's regulatory obligations or internal policies or procedures on an anonymous basis through its whistleblower reporting system. The Group Whistleblower Protection Policy protects employees who raise concerns about suspected breaches of Incitec Pivot's Code of Ethics, policies or the law. Incitec Pivot's whistleblower reporting system meets all relevant Australian legislative requirements and Australian Standard AS8004 (Whistleblower Protection Programs for Entities). Reports on the operation of the system are made to the Audit and Risk Management Committee.

Share ownership and dealing

The Board has adopted a Share Trading Policy which regulates dealings in the Company's shares. The policy aims to ensure that Incitec Pivot's directors, employees, advisors, auditors and consultants are aware of the legal restrictions on trading in securities while a person is in possession of inside information.

Under the policy, all persons to whom the policy applies are prohibited from trading in the Company's shares while in possession of inside information. Also, there are certain "black out" periods, from the end of the financial year or half year until two business days after the relevant financial results are announced, where trading is prohibited.

In addition, certain individuals (for example, directors, the direct reports to the Managing Director & CEO, and those in the finance units) are "designated employees" and, as such, may not deal in shares in the Company outside of "black out" periods unless, prior to the dealing, the relevant person has notified the Company Secretary, given written confirmation that they are not in possession of price sensitive information and received an acknowledgement of the confirmation from the Company Secretary. Additionally, "designated employees" must not enter into hedging arrangements which operate to limit the economic risk of their security holding in Incitec Pivot. In the case of the Company Secretary, she must notify the Chairman or Managing Director & CEO of her proposed share trading and must also give the same written confirmation as a "designated employee" to the effect that she is not in possession of price sensitive information.

All directors have entered into agreements with Incitec Pivot under which they agree to provide details of changes in their notifiable interests in Incitec Pivot's shares within three business days after the date of change, enabling the ASX to be notified of any share dealings by a director within five business days of the dealing taking place, as required by the ASX Listing Rules.

The Company's Share Trading Policy is available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance. The Company's Share Trading Policy is in compliance with the requirements under the relevant ASX Listing Rules.

Details of shares in the Company held by the directors are set out in the Remuneration Report, Key Management Personnel disclosures.

Diversity

Incitec Pivot's commitment to diversity is key to its corporate ambition to deliver outstanding business performance and above average returns to its shareholders. With operations spanning the globe, Incitec Pivot recognises that a diverse and inclusive workforce gives rise to improved organisational engagement and corporate performance.

Diversity at Incitec Pivot is led by the Executive Team, supported by the Company's Diversity Council, which during the year ended 30 September 2014 was chaired by the Chief Human Resources Officer and included senior managers from across the business. The Diversity Council's remit is to promote and support the implementation of the Company's Diversity Policy and Diversity Strategy. The Board maintains oversight of, and responsibility for, the Diversity Policy and the development and implementation by management of the Diversity Strategy.

The Company's Diversity Policy is available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance. The Diversity Policy outlines the Company's Diversity Vision, which is to be an inclusive and accessible organisation through the development of a culture that embraces diversity.

The Diversity Policy includes the following three diversity principles which were established to provide guidance for the Company's Diversity Strategy and its related policies, programs and initiatives:

- "Shaping our Future Organisation",
- "Respecting our Differences",
- "Building a Flexible Organisation".

Report on Progress

In 2014, as was the case in 2012 and 2013, the Company received confirmation from the Workplace Gender Equality Agency that it was compliant with the Workplace Gender Equality Act 2012 (Cth).

The following table shows the proportion of women employed as at 30 September 2013 and 30 September 2014.

	% of Women	
	30 September 2013	30 September 2014
Board	14.3%	28.6%
Executive	12.5%	12.5%
Management	13.3%	13.9%
Global	15.0%	15.7%

The Diversity Strategy recognises that the Company's businesses are at different stages with regard to diversity and face different challenges in relation to their people strategies and, as such, the Diversity Strategy is continuing to be implemented in a tailored approach within a Company-wide framework. Each of the Australian and North American business units and functions has now developed its own diversity plan aligned to the Diversity Strategy and has also developed measurable objectives tailored to their particular challenges and opportunities. In addition, Dyno Nobel Americas completed its diversity diagnostic during the 2013/14 financial year, and that continues to inform the development of its human resource strategy for 2014/15.

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During 2014, management undertook a review of the Company's progress towards fulfilling the aims of its Diversity Strategy. As a result of this review, action plans have been refocussed towards improving leadership decisions and fostering behaviours that will assist in integrating diversity and inclusion initiatives into the Company's talent processes (including appointments and recruitment) and supporting women through a tailored career development program.

With regard to measurable objectives, for the 2013/14 financial year, the Board approved measurable objectives against each of the key priority areas of the Company's Diversity Strategy. These objectives were linked to the three diversity principles and the report on progress against the objectives is made by reference to these principles:

Shaping our Future Organisation – the objective is to strengthen the talent pipeline, in particular to increase the number of women.

Overall the percentage of women employed in the Group increased to 15.7%. With regard to the graduate recruitment program, as a result of the focus on the talent pipeline, the 2014 Australian Manufacturing graduate program resulted in a female participation rate of 25%. Recruitment for the 2015 program has seen an encouraging response in applications from women.

With regard to the Company's Australian Indigenous Employment Program, an Australian Indigenous Relations policy was developed and cultural capability programs were held across the Australian operations. During 2014, the Company maintained its commitment to the Australian Employment Covenant, and met a 2% Indigenous employment rate across the organisation nationally.

Respecting our Differences – the objective is to ensure equity in the Company's pay practices, in particular to embed gender pay analytics into remuneration and performance policies and practices.

The Company continues to review gender pay equity on an annual basis at a Company-wide and business unit level. The gender pay analysis for 2014 identified no significant differentials at a senior management level. At middle management and professional levels, the pay differentials identified largely reflected the qualifications and experience of the workforce and the concentration of women in particular sectors of the Company.

Building a Flexible Organisation – the objective is to increase the number of women returning to work after family leave, with a focus on parental leave and flexible work arrangements supported by the ongoing utilisation of effective tools to "keep in touch" while women are on family leave. The Flexible Work Policy was reviewed and re-launched globally in 2014. As part of this review, the existing policies have been enhanced with the introduction of Cultural and Ceremonial Leave specific to Indigenous Employees and Annual Leave Purchase to further support work-life balance.

Diversity in 2014/15

For 2014/15, in accordance with the Company's Diversity Vision to be an inclusive and accessible organisation through the development of a culture that embraces diversity, and its Diversity Strategy, the Company will work with Traditional Indigenous Custodians and Reconciliation Australia in the development of a Reconciliation Action Plan and will continue to build on providing meaningful employment to Indigenous Australians, with a 2.5% Indigenous Employment rate targeted

for the Australian business for 2014/15.

As a cornerstone to support the focus of the Diversity Strategy, the Company proposes to develop more robust measures to increase the percentage of women, in the form of two year-on-year incremental targets for:

- women within the business overall; and
- women in senior roles.

These measures will co-exist with the existing measurable objectives. The objective of these targets is to move the Company from current participation rates, to rates equal to or better than other companies in similar industries and/or sectors which, on the basis of publicly available information, is in the range of 20–25%. As the targets are based on head count, rather than recruitment, they assume that each year's base level of women is retained. Progress will be reported in the 2015 Corporate Governance Statement.

The Company will also be addressing the inclusion of pay equity considerations in its remuneration policies during 2014/15, and will continue to build employees' understanding of its commitment to providing equality of employment opportunities by training employees in relevant policies and procedures.

In the US, the Company will also conduct its annual review to identify opportunities to improve representation of females and minority groups in areas where they are currently underrepresented.

The Diversity Council will report to the Board on progress made against these objectives during the year, as well as more broadly with regard to the Diversity Strategy.

Principle 4: Safeguard integrity in financial reporting

Audit and Risk Management Committee

The Audit and Risk Management Committee has a Charter approved by the Board. The Committee assists the Board in its review of financial reporting principles and policies, controls and procedures, internal control and risk management and internal audit. It also assists the Board in its review of the integrity and reliability of the Company's financial statements, the external audit and the Company's compliance with legal and regulatory requirements.

The Audit and Risk Management Committee comprises four independent non-executive directors being, Anthony Larkin (Chairman), John Marlay, Rebecca McGrath and Gregory Hayes (who was appointed 2 October 2014).

The qualifications of those directors appointed to the Audit and Risk Management Committee are set out on pages 1 and 2.

The Committee meets as frequently as required but not less than four times a year. The Committee reviews its performance by self-assessment at least annually.

The attendance of the members of the Audit and Risk Management Committee at each meeting held during the financial year ended 30 September 2014 is set out on page 3.

The Chief Risk Officer, external auditors, the Managing Director & CEO, the Chief Financial Officer and the Group Financial Controller are invited to attend Audit and Risk Management Committee meetings. The Committee regularly meets with the Chief Risk Officer and the external auditors without the presence of other members of management.

The primary objectives of the Audit and Risk Management Committee, as set out in its Charter, are as follows:

Financial reporting

- review of reports and analyses – review management, internal audit and external audit reports and analyses of financial reporting issues;
- review of financial statements – review all audited financial statements and all other financial information prior to release through ASX to shareholders and the financial community;
- accounting policies – review the critical accounting policies with external auditors and management; and
- Managing Director & CEO and Chief Financial Officer certification – review the certification provided by the Managing Director & CEO and the Chief Financial Officer on annual and half-yearly reports.

Internal control and risk management

- risk management strategies – receive reports from management, the internal audit function and the external auditor concerning risk management principles and policies, strategies, processes and controls and concerning the processes for determining and monitoring material business risks;
- risk reports and monitoring – receive reports from management on risk implications from new and emerging risks, changes in the economic and business environment and other factors relevant to the Group's performance and strategy, receive reports from management and monitor resolution of significant risk exposures;
- compliance – receive reports from management, monitor and oversee compliance with applicable laws relating to the operation of the business and review and monitor policies and systems to manage compliance risk;
- disclosure – review the form of disclosure to be made in the Annual Report given by the Managing Director & CEO and Chief Financial Officer as to the effectiveness of the Company's management of material business risks; and
- insurance – receive reports from management and monitor the insurance strategy of the Group and recommend approval or variation of insurance policies.

External audit

- appointment/replacement – manage the relationship between the Company and the external auditor, including making recommendations to the Board on the selection, evaluation and replacement of the external auditor;
- terms of engagement – determine the terms of engagement and remuneration of the external auditor and make recommendations to the Board;
- effectiveness and independence – monitor the effectiveness and independence of the external auditor, including requiring the external auditor to prepare and deliver an annual statement as to its independence;
- scope of audit – review the scope of the external audit with the external auditor; and
- non-audit services – review and assess the provision of non-audit services by the external auditor, provide pre-approval or otherwise of all non-audit services which may be provided by the external auditor and ensure disclosure to shareholders of the Committee's approval of non-audit work.

Internal audit

- structure/resources – review and approve the structure of the internal audit function and resources;
- appointment/replacement – in the event the internal audit function is fully outsourced, evaluate the expertise and experience of potential internal auditors and make recommendations to the Board on the selection, evaluation and replacement of the internal auditor, noting that while internal audit is managed internally, the Committee evaluates and approves the panel of external consultants to provide internal audit services within the internal audit plan;
- assessment – evaluate the performance of the internal audit function together with the financial incentives for personnel in the internal audit function;
- scope of audit and plan – review and assess the scope of the audit and the internal audit plan;
- internal audit findings – receive summaries of significant reports to management from the internal audit function, management's response and the internal auditor's recommendations;
- monitor internal audit plan – monitor and review compliance with, and the effectiveness of implementation of, audit plans of the internal audit function;
- communication – review the level of open communication between the internal audit function, the external auditor and the Board and any restrictions placed on the internal audit function by management; and
- assessment – conduct an annual assessment of the effectiveness of internal controls and financial reporting procedures.

External auditor

The role of the external auditor is to provide an independent opinion that the Company's financial reports are true and fair and comply with the applicable regulations.

Deloitte Touche Tohmatsu is the Company's external auditor, appointed at the 2011 Annual General Meeting.

The lead audit partner and review partner of the Company's external auditor rotate every five years.

Restrictions are placed on non-audit work performed by the auditor, and projects outside the scope of the audit require the approval of the Audit and Risk Management Committee.

Further details are set out in Note 7 to the financial statements, Auditor's remuneration.

The lead audit partner or appropriate alternates will attend the Annual General Meeting to be held on 19 December 2014.

Under the Corporations Act 2001 (Cth), shareholders have the right to submit written questions on certain topics to the auditor, and the auditor may table answers to such questions at the Annual General Meeting.

Internal audit

The internal audit function is managed by the Chief Risk Officer who oversees the execution of the internal audit plan as approved by the Audit and Risk Management Committee.

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Principle 5: Make timely and balanced disclosure

The Company is subject to continuous disclosure obligations under the ASX Listing Rules and Corporations Act 2001 (Cth). Subject to some limited exceptions, under the continuous disclosure requirements, the Company must immediately notify the market, through ASX, of any information which a reasonable person would expect to have a material effect on the price or value of the Company's shares.

To achieve these objectives and satisfy the regulatory requirements, the Board has implemented a Continuous Disclosure Policy. The Policy aims to ensure the proper and timely disclosure of information to shareholders and the market in several ways, including:

- in annual reports and financial statements, releases of results to ASX each half and full year, and at the Company's Annual General Meeting;
- releasing price sensitive announcements and other relevant significant announcements directly to the market via ASX;
- conducting briefings with analysts and institutions from time to time – in doing so, Incitec Pivot recognises the importance of ensuring that any price sensitive information provided during these briefings is made available to all shareholders and the market at the same time and in accordance with the requirements of the Corporations Act 2001 (Cth), ASX and the Australian Securities and Investments Commission; and
- providing information on the Company's website, which contains information about the Company and its activities, including statutory reports and investor information.

The Policy appoints the Managing Director & CEO, the Chief Financial Officer and the Company Secretary as the Continuous Disclosure Officers. Their role includes providing announcements to the ASX and ensuring that senior management and employees are kept informed of the Company's obligations and the accountability of the Company and its directors, officers and employees for compliance with the disclosure rules.

The Company's Continuous Disclosure Policy is available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance.

Principle 6: Respect the rights of shareholders

Incitec Pivot is committed to giving all shareholders comprehensive, timely and equal access to information about its activities so as to enable shareholders to make informed investment decisions and effectively exercise their rights as shareholders.

The Shareholder Communications Policy aims to ensure:

- that the Company's announcements are presented in a factual, clear and balanced way;
- that all shareholders have equal and timely access to material information concerning the Company; and
- shareholder access to information about, and shareholder participation in, general meetings of the Company.

The Company regularly reviews the methods by which it communicates with shareholders so as to ensure it can make best use of new technologies to enhance shareholder communication. The Company places all relevant announcements made to the market, and related information, on the Company's website after they have been released to ASX.

The Shareholder Communications Policy is available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance.

Principle 7: Recognise and manage risk

Risk oversight and management

Risk is present in all aspects of Incitec Pivot's business. It has the potential to impact people, the environment, the community and the reputation, assets and financial performance of the Group. Incitec Pivot is committed to the effective management of risk, which is central to its continued growth and success and the achievement of the Group's corporate objective and strategy.

Incitec Pivot has adopted a Group Risk Policy for the oversight and management of material business risks and manages risk within a comprehensive risk management process which is consistent with the Australian/New Zealand Standard for Risk Management (AS/NZS ISO 31000:2009).

Risks are identified, analysed and prioritised using common methodologies, and risk controls are designed and implemented having regard to the overall corporate strategy.

The risk controls adopted by Incitec Pivot are administered via a Group-wide framework, and include:

- identifying, evaluating, treating, monitoring, and reporting on material business risks to the Audit and Risk Management Committee;
- annual budgeting and monthly reporting systems to monitor performance;
- delegations of authority;
- policies and procedures for the authorisation of capital expenditure;
- a compliance program supported by approved guidelines and standards addressing health, safety and environment matters, and regulatory compliance matters;
- compliance policies and programs covering anti-bribery, improper payments, sanctions and anti-trust;
- policies and procedures for the management of financial risk and treasury operations, including exposures to foreign currencies and movements in interest rates;
- a letter of assurance process to provide assurance from management that all controls are in place and operating appropriately;
- business continuity plans; and
- the internal audit function.

A summary of the Group Risk Policy is available on the corporate governance section of Incitec Pivot's website, www.incitecpivot.com.au/Corporate_Governance.

Risk management roles and responsibilities

The Board is responsible for reviewing and approving the overall management of risk and internal control. The Board monitors the Group's risk profile, risks and mitigating strategies primarily through the Audit and Risk Management Committee. The Audit and Risk Management Committee's duties with respect to internal control and risk management have been summarised under Principle 4 on page 37. The Audit and Risk Management Committee and, through it, the Board, receive regular reports from management on the effectiveness of the Group's risk management process.

The Operating and Financial Review on page 12 outlines the material risks associated with Incitec Pivot's business and operations.

Risk management and internal controls

Management, through the Managing Director & CEO and the Chief Financial Officer, is responsible for the overall design, implementation, management and coordination of the Group's risk management and internal control system.

Each business unit has responsibility for identification and management of risks specific to their business. This is managed through an annual risk workshop within each business unit. The risk workshops are facilitated by the Chief Risk Officer, and form part of the annual internal audit program, thereby aligning the internal audit activities with material business risks. The outcomes of the business unit risk workshops are assessed as part of the annual corporate risk workshop. The resultant Corporate Risk Register is presented to the Audit and Risk Management Committee on an annual basis, and management is required to present regular updates to the Committee on material business risks.

The internal audit function monitors the internal control framework and provides regular reports to the Audit and Risk Management Committee. The annual internal audit program is approved by the Audit and Risk Management Committee.

The internal audit function provides written reports to the Committee on the effectiveness of the management of risk and internal controls, and the Chief Risk Officer meets regularly with the Committee without the presence of other members of management.

The Audit and Risk Management Committee and the Board have received reports from management on the effectiveness of the Group's management of its material business risks for the financial year ended 30 September 2014.

CEO and CFO Declaration and Assurance

In accordance with the ASX Recommendations, for the financial year ended 30 September 2014, the Board received written assurance from the Managing Director & CEO and the Chief Financial Officer that the declaration provided by them in accordance with section 295A of the Corporations Act 2001 (Cth) is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to the reporting of financial risks.

Principle 8: Remunerate fairly and responsibly

The Board and Remuneration Committee are primarily responsible in relation to the oversight of the Company's remuneration framework and policies. Details of Incitec Pivot's remuneration arrangements are set out in the Remuneration Report. As set out on page 34, the Remuneration Committee is formed under a Charter approved by the Board, a copy of which is available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance. The members of the Committee are three independent non-executive directors, being John Marlay (Chairman), Graham Smorgon AM and Paul Brasher.

The ASX Recommendations provide that a remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by an independent director and has at least three members. The Charter for the Remuneration Committee provides that each member of the Committee must be a non-executive director and a majority of members of the Committee must be independent. The Charter also provides that the Chairman of the Committee must be an independent director. As each member of the Remuneration Committee (including Mr John Marlay, the Chairman of the Committee) is considered to be an independent non-executive director, the structure of the Committee fulfils the requirements under the ASX Recommendations.

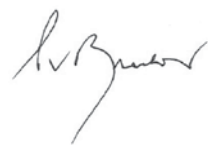
Incitec Pivot's policy is to remunerate non-executive directors by way of fees and payments which may be in the form of cash, non-cash benefits and superannuation benefits. Incitec Pivot's broad policy in relation to the level of non-executive directors' fees and payments is to ensure that these fees and payments are consistent with the market and enable Incitec Pivot to attract and retain directors of an appropriate calibre. Details of these fees and payments are included in the table titled "Non-executive directors' remuneration" set out in section B of the Remuneration Report on page 18. The Company's policy is that non-executive directors should not be remunerated by way of options, shares, performance rights, bonuses nor incentive-based payments.

Under the Company's Constitution, the maximum remuneration payable by the Company for the services of non-executive directors in total must not exceed the amount approved by shareholders in general meeting, which is \$2,000,000 as approved at the Annual General Meeting held on 19 December 2008. The total remuneration paid to the non-executive directors during the financial year ended 30 September 2014 was within the maximum amount approved by shareholders.

Details of remuneration paid to the Managing Director & CEO and other executives are included in table C.4 "Executive remuneration" in the Remuneration Report on page 25.

The attendance of the members of the Remuneration Committee at each meeting held during the financial year to 30 September 2014 is set out on page 3.

Signed on behalf of the Board.



Paul V Brasher

Chairman

Dated at Melbourne

this 10th day of November 2014

The Board of Directors
Incitec Pivot Limited
Level 8, 28 Freshwater Place
Southbank Victoria 3006

10 November 2014

Dear Board Members

Incitec Pivot Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Incitec Pivot Limited.

As lead audit partner for the audit of the financial statements of Incitec Pivot Limited for the financial year ended 30 September 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Tom Imbesi
Partner
Chartered Accountants

Financial Report

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 September 2014

		Consolidated 2014 \$mill	2013* \$mill
	Notes		
Revenue	(4)	3,352.0	3,403.7
Financial and other income	(4)	59.3	59.5
Operating expenses			
Changes in inventories of finished goods and work in progress		1.0	19.5
Raw materials and consumables used and finished goods purchased for resale		(1,465.2)	(1,610.2)
Employee expenses		(575.2)	(588.9)
Depreciation and amortisation expense	(5)	(223.3)	(183.7)
Financial expenses	(5)	(95.0)	(92.3)
Purchased services		(145.4)	(161.2)
Repairs and maintenance		(130.3)	(132.9)
Outgoing freight		(236.6)	(224.2)
Lease payments – operating leases		(71.7)	(62.1)
Share of profit on equity accounted investments	(16)	33.3	33.5
Asset write-downs, clean-up and environmental provisions		(134.9)	(50.9)
Other expenses		(56.3)	(61.0)
Profit before income tax		311.7	348.8
Income tax (expense)/benefit	(8)	(63.5)	18.9
Profit for the financial year		248.2	367.7
Other comprehensive income, net of income tax			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial (losses)/gains on defined benefit plans		(14.8)	38.8
Fair value gain/(loss) on assets at fair value through other comprehensive income		3.2	(2.0)
Income tax relating to items that will not be reclassified subsequently		5.5	(13.7)
		(6.1)	23.1
<i>Items that may be reclassified subsequently to profit or loss</i>			
Fair value gain/(loss) on hedging instruments entered into for cash flow hedges		10.8	(12.4)
Cash flow hedge losses/(gains) transferred to profit or loss statement		1.9	(25.8)
Exchange differences on translating foreign operations		151.3	182.0
Loss on hedge of net investment		(138.0)	(160.5)
Income tax relating to items that may be reclassified subsequently		5.0	18.0
		31.0	1.3
Other comprehensive income for the period, net of income tax		24.9	24.4
Total comprehensive income for the financial year		273.1	392.1
Profit attributable to:			
Members of Incitec Pivot Limited		247.1	367.1
Non-controlling interest		1.1	0.6
Profit for the financial year		248.2	367.7
Total comprehensive income attributable to:			
Members of Incitec Pivot Limited		272.0	391.5
Non-controlling interest		1.1	0.6
Total comprehensive income for the financial year		273.1	392.1
Earnings per share			
Basic (cents per share)	(9)	15.0	22.5
Diluted (cents per share)	(9)	15.0	22.5

* Comparative information has been restated as a result of the Group adopting the revised Australian Accounting Standard, AASB 119 'Employee Benefits'. Refer Note 1 for further details.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 47 to 107.

Consolidated Statement of Financial Position

As at 30 September 2014

		Consolidated 2014 \$mill	2013 \$mill
	Notes		
Current assets			
Cash and cash equivalents	(10)	70.5	270.6
Trade and other receivables	(11)	265.5	364.7
Inventories	(12)	434.1	435.6
Other assets	(13)	46.5	61.9
Other financial assets	(14)	16.9	5.6
Assets classified as held for sale	(15)	0.1	0.6
Current tax assets		–	36.2
Total current assets		833.6	1,175.2
Non-current assets			
Trade and other receivables	(11)	7.1	8.2
Other assets	(13)	40.3	4.4
Other financial assets	(14)	221.8	117.1
Investments accounted for using the equity method	(16)	291.2	299.1
Property, plant and equipment	(17)	3,511.4	3,033.5
Intangible assets	(18)	2,992.3	2,961.0
Deferred tax assets	(20)	72.5	85.3
Total non-current assets		7,136.6	6,508.6
Total assets		7,970.2	7,683.8
Current liabilities			
Trade and other payables	(21)	823.0	979.3
Interest bearing liabilities	(22)	33.9	33.5
Other financial liabilities	(23)	26.0	39.6
Provisions	(24)	90.5	108.4
Current tax liabilities		16.7	–
Total current liabilities		990.1	1,160.8
Non-current liabilities			
Trade and other payables	(21)	10.1	7.0
Interest bearing liabilities	(22)	1,709.0	1,620.6
Other financial liabilities	(23)	277.0	114.3
Provisions	(24)	83.6	77.5
Deferred tax liabilities	(25)	415.3	413.4
Retirement benefit obligation	(26)	78.1	70.4
Total non-current liabilities		2,573.1	2,303.2
Total liabilities		3,563.2	3,464.0
Net assets		4,407.0	4,219.8
Equity			
Issued capital	(27)	3,332.8	3,265.9
Reserves		(144.8)	(178.6)
Retained earnings		1,216.3	1,129.6
Non-controlling interest		2.7	2.9
Total equity		4,407.0	4,219.8

The Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 47 to 107.

Consolidated Statement of Cash Flows

For the year ended 30 September 2014

	Notes	Consolidated 2014 \$mill Inflows/ (outflows)	2013 \$mill Inflows/ (outflows)
Cash flows from operating activities			
Receipts from customers		3,820.8	3,791.5
Payments to suppliers and employees		(3,254.1)	(3,069.2)
Interest received		18.1	18.5
Financial expenses paid		(75.8)	(89.4)
Other revenue received		24.7	30.2
Income taxes refunded/(paid)		1.5	(67.1)
Net cash flows from operating activities	(29)	535.2	614.5
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		(662.4)	(452.2)
Proceeds from sale of property, plant and equipment		24.4	24.0
Amounts advanced from equity-accounted investees		5.3	15.0
(Payments)/Proceeds from settlement of net investment hedge derivatives		(5.0)	23.8
Net cash flows from investing activities		(637.7)	(389.4)
Cash flows from financing activities			
Repayments of borrowings		(224.6)	(117.5)
Proceeds from borrowings		214.4	200.0
Realised market value (losses)/gains on derivatives		(8.3)	1.7
Dividends paid	(24),(28)	(85.1)	(203.6)
Net cash flows from financing activities		(103.6)	(119.4)
Net (decrease)/increase in cash and cash equivalents held		(206.1)	105.7
Cash and cash equivalents at the beginning of the financial year		270.6	154.1
Effect of exchange rate fluctuation on cash and cash equivalents held		6.0	10.8
Cash and cash equivalents at the end of the financial year	(10)	70.5	270.6

The Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 47 to 107.

Consolidated Statement of Changes in Equity

For the year ended 30 September 2014

Consolidated	Issued capital \$mill	Cash flow hedging reserve \$mill	Share-based payments reserve \$mill	Foreign currency translation reserve \$mill	Fair value reserve \$mill	Retained earnings \$mill	Total \$mill	Non-controlling interest \$mill	Total equity \$mill
Balance at 1 October 2012	3,265.9	(0.3)	22.3	(190.8)	(9.6)	941.6	4,029.1	2.3	4,031.4
Profit for the financial year	-	-	-	-	-	367.1	367.1	0.6	367.7
Total other comprehensive income/(expense) for the period	-	(26.4)	-	27.7	(1.4)	24.5	24.4	-	24.4
Dividends paid	-	-	-	-	-	(203.6)	(203.6)	-	(203.6)
Share-based payment transactions									
Net option expense	-	-	(0.1)	-	-	-	(0.1)	-	(0.1)
Balance at 30 September 2013	3,265.9	(26.7)	22.2	(163.1)	(11.0)	1,129.6	4,216.9	2.9	4,219.8
Balance at 1 October 2013	3,265.9	(26.7)	22.2	(163.1)	(11.0)	1,129.6	4,216.9	2.9	4,219.8
Profit for the financial year	-	-	-	-	-	247.1	247.1	1.1	248.2
Total other comprehensive income/(expense) for the period	-	9.3	-	21.7	2.3	(8.4)	24.9	-	24.9
Dividends paid	-	-	-	-	-	(152.0)	(152.0)	(1.3)	(153.3)
Shares issued during the period	66.9	-	-	-	-	-	66.9	-	66.9
Share-based payment transactions									
Net option expense	-	-	0.5	-	-	-	0.5	-	0.5
Balance at 30 September 2014	3,332.8	(17.4)	22.7	(141.4)	(8.7)	1,216.3	4,404.3	2.7	4,407.0

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 47 to 107.

Cash flow hedging reserve

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

Share-based payments reserve

The share-based payments reserve comprises the fair value of rights recognised as an employee expense over the relevant vesting period and transactions associated with the 2011/14, 2012/15 and 2013/16 Long Term Incentive Plans. The EPS portion of each of the Group's LTI plans is written back when the plan hurdles/vesting conditions are unlikely to be met in accordance with *AASB 119 Employee Benefits*.

Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled operations are taken to the foreign currency translation reserve, as described in Note 1(xix). The relevant portion of the reserve is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income when the foreign operation is disposed of.

The foreign currency translation reserve is also used to record gains and losses on hedges of net investments in foreign operations.

Fair value reserve

The fair value reserve represents the cumulative net change in the fair value of equity instruments.

Non-controlling interest

Represents a 35 percent outside equity interest in Quantum Fertilisers Limited, a Hong Kong based fertiliser marketing company.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

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Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

1. Significant accounting policies

Incitec Pivot Limited ('the Company', 'IPL' or 'Incitec Pivot') is a company domiciled in Australia. The consolidated financial statements were authorised for issue by the directors on 10 November 2014.

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

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

(i) Basis of preparation

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB). For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity. Where applicable, comparatives have been adjusted to disclose them on the same basis as current period figures.

Deficiency on net current assets

As at 30 September 2014, the Company and Group's current liabilities exceeded its current assets by \$624.5m and \$156.5m respectively. The Group has un-drawn financing facilities of \$1,450.0m at 30 September 2014 and cash balances of \$70.5m. In addition, the Group's forecast cash flow for the next twelve months indicates that it will be able to meet current liabilities as and when they fall due, therefore the consolidated financial statements have been prepared on a going concern basis.

Historical cost convention

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

The consolidated financial statements are presented in Australian dollars.

Critical accounting estimates

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

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

Application of new and revised Accounting Standards

The principal Australian Accounting Standards and Interpretations that became effective since 30 September 2013 are:

- AASB 10 'Consolidated Financial Statements'
- AASB 11 'Joint Arrangements'
- AASB 12 'Disclosure of Interests in Other Entities'
- AASB 127 'Separate Financial Statements' (2011)
- AASB 128 'Investments in Associates and Joint Ventures' (2011)
- AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119' (2011)
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'
- AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'
- AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'

Incitec Pivot has elected to early adopt certain Australian Accounting Standards and interpretations which permit early adoption. The principal standards and interpretations that have been early adopted are:

- AASB 2014-1 'Amendments to Australian Accounting Standards – Part A: Annual Improvements 2010-2012 and 2011-2013 cycles'
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)'

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

1. Significant accounting policies (continued)

(i) Basis of preparation (continued)

The adoption of these standards did not have a significant impact on the Group's results in the current and/or prior year. However, the adoption of the revised AASB 119 'Employee Benefits', that became effective for the Group during the year ended 30 September 2014, resulted in a restatement of \$4.9m between Employee expenses, Financial expenses and Actuarial gains on defined benefits plans in the Group's 30 September 2014 Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Issued Standards not early adopted

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

- The International Standards Board (IASB) published the final version of IFRS 9 *Financial Instruments* in July 2014 which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project. The standard also includes an expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting.

AASB 9 Financial Instruments and its related amendments incorporate revised requirements for the classification and measurement of financial liabilities and also introduces a new hedge accounting model, together with corresponding disclosures surrounding risk management activity.

First application date for the Group, if not early adopted, is the financial year ended 30 September 2019. Based on management's preliminary assessment of this standard, it is not expected to have a material impact on the financial results of the Group. However, the new standard will result in expanded disclosures and a change in presentation of the Group's hedging arrangements.

- IFRS 15 *Revenue from Contracts with Customers* establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. First application date for the Group, if not early adopted, is the financial year ended 30 September 2018. Based on management's preliminary assessment of this standard, it is not expected to have a material impact on the financial results of the Group.

(ii) Consolidation

(a) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Incitec Pivot Limited and its subsidiaries.

The Company reassesses whether or not it controls an investee if facts and circumstances change that will likely impact the Company's control over an investee.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(xiv)).

Inter-company transactions, balances and unrealised gains on transactions between consolidated companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

(iii) Revenue recognition

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

Revenue is recognised for the major business activities as follows:

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

Commissions are recognised when the Group acts in the capacity of an agent rather than as the principal in a transaction and therefore the revenue recognised is the net amount of commission made by the Group.

Interest income is recognised as it accrues.

Dividends receivable are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income when declared, or received, whichever occurs first.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

1. Significant accounting policies (continued)

(iv) Borrowing costs

Borrowing costs include interest on borrowings, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with the arrangement of borrowings, including lease finance charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets that take more than 12 months to get ready for their intended use or sale. Where funds are borrowed specifically for the production of a qualifying asset, the interest on those funds is capitalised, net of any interest earned on those borrowings. Where funds are borrowed generally, a weighted average interest rate is used for capitalising interest to qualifying assets.

(v) Share based payments

The fair value of shares (treated as options) and rights, granted to employees, at the grant date, is recognised as an employee expense, with a corresponding increase in equity, over the period that employees become unconditionally entitled to the options or rights. The amount recognised as an expense is adjusted to reflect the actual number of options, shares and rights for which the related service and non-market vesting conditions are met.

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

(vi) Taxation

Income tax expense comprises current and deferred tax and is recognised in the profit or loss component of the Consolidated Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised using the balance sheet method in which temporary differences are calculated based on the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied when the temporary difference reverses, that is, when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

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

Tax consolidation

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

(vii) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. Cost is based on a weighted average method. For manufactured goods, cost includes direct material and labour costs plus an appropriate proportion of fixed and variable overheads based on normal operating capacity of the production facilities. For third-party sourced finished goods, cost is net cost into store. High turnover engineering spares are held in inventory and expensed when used.

(viii) Trade and other receivables

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

1. Significant accounting policies (continued)

(viii) Trade and other receivables (continued)

The amount of the impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Where substantially all risks and rewards relating to receivables have been transferred to a financial institution, the receivable is de-recognised. Where this has not occurred, the receivable and the equivalent interest bearing liability have been recognised in the Consolidated Statement of Financial Position.

(ix) Other financial assets

Financial assets are recognised and subsequently measured at either amortised cost or fair value depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Investments in equity securities are designated as "fair value through other comprehensive income", with all realised and unrealised gains and losses from the investment portfolio being recognised directly in equity through "other comprehensive income" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Dividend income is recognised as income in the profit and loss component of the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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

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

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

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately in the Consolidated Statement of Financial Position.

(xi) Property, plant and equipment and depreciation

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

Property, plant and equipment, other than freehold land, is depreciated on a straight-line basis at rates calculated to allocate the cost less the estimated residual value over the estimated useful life of each asset to the Group.

Estimated useful lives in the current and comparative periods of each class of asset are as follows:

- Buildings and improvements 20 – 40 years
- Machinery, plant and equipment 3 – 40 years

The assets' residual values and useful lives are reviewed when there are changes in circumstances, and adjusted if appropriate, at each balance sheet date.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 October 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Profits and losses on disposal of property, plant and equipment are taken to the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Spare parts purchased for a particular asset or class of assets are classified as capital spares in property, plant and equipment and depreciated over the useful life of the asset or class of assets to which they relate.

(xii) Leased assets

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

Finance leases are capitalised at the present value of the minimum lease payments and amortised on a straight-line basis over the period during which benefits are expected to flow from the use of the leased assets.

A corresponding liability is established and each lease payment is allocated between finance charges and reduction of the liability. Operating leases are not capitalised and lease rental payments are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight line basis over the term of the lease.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

1. Significant accounting policies (continued)

(xiii) Intangible assets

(a) Goodwill

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

(b) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as an expense as incurred.

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

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

(c) Other intangible assets

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

(d) Subsequent expenditure

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

(e) Amortisation

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

• Software	3 – 7 years
• Product trademarks	4 – 10 years
• Patents	13 – 15 years
• Customer contracts	1 – 17 years

(xiv) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. For acquisitions occurring in stages, goodwill is determined at the acquisition date. Goodwill is determined after the previously held equity interest is adjusted to fair value.

Where equity instruments are issued in an acquisition the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to Note 1(xiii) (a)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, then the difference is recognised directly in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets acquired.

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

(xv) Segment reporting

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

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

1. Significant accounting policies (continued)

(xv) Segment reporting (continued)

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

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

(xvi) Interest-bearing borrowings

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

(xvii) Provisions

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

(a) Environmental

Estimated costs relating to the remediation of soil, groundwater and untreated waste that have arisen as a result of past events are usually recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as soon as the need is identified and a reliable estimate of the liability is able to be made.

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

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

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

For sites where there are uncertainties with respect to the remediation obligations or the remediation techniques that might be approved and no reliable estimate can presently be made of regulatory and remediation costs, no amounts have been capitalised, expensed or provided.

(b) Decommissioning

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

(c) Self insurance

The Group self-insures for certain insurance risks. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the cost that the entity expects to incur in settling the claims.

(d) Employee entitlements

Current entitlements

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

Non-current entitlements

Liabilities for employee entitlements which are considered non-current, such as long service leave, are accrued at the present value of future amounts expected to be paid. The present value is determined using interest rates applicable to government guaranteed securities with maturities approximating the terms of the Group's obligations.

Short term incentive plans

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

Long term incentive plans

Equity-settled share based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at grant date of the equity settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. In respect of service and non-market vesting conditions at the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

1. Significant accounting policies (continued)

(xvii) Provisions (continued)

The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share based payments reserve. Details regarding the determination of the fair value of the equity-settled share based transactions are set out in Note 35.

For cash-settled share based payments, a liability is recognised for services provided by employees, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

(e) Retirement benefit obligation

Contributions to defined contribution superannuation funds are charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the year in which the expense is incurred.

For defined benefit schemes, the cost of providing superannuation and pension benefits is charged to the profit or loss component of the Consolidated Statement of Profit or Loss and Other Comprehensive Income so as to recognise current and past service costs, interest cost on the net defined benefit obligations, and the effect of any curtailments or settlements. All actuarial gains and losses as at 1 October 2004, the date of transition to IFRS, were recognised in retained earnings. All actuarial gains and losses that have arisen subsequent to 1 October 2004 are recognised directly in equity.

The Group's net obligation in respect of defined benefit superannuation and pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

(f) Dividends

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

(g) Restructuring and employee termination benefits

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

(h) Onerous contracts

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

(xviii) Trade and other payables

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

Unfavourable sales/supplier contracts

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

(xix) Foreign currency transactions

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The results and financial position of the Group are expressed in Australian dollars which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the relevant date of the particular transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, except when they are deferred in equity as qualifying cash flow hedges or net investment hedges.

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

(c) Foreign operations

On consolidation the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on disposal of the foreign operation.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

1. Significant accounting policies (continued)

(xix) Foreign currency transactions (continued)

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

(xx) Derivative financial instruments

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

In accordance with its treasury policy the Group does not hold or issue derivative financial instruments for trading purposes other than for forward sales and purchase physical agreements.

Derivative financial instruments (which include physical contracts to sell or purchase commodities that do not meet the own use exemption) are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value.

The gain or loss on remeasurement to fair value is recognised immediately in the profit and loss component of the Consolidated Statement of Profit or Loss and Other Comprehensive Income. However, where derivatives qualify for hedge accounting, the effective gain or loss is transferred to the cash flow hedging reserve, or through the foreign currency translation reserve in the other comprehensive income component of the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(a) Hedging

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

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

(b) Cash flow hedges

Changes in fair value of derivative hedging instruments designated as cash flow hedges are recognised in equity to the extent that the particular hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the profit and loss component of the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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

If the hedged transaction is no longer expected to take place, then the cumulative gain or loss recognised in equity is recognised immediately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(c) Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way as cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in equity (foreign currency translation reserve) while any gains or losses relating to the ineffective portion are recognised in the profit and loss component of the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

On disposal of the foreign operation, the cumulative value of such gains or losses recognised in equity is transferred to the profit and loss component of the Consolidated Statement of Profit or Loss and Other Comprehensive Income based on the amount calculated using the direct method of consolidation.

(d) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the profit and loss component of the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

(xxi) Cash and cash equivalents

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

(xxii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration. If the entity reacquires its own equity instruments, eg as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and the consideration paid, including any directly attributable incremental costs (net of income taxes), is recognised directly in equity.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

1. Significant accounting policies (continued)

(xxiii) Fair value estimation

The fair value of financial assets and financial liabilities is estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity instruments) is based on quoted market prices at the reporting date, reflecting the credit risk of various counterparties. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

The fair value of forward exchange contracts, interest rate swaps, and cross currency interest rate swaps is based on discounted cash flows, reflecting the credit risk of various counterparties. Future cash flows are estimated based on contract rates and observable forward interest and exchange rates, and currency basis at the end of the reporting period. The fair value of option contracts is calculated using the contract rates and observable market rates at the end of the reporting period, reflecting the credit risk of various counterparties. The valuation technique is consistent with the Black-Scholes methodology and utilises Monte Carlo simulations.

The fair value of commodity contracts is based on their listed market price as quoted on the NYMEX, if available, and, if a listed market price is not available, then fair value is estimated by discounting the difference between the contractual price and current observable market price at the end of the reporting period, reflecting the credit risk of various counterparties.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of non-derivative financial liabilities not traded in active markets is estimated by discounting the future cash flows at the current market interest rate that is available to the Group for similar financial instruments, reflecting the Group's credit risk.

(xxiv) Impairment of assets

The carrying amounts of the Group's tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset is tested for impairment by comparing its recoverable amount to its carrying amount. Goodwill and indefinite lived intangible assets are tested for impairment annually.

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

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

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

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

Impairment losses are recognised in the profit and loss component of the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs, and then to reduce the carrying amount of the other assets in the unit.

(xxv) Goods and services tax

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

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

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

(xxvi) Accounting for the carbon pricing mechanism

The Group accounts for carbon emission units (carbon permits) under the Australian carbon pricing mechanism as follows:

- Purchased carbon permits are accounted for as intangible assets in accordance with AASB 138 Intangible Assets. Accordingly the permits are carried at cost unless an active market for the permits exists, in which case these could be carried at fair value. The fair value movements are recorded within an asset revaluation reserve within equity.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

1. Significant accounting policies (continued)

(xxvi) Accounting for the carbon pricing mechanism (continued)

- Carbon permits under the Jobs and Competitiveness Program are accounted for as intangible assets acquired by way of a government grant when the permits are received from the government. In accordance with AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, both the permits and the grant are initially recognised at fair value. The grant is initially recorded as deferred revenue by the entity and will be recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a systematic basis over the periods in which the entity recognises the emissions expense.

Carbon emission liabilities are recognised as emissions are generated and measured at the present value of carbon permits needed to extinguish the liability.

Carbon expense and deferred income from free carbon permits are recorded as part of the cost of inventory.

Carbon permit assets and carbon emission liabilities are disclosed on a gross basis in the consolidated statement of financial position.

The Australian Government has abolished the carbon tax, with effect from 1 July 2014. As a result, the Group discontinued the accounting of ongoing carbon emissions from this date.

(xxvii) Rounding of amounts

The Group is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the consolidated financial statements.

Amounts in the consolidated financial statements have been rounded off in accordance with that Class Order to the nearest one hundred thousand dollars, or in certain cases, the nearest one thousand dollars.

2. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

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

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

- the testing for impairment of goodwill and non-current assets;
- income tax related assumptions and estimates;
- provision for environmental, asset retirement obligation and restructuring liabilities;
- the calculation of annual superannuation and pension costs and related assets and liabilities; and
- employee entitlements.

(i) Impairment of goodwill and non-current assets

These assessments require the use of estimates and assumptions such as discount rates, exchange rates, commodity prices, future operating development, sustaining capital requirements and operating performance. Refer Note 19 to the consolidated financial statements for key estimates and assumptions used for impairment testing.

(ii) Income taxes

The Group is subject to income taxes in Australia and overseas jurisdictions. There are a number of transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made. In addition, deferred tax assets are recognised only to the extent it is probable that future taxable profits will be available against which the assets can be utilised. The Group's assumptions regarding future realisation may change due to future operating performance and other factors.

(iii) Environmental and restructuring provisions

Provisions for environmental, restructuring and redundancy liabilities are based on the Group's best estimate of the outflow of resources required to settle commitments made by the Group. Where the outcome of these matters is different from the amounts that were initially recorded, such differences will impact the profit and loss component of the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the period in which such determination is made. Refer Note 1 (xvii) (a) & Note 1 (xvii) (g) to the consolidated financial statements for further details of the accounting policy relating to environmental and restructuring provisions. Also refer to Notes 5 and 24 for amounts recognised for environmental and restructuring provisions.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

2. Critical accounting estimates and judgments (continued)

(iv) Retirement benefit obligations

A liability or asset in respect of defined benefit superannuation and pension plans is recognised in the Consolidated Statement of Financial Position, and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity. Refer Note 1 (xvii) (e) to the consolidated financial statements for further details of the accounting policy relating to retirement benefit obligations. Refer Note 26 of the consolidated financial statements for details of the key assumptions used in determining the accounting for these plans. The following are the main categories of assumptions used:

- discount rate;
- future rate of inflation;
- expected return on plan assets; and
- future salary increases.

(v) Employee entitlements

The determination of the provisions required for employee entitlements is dependent on a number of assumptions including expected wage increases, length of employee service and bond rates. Refer to Note 1 (xvii) (d) to the consolidated financial statements for further details of the accounting policy relating to employee entitlements. Also refer to Note 24 for amounts recognised for employee entitlements.

3. Segment report

(a) Identification of reportable segments

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

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

(b) Description of operating segments

Fertilisers

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

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

Fertilisers Elimination (Elim): represents the elimination of profit in stock arising from the sale of SCI manufactured products to IPF at an import parity price.

Explosives

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

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

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

Following the Group's management restructure during the current financial year, the operating segments were changed to align with the reports that are used by the Group's Executive Team. As a result, Nitromak now forms part of the Dyno Nobel Asia Pacific (DNAP) reporting segment. Nitromak previously formed part of the Dyno Nobel Americas (DNA) reporting segment.

(c) Accounting policies and inter-segment transactions

Corporate (Corp)

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

3. Segment report (continued)

(d) Reportable segments

30 September 2014	IPF \$mill	SCI \$mill	Elim \$mill	Total Fertilisers \$mill	DNAP \$mill	DNA \$mill	Elim \$mill	Total Explosives \$mill	Corp ⁽¹⁾ / Group Elim \$mill	Consolidated Group \$mill
Sales to external customers	953.2	542.8	(194.4)	1,301.6	897.0	1,205.2	(38.8)	2,063.4	(13.0)	3,352.0
Share of profits in associates and joint ventures accounted for by the equity method	-	-	-	-	16.5	16.8	-	33.3	-	33.3
Earnings before interest, related income tax expense, depreciation and amortisation and individually material items	134.1	105.8	0.1	240.0	277.2	255.6	1.5	534.3	(31.6)	742.7
Depreciation and amortisation	(30.4)	(26.2)	-	(56.6)	(73.9)	(89.9)	-	(163.8)	(2.9)	(223.3)
Earnings before interest, related income tax expense and individually material items	103.7	79.6	0.1	183.4	203.3	165.7	1.5	370.5	(34.5)	519.4
Net interest expense										(76.9)
Income tax expense										(85.1)
Profit after tax (excluding individually material items)										357.4
Non-controlling interest										(1.1)
Individually material items (net of tax)										(109.2)
Profit after tax (attributable to members of Incitec Pivot Limited)										247.1
Segment assets	760.1	563.8	-	1,323.9	3,003.2	3,207.8	-	6,211.0	362.8	7,897.7
Segment liabilities	(434.5)	(89.2)	-	(523.7)	(197.7)	(453.7)	-	(651.4)	(1,972.8)	(3,147.9)
Net segment assets ⁽²⁾	325.6	474.6	-	800.2	2,805.5	2,754.1	-	5,559.6	(1,610.0)	4,749.8
Deferred tax balances										(342.8)
Total net assets per statement of financial position										4,407.0
Investments accounted for using the equity method	-	-	-	-	121.1	170.1	-	291.2	-	291.2
Additions of property, plant, equipment and intangibles	16.5	135.2	-	151.7	43.6	468.1	-	511.7	1.0	664.4
Impairment of property, plant and equipment	-	0.7	-	0.7	7.9	44.3	-	52.2	0.3	53.2
Impairment of intangibles	0.3	-	-	0.3	37.3	-	-	37.3	-	37.6
Impairment of inventories	0.1	-	-	0.1	-	0.5	-	0.5	-	0.6
Impairment of trade receivables	-	-	-	-	15.1	2.1	-	17.2	-	17.2
Impairment of investment	-	-	-	-	26.0	-	-	26.0	-	26.0

(1) Corporate assets and liabilities include the Group's interest bearing liabilities and derivative assets and liabilities.

(2) Net segment assets exclude deferred tax balances.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

3. Segment report (continued)

(d) Reportable segments

30 September 2013	JPF ⁽³⁾ \$mill	SCI \$mill	Elim \$mill	Total Fertilisers ⁽³⁾ \$mill	DNAP ⁽⁴⁾ \$mill	DNA ^{(3),(4)} \$mill	Elim ⁽⁴⁾ \$mill	Total Explosives ⁽³⁾ \$mill	Corp ⁽¹⁾ / Group Elim \$mill	Consolidated Group ⁽³⁾ \$mill
Sales to external customers	1,095.4	562.9	(192.9)	1,465.4	862.3	1,127.7	(33.4)	1,956.6	(18.3)	3,403.7
Share of profits in associates and joint ventures accounted for by the equity method	-	-	-	-	18.8	14.7	-	33.5	-	33.5
Earnings before interest, related income tax expense, depreciation and amortisation and individually material items	129.2	97.5	3.0	229.7	201.0	244.9	(1.1)	444.8	(29.3)	645.2
Depreciation and amortisation	(34.2)	(27.2)	-	(61.4)	(38.7)	(81.7)	-	(120.4)	(1.9)	(183.7)
Earnings before interest, related income tax expense and individually material items	95.0	70.3	3.0	168.3	162.3	163.2	(1.1)	324.4	(31.2)	461.5
Net interest expense										(71.2)
Income tax expense										(96.2)
Profit after tax (excluding individually material items)										294.1
Non-controlling interest										(0.6)
Individually material items (net of tax)										73.6
Profit after tax (attributable to members of Incitec Pivot Limited)										367.1
Segment assets	923.8	473.5	-	1,397.3	3,113.5	2,717.3	-	5,830.8	370.4	7,598.5
Segment liabilities	(591.2)	(108.8)	-	(700.0)	(195.4)	(433.9)	-	(629.3)	(1,721.3)	(3,050.6)
Net segment assets ⁽²⁾	332.6	364.7	-	697.3	2,918.1	2,283.4	-	5,201.5	(1,350.9)	4,547.9
Deferred tax balances										(328.1)
Total net assets per statement of financial position										4,219.8
Investments accounted for using the equity method	-	-	-	-	141.4	157.7	-	299.1	-	299.1
Additions of property, plant, equipment and intangibles	17.9	55.8	-	73.7	130.5	215.5	-	346.0	-	419.7
Impairment of property, plant and equipment	-	-	-	-	2.5	0.5	-	3.0	-	3.0
Impairment of intangibles	-	-	-	-	41.5	-	-	41.5	-	41.5
Impairment of inventories	0.1	-	-	0.1	0.4	0.3	-	0.7	-	0.8
Impairment of trade receivables	0.6	-	-	0.6	4.8	0.8	-	5.6	-	6.2

(1) Corporate assets and liabilities include the Group's interest bearing liabilities and derivative assets and liabilities.

(2) Net segment assets exclude deferred tax balances.

(3) Comparative information has been restated as a result of the Group adopting the revised AASB 119 'Employee Benefits'.

(4) Comparative information has been restated as a result of a change to the Group's internal management structure. Nitromak DNX Kimya Sanayii A.S. now forms part of the DNAP operating segment.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

3. Segment report (continued)

(e) Geographical information – secondary reporting segments

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

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

30 September 2014	Australia \$mill	USA \$mill	Canada \$mill	Turkey \$mill	Other/Elim \$mill	Consolidated \$mill
Revenue from external customers	2,070.3	882.6	253.4	79.0	66.7	3,352.0
Non-current assets other than financial instruments and deferred tax assets	3,806.2	2,863.3	62.5	–	115.1	6,847.1

30 September 2013	Australia \$mill	USA \$mill	Canada \$mill	Turkey \$mill	Other/Elim \$mill	Consolidated \$mill
Revenue from external customers	2,189.5	809.5	254.6	80.9	69.2	3,403.7
Non-current assets other than financial instruments and deferred tax assets	3,739.0	2,356.1	64.2	46.1	102.3	6,307.7

	Notes	Consolidated 2014 \$mill	2013* \$mill
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4. Revenue and other income

Revenue

External sales	3,352.0	3,403.7
Total revenue	3,352.0	3,403.7

Financial income

Interest income from external parties	17.8	20.4
Interest income from joint ventures	(16)	0.7
Total financial income	18.1	21.1

Other income

Net foreign exchange gains	0.2	4.2
Royalty income and management fees	(16)	22.7
Net gain on sale of property, plant and equipment	(29)	2.0
Settlement and curtailment of defined benefit plans	(26)	5.6
Other income	1.8	3.9
Total other income	41.2	38.4
Total financial and other income	59.3	59.5

* Comparative information has been restated as a result of the Group adopting the revised AASB 119 'Employee Benefits'.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

	Notes	Consolidated 2014 \$mill	2013* \$mill
5. Expenses			
Profit before income tax includes the following specific expenses:			
Depreciation and amortisation			
depreciation	(17)	194.1	157.7
amortisation	(18)	29.2	26.0
	(29)	223.3	183.7
Recoverable amount write-down			
property, plant and equipment	(17),(29)	53.2	3.0
intangible assets	(18),(29)	37.6	41.5
investment in associates	(16),(29)	26.0	–
		116.8	44.5
Amounts set aside to provide for			
impairment loss on trade and other receivables	(33)	17.2	6.2
employee entitlements		5.7	7.5
environmental liabilities	(24)	5.6	0.4
inventory losses and obsolescence		0.6	0.8
other provisions	(24)	3.4	1.1
restructuring	(24)	5.0	4.3
Research and development expense		7.3	10.5
Defined contribution superannuation expense		27.8	25.9
Defined benefit superannuation/pension expense	(26)	2.2	7.4
Financial expenses			
Unwinding of discount on provisions and other payables	(29)	5.6	6.4
Net interest expense on defined benefit obligation	(26)	2.9	2.7
Interest expenses on financial liabilities		86.4	83.0
Loss on interest rate swaps designated as fair value hedges		8.2	20.8
Gain on adjustment to debt attributable to the hedged risk in a fair value hedge relationship		(8.2)	(20.8)
Interest expenses on financial liabilities with joint ventures	(16)	0.1	0.2
Total financial expenses		95.0	92.3

* Comparative information has been restated as a result of the Group adopting the revised AASB 119 'Employee Benefits'.

	Notes	2014 Gross \$mill	2014 Tax \$mill	Consolidated 2014 Net \$mill	2013 Gross \$mill	2013 Tax \$mill	2013 Net \$mill
6. Individually material items							
Profit includes the following revenues/(expenses) whose disclosure is relevant in explaining the financial performance of the Group:							
Tax adjustment ⁽¹⁾	(8)	–	–	–	–	115.1	115.1
Impairment of assets and business restructure costs – Nitromak ^{(2),(3)}		(61.4)	4.9	(56.5)	(41.5)	–	(41.5)
Impairment of property, plant and equipment ⁽⁴⁾		(43.4)	16.7	(26.7)	–	–	–
Impairment of investment in associate ⁽⁵⁾		(26.0)	–	(26.0)	–	–	–
Total individually material items	(9)	(130.8)	21.6	(109.2)	(41.5)	115.1	73.6

(1) Reversal of tax liabilities raised on the acquisition of Dyno Nobel Limited.

(2) Impairment write-down at 30 September 2013 relating to goodwill recognised on the acquisition of Nitromak DNX Kimya Sanayii A.S. (Nitromak).

(3) Impairment write-down of Nitromak's intangible assets, property, plant and equipment and trade receivables balances due to declining business activity, which also resulted in restructuring expenditure being incurred at 30 September 2014.

(4) Impairment write-down of property, plant and equipment due to lower forecast production at the DNA Donora plant as a result of reduced contracted volumes with key North American customers.

(5) Impairment write-down of the investment in Fabchem China Limited was recognised in 2014 to reflect lower forecast earnings as a result of a slowdown in the Chinese nitrogen market.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

	Consolidated	
	2014	2013
	\$000	\$000
7. Auditor's remuneration		
Fees payable to the Group's auditor for assurance services		
Audit of the Group's annual report ⁽¹⁾	924.8	957.0
Audit of subsidiaries ⁽²⁾	557.9	525.2
Audit-related assurance services ⁽³⁾	170.0	175.0
Total current year assurance services	1,652.7	1,657.2
Assurance services related to subsidiary audits of prior periods ⁽⁴⁾	-	95.5
Total assurance services	1,652.7	1,752.7
Fees payable to the Group's auditor for other services		
Other services relating to taxation ⁽⁵⁾	100.2	86.4
Other services relating to debt issuance	-	45.0
All other services ⁽⁶⁾	55.0	-
Total other services	155.2	131.4
Total fees paid to Group auditor	1,807.9	1,884.1
- Payable to Australian Group auditor firm	1,511.6	1,635.1
- Payable to International Group auditor associates	296.3	249.0

From time to time, the auditors provide other services to the Group, which are subject to strict corporate governance procedures adopted by the Group which encompass the selection of service providers and the setting of their remuneration. The Board Audit and Risk Management Committee must approve individual non audit engagements provided by the Group's auditor above a value of \$100,000, as well as where the aggregate amount exceeds \$250,000 per annum.

(1) Comprises the fee payable to the Group's auditors for the audit of the Group's financial statements.

(2) Comprises the audits of the Group's subsidiaries.

(3) Comprises review of half year reports.

(4) Comprises audits of standalone financial statements for subsidiaries related to prior years.

(5) Comprises taxation compliance procedures for the Group's subsidiaries.

(6) Comprises non-statutory based assurance procedures.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

		Consolidated	
	Notes	2014 \$mill	2013* \$mill
8. Income tax expense			
(a) Income tax expense			
Current tax			
Current year		60.5	28.3
Over provision in prior years		(4.2)	(1.2)
		56.3	27.1
Deferred tax			
Origination and reversal of temporary differences	(20),(25)	7.2	(46.0)
Total income tax expense/(benefit)		63.5	(18.9)
(b) Reconciliation of income tax expense and pre-tax accounting profit			
Profit before income tax		311.7	348.8
Income tax expense attributable to profit before income tax			
Tax at the Australian tax rate of 30% (2013 at 30%) on profit before income tax		93.5	104.6
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:			
Participation facility		(2.4)	(8.0)
Impairment of intangible assets and investment		17.0	12.4
Tax adjustment	(6)	–	(115.1)
JV income		(10.1)	(9.4)
Capital losses recouped		(4.9)	–
Capital structures		(20.4)	(16.4)
Sundry items		(6.9)	14.6
		65.8	(17.3)
Difference in overseas tax rates		1.9	(0.4)
Over provision in prior years		(4.2)	(1.2)
Income tax expense attributable to profit		63.5	(18.9)
(c) Amounts recognised directly in equity			
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or charged to equity			
Net deferred tax – charged directly to equity	(20),(25)	(10.5)	(4.3)
		(10.5)	(4.3)

* Comparative information has been restated as a result of the Group adopting the revised AASB 119 'Employee Benefits'.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

	Notes	2014 Cents per share	Consolidated 2013 * Cents per share
9. Earnings per share (EPS)			
Basic earnings per share			
including individually material items		15.0	22.5
excluding individually material items		21.7	18.0
Diluted earnings per share ⁽¹⁾			
including individually material items		15.0	22.5
excluding individually material items		21.7	18.0

	Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share ⁽²⁾	1,643,969,800	1,628,730,107

(1) The total number of performance rights on issue (refer Note 35) is not dilutive to IPL's earnings per share.

(2) 26,268,087 shares were issued during the year ended 30 September 2014 (2013: nil), refer Note 27.

	2014 \$mill	Consolidated 2013 * \$mill
Profit attributable to ordinary shareholders	247.1	367.1

Reconciliation of earnings used in the calculation of basic and diluted earnings per share excluding individually material items

Profit attributable to ordinary shareholders		247.1	367.1
Individually material items after income tax	(6)	109.2	(73.6)
Profit attributable to ordinary shareholders excluding individually material items		356.3	293.5

10. Cash and cash equivalents

Cash at bank and on hand		70.5	71.2
Deposits at call			
external		-	199.4
	(29),(33)	70.5	270.6

11. Trade and other receivables

Current

Trade debtors			
external		228.7	306.0
joint ventures and associates	(16)	39.2	38.0
Less impairment losses			
external	(33)	(26.2)	(12.7)
	(33)	241.7	331.3
Sundry debtors/loans			
external		20.7	28.2
joint ventures and associates	(16)	3.1	5.2
	(33)	23.8	33.4
	(33)	265.5	364.7

Non-current

Sundry debtors/loans			
external		3.7	0.1
joint ventures and associates	(16)	3.4	8.1
	(33)	7.1	8.2

* Comparative information has been restated as a result of the Group adopting the revised AASB 119 'Employee Benefits'.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

	Notes	Consolidated 2014 \$mill	2013 \$mill
12. Inventories			
Raw materials and stores at cost		84.6	87.1
Work in progress at cost		50.4	58.6
Finished goods			
at cost		306.8	296.9
less provision for inventory losses, obsolescence and net realisable value		(7.7)	(7.0)
Finished goods		299.1	289.9
		434.1	435.6

13. Other assets

Current

Prepayments		27.4	32.8
Other		19.1	29.1
		46.5	61.9

Non-current

Prepayments		34.3	0.4
Other		6.0	4.0
		40.3	4.4

14. Other financial assets

Current

Derivatives designated and effective as hedging instruments carried at fair value			
forward exchange contracts	(33)	16.9	5.6
		16.9	5.6

Non-current

Financial assets carried at fair value through Other Comprehensive Income			
investments – equity instruments	(33)	4.8	1.5
Derivatives designated and effective as hedging instruments carried at fair value			
interest rate swaps	(33)	27.8	35.2
forward exchange contracts	(33)	23.8	8.0
cross currency swaps	(33)	165.4	72.4
		221.8	117.1

See note 32 for further details of interest rate and foreign exchange rate exposures that are hedged by the Group.

15. Assets classified as held for sale

Land and buildings held for sale	0.1	0.6
	0.1	0.6

Assets classified as held for sale consist of various sites which are either vacant land or sites which the Group has already exited or is planning to dispose of within the next 12 months.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

16. Investments accounted for using the equity method

Name of entity	Principal activity	Ownership interest	Country of incorporation	
		September 2014	September 2013	
Joint ventures				
Alpha Dyno Nobel Inc ⁽⁶⁾	Delivery of explosives and related products	50%	50%	USA
Boren Explosives Co., Inc. ⁽⁶⁾	Delivery of explosives and related products	50%	50%	USA
Buckley Powder Co. ⁽¹⁾	Delivery of explosives and related products	51%	51%	USA
IRECO Midwest Inc. ⁽⁶⁾	Delivery of explosives and related products	50%	50%	USA
Wampum Hardware Co. ⁽⁶⁾	Delivery of explosives and related products	50%	50%	USA
Midland Powder Company ⁽⁶⁾	Delivery of explosives and related products	50%	50%	USA
Mine Equipment & Mill Supply Company ⁽⁶⁾	Delivery of explosives and related products	50%	50%	USA
Controlled Explosives Inc. ⁽⁶⁾	Delivery of explosives and related products	50%	50%	USA
Western Explosives Systems Company ⁽⁶⁾	Delivery of explosives and related products	50%	50%	USA
Newfoundland Hard-Rok Inc. ⁽⁶⁾	Delivery of explosives and related products	50%	50%	Canada
Dyno Nobel Labrador Inc. ⁽⁶⁾	Delivery of explosives and related products	50%	50%	Canada
Quantum Explosives Inc. ⁽⁶⁾	Inactive	50%	50%	Canada
Dene Dyno Nobel Inc. ⁽⁶⁾	Delivery of explosives and related products	49%	49%	Canada
Qaaqtuq Dyno Nobel Inc. ⁽²⁾	Delivery of explosives and related products	49%	49%	Canada
Denesoline Western Explosives Inc. ⁽³⁾	Delivery of explosives and related products	49%	49%	Canada
Queensland Nitrates Pty Ltd ⁽⁴⁾	Production of ammonium nitrate	50%	50%	Australia
Queensland Nitrates Management Pty Ltd ⁽⁴⁾	Management services	50%	50%	Australia
DetNet International Limited ⁽⁶⁾	Distribution of electronic detonators	50%	50%	Ireland
DetNet South Africa (Pty) Ltd ⁽⁶⁾	Development, manufacture and supply of electronic detonators	50%	50%	South Africa
DNEX Mexico, S. De R.L. de C.V. ⁽⁶⁾	Mexican investment holding company	49%	49%	Mexico
Explosivos De La Region Lagunera, S.A. de C.V. ⁽⁶⁾	Distribution of explosives and related products	49%	49%	Mexico
Explosivos De La Region, Central, S.A. de C.V. ⁽⁶⁾	Distribution of explosives and related products	49%	49%	Mexico
Nitro Explosivos de Ciudad Guzman, S.A. de C.V. ⁽⁶⁾	Distribution of explosives and related products	49%	49%	Mexico
Explosivos Y Servicios Para La Construcccion, S.A. de C.V. ⁽⁶⁾	Distribution of explosives and related products	49%	49%	Mexico
Tenaga Kimia Ensign-Bickford Sdn Bhd ⁽⁶⁾	Manufacture of explosive accessories	50%	50%	Malaysia
Sasol Dyno Nobel (Pty) Ltd ⁽⁴⁾	Distribution of detonators	50%	50%	South Africa
Associates				
Labrador Maskuau Ashini Ltd ⁽⁶⁾	Delivery of explosives and related products	25%	25%	Canada
Fabchem China Ltd ⁽⁵⁾	Manufacture of commercial explosives	30%	30%	Singapore
Valley Hydraulics Inc. ⁽⁶⁾	Delivery of explosives and related products	25%	25%	Canada
Apex Construction Specialities Inc. ⁽⁶⁾	Delivery of explosives and related products	25%	25%	Canada
Innu Namesu Ltd ⁽⁶⁾	Delivery of explosives and related products	25%	25%	Canada
Warex Corporation ⁽⁶⁾	Delivery of explosives and related products	25%	25%	USA
Warex LLC ⁽⁶⁾	Delivery of explosives and related products	25%	25%	USA
Maine Drilling and Blasting Group ⁽⁶⁾	Drilling and blasting	49%	49%	USA
Independent Explosives ⁽⁶⁾	Delivery of explosives and related products	49%	49%	USA

(1) Due to the contractual and decision making arrangement between the shareholders of the entities, despite the legal ownership exceeding 50 percent, this entity is not considered to be a subsidiary.

(2) Due to legal requirements in the Canadian Northwest Territories, the Group cannot own more than 49 percent of the shares in Qaaqtuq Dyno Nobel Inc. However, under the joint venture agreement, the Group is entitled to 75 percent of the profit of Qaaqtuq Dyno Nobel Inc.

(3) Due to legal requirements in the Canadian Northwest Territories, the Group cannot own more than 49 percent of the shares in Denesoline Western Explosives Inc. However, under the joint venture agreement, the Group is entitled to 95 percent of the profit of Denesoline Western Explosives Inc.

(4) These joint ventures have a 30 June financial year end. For the purpose of applying the equity method of accounting, the unaudited financial information through to 30 September 2014 has been used.

(5) Fabchem China Ltd has a 31 March financial year end. For the purpose of applying the equity method of accounting, the unaudited financial information through to 30 September 2014 has been used.

(6) These joint ventures have a 31 December financial year end. For the purpose of applying the equity method of accounting, the unaudited financial information through to 30 September 2014 has been used.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

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

	Notes	Consolidated 2014 \$mill	2013 \$mill
(a) Investments in joint ventures and associates			
Carrying amount of investments in joint ventures and associates			
Carrying amount at the beginning of the year		299.1	292.8
Share of net profit from joint ventures and associates	(29)	33.3	33.5
Impairment of investment in associate ⁽¹⁾	(5)	(26.0)	–
Dividends received/receivable		(23.7)	(43.0)
Elimination of profit on transactions with joint ventures and associates		(0.4)	0.4
Foreign exchange movement		8.9	15.4
Carrying amount of investments in joint ventures and associates at end of the financial year		291.2	299.1
Carrying amount of investments in:			
Joint ventures		246.7	230.3
Associates		44.5	68.8
Carrying amount of investments in joint ventures and associates		291.2	299.1

- (1) On 30 May 2014, Singapore based Fabchem China Limited announced an impairment of its ammonium nitrate assets due to the continued slowdown in the Chinese nitrogen market. As a result of the Group's impairment review, the investment has been impaired to its market value at 30 September 2014, less estimated selling costs. The market value of \$3.7m is based on the closing market bid price of SGD0.098 per share on the Singapore stock exchange (SGX) on 30 September 2014. The carrying value will be reviewed at each balance date with reference to the closing share price on the SGX.

	Consolidated 2014 \$mill	2013 \$mill
(b) Share of profits from joint ventures and associates		
Aggregate financial information of joint ventures:		
Share of joint ventures' profit:		
Share of joint ventures' profit before tax	50.9	47.8
Share of joint ventures' income tax expense	(16.4)	(15.8)
Share of joint ventures' profit	34.5	32.0
Aggregate financial information of associates:		
Share of joint associates' profit:		
Share of joint associates' profit before tax	(0.7)	3.1
Share of joint associates' income tax expense	(0.5)	(1.6)
Share of joint associates' profit	(1.2)	1.5

The Group has performed an analysis of the balance sheets and the results of each of its joint ventures and associates at 30 September 2014 and considers them to be individually immaterial to the Group. As a result, no separate disclosures are included for the Group's investments in joint ventures and associates.

The Group's share of the capital commitments, other expenditures and contingent liabilities of its joint ventures and associates are disclosed in Notes 30 and 31.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

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

	Notes	2014 \$mill	Joint ventures and associates ⁽¹⁾ 2013 \$mill
(c) Transactions between subsidiaries of the Group and joint ventures and associates are as follows:			
Sales of goods/services		264.5	217.1
Purchase of goods/services		(46.8)	(53.1)
Management fees/royalties	(4)	23.5	22.7
Interest income	(4)	0.3	0.7
Interest expense	(5)	(0.1)	(0.2)
Dividend income		23.7	43.0
(d) Outstanding balances arising from sales and/or purchases of goods and services with joint ventures and associates are on normal current terms and are as follows:			
Amounts owing to related parties	(21)	1.1	1.7
Amounts owing from related parties	(11)	39.2	38.0
Loans from joint ventures are as follows:			
Loans to joint ventures	(11)	6.5	13.3
Loans from joint ventures	(21),(22)	9.8	8.3

(1) Joint ventures and associate transactions represent amounts which do not eliminate on consolidation.

(e) Transactions between joint ventures and associates

There were no significant transactions during the year between the Group's joint ventures and associates and there are no outstanding balances between joint ventures and associates of the Group as at 30 September 2014 (2013: nil).

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

17. Property, plant and equipment

Consolidated	Notes	Freehold land and buildings \$mill	Machinery, plant and equipment \$mill	Construction in progress \$mill	Total \$mill
At 1 October 2012					
Cost		498.1	1,569.9	1,467.5	3,535.5
Accumulated depreciation		(160.6)	(636.4)	–	(797.0)
Net book amount		337.5	933.5	1,467.5	2,738.5
Year ended 30 September 2013					
Opening net book amount		337.5	933.5	1,467.5	2,738.5
Reclassification to fixed assets classified as held for sale		(0.4)	–	–	(0.4)
Additions		0.8	34.4	366.2	401.4
Disposals		(0.6)	(21.4)	–	(22.0)
Depreciation charge	(5)	(16.5)	(141.2)	–	(157.7)
Impairment of assets	(5),(19)	–	(3.0)	–	(3.0)
Reclassification from construction in progress		237.8	1,297.0	(1,534.8)	–
Foreign exchange movement		13.7	55.1	7.9	76.7
Closing net book amount		572.3	2,154.4	306.8	3,033.5
At 30 September 2013					
Cost		746.6	2,882.3	306.8	3,935.7
Accumulated depreciation		(174.3)	(727.9)	–	(902.2)
Net book amount		572.3	2,154.4	306.8	3,033.5
Year ended 30 September 2014					
Opening net book amount		572.3	2,154.4	306.8	3,033.5
Additions		2.7	153.1	507.8	663.6
Disposals		(3.9)	(5.6)	–	(9.5)
Depreciation charge	(5)	(22.1)	(172.0)	–	(194.1)
Impairment of assets	(5),(19)	(13.3)	(39.9)	–	(53.2)
Reclassification from construction in progress		21.2	120.0	(141.2)	–
Foreign exchange movement		6.3	30.1	34.7	71.1
Closing net book amount		563.2	2,240.1	708.1	3,511.4
At 30 September 2014					
Cost		753.0	3,076.8	708.1	4,537.9
Accumulated depreciation		(189.8)	(836.7)	–	(1,026.5)
Net book amount		563.2	2,240.1	708.1	3,511.4

Capitalised interest

During the year ended 30 September 2014 interest of \$17.7m (2013: \$42.4m) was capitalised relating to interest bearing liabilities used specifically to fund qualifying assets (expansion projects) as defined under AASB 123 *Borrowing Costs*.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

18. Intangible assets

Consolidated	Notes	Software \$mill	Goodwill \$mill	Patents, trademarks & customer contracts \$mill	Brand names \$mill	Total \$mill
At 1 October 2012						
Cost		65.3	2,449.8	221.1	223.5	2,959.7
Accumulated amortisation		(44.6)	–	(69.9)	–	(114.5)
Net book amount		20.7	2,449.8	151.2	223.5	2,845.2
Year ended 30 September 2013						
Opening net book amount		20.7	2,449.8	151.2	223.5	2,845.2
Additions		18.3	–	–	–	18.3
Impairment of intangible assets	(5),(19)	–	(41.5)	–	–	(41.5)
Amortisation charge	(5)	(8.6)	–	(17.4)	–	(26.0)
Foreign exchange movement		1.1	129.5	12.2	22.2	165.0
Closing net book amount		31.5	2,537.8	146.0	245.7	2,961.0
At 30 September 2013						
Cost		86.2	2,537.8	239.7	245.7	3,109.4
Accumulated amortisation		(54.7)	–	(93.7)	–	(148.4)
Net book amount		31.5	2,537.8	146.0	245.7	2,961.0
Year ended 30 September 2014						
Opening net book amount		31.5	2,537.8	146.0	245.7	2,961.0
Additions		0.8	–	–	–	0.8
Impairment of intangible assets	(5),(19)	(0.8)	(34.1)	–	(2.7)	(37.6)
Amortisation charge	(5)	(10.8)	–	(18.4)	–	(29.2)
Foreign exchange movement		0.6	76.8	6.5	13.4	97.3
Closing net book amount		21.3	2,580.5	134.1	256.4	2,992.3
At 30 September 2014						
Cost		87.8	2,580.5	250.9	256.4	3,175.6
Accumulated depreciation		(66.5)	–	(116.8)	–	(183.3)
Net book amount		21.3	2,580.5	134.1	256.4	2,992.3

Allocation of goodwill

The Group's indefinite life intangible assets are allocated to groups of CGUs as follows:

	Goodwill 2014 \$mill	Brand names 2014 \$mill	Total 2014 \$mill	Goodwill 2013 \$mill	Brand names 2013 \$mill	Total 2013 \$mill
Incitec Pivot Fertilisers (IPF)	183.8	–	183.8	183.8	–	183.8
Southern Cross International (SCI)	2.1	–	2.1	2.0	–	2.0
Dyno Nobel Asia Pacific (DNAP)	1,132.4	40.3	1,172.7	1,132.4	40.3	1,172.7
Dyno Nobel Americas (DNA)	1,262.2	216.1	1,478.3	1,183.6	202.5	1,386.1
Nitromak	–	–	–	36.0	2.9	38.9
	2,580.5	256.4	2,836.9	2,537.8	245.7	2,783.5

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

19. Impairment of goodwill and non-current assets

In accordance with the Group's accounting policies, the Group performs its impairment testing at least annually at 30 September for intangible assets with indefinite useful lives. More frequent reviews are performed for indications of impairment of all of the Group's assets including operating assets. Where an indication of impairment is identified a formal impairment assessment is performed.

The group has identified the following indicators of impairment at 30 September 2014:

- Sustained pressure on fertiliser prices and high input costs (including natural gas supply) in Australia.
- Increased competition in the Turkish explosives market and the impact of political and economic instability in that region.
- Lower forecast production at the Donora ammonium nitrate plant as a result of reduced contracted volumes with key customers.

As a result, the Group assessed the recoverable amounts of each of the Southern Cross International (SCI), Gibson Island, Donora, and Nitromak Cash Generating Units ('CGUs'). In addition the Group has performed the annual impairment testing for the groups of CGUs to which goodwill or indefinite life intangibles have been allocated.

Impairment testing

In accordance with the Group's accounting policies, the Group has evaluated whether the recoverable amount of a CGU or group of CGUs exceeds its carrying amount. The recoverable amount is determined to be the higher of its fair value less costs to sell or its value-in-use. In all instances the Group has prepared a value-in-use model for the purpose of impairment testing as at 30 September 2014.

In calculating value-in-use, the cash flows include projections of cash inflows and outflows from continuing use of the group of assets making up the CGUs and of cash flows associated with disposal of any of these assets. The cash flows are estimated for the assets of the CGUs in their current condition and discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the risks specific to the CGUs. The group uses a 5 year discounted cash flow model based on board approved budgets with a terminal growth rate for years beyond the 5 year budget period.

The identification of impairment indicators and the estimation of future cash flows require management to make significant estimates and judgments. Details of the key assumptions used in the value-in-use calculations at 30 September 2014 are included below:

Key assumptions

Key assumptions for Groups of CGUs to which indefinite life intangible assets have been allocated

	Terminal growth rate		Discount rate	
	2014 %	2013 %	2014 %	2013 %
Incitec Pivot Fertilisers (IPF) ^{(1),(2)}	2.5	2.5	13.0	13.0
Southern Cross International (SCI) ^{(1),(2)}	2.5	2.5	13.0	13.0
Dyno Nobel Asia Pacific (DNAP) ^{(1),(2)}	2.5	2.5	13.0	13.0
Dyno Nobel Americas (DNA) ^{(1),(2)}	2.5	2.5	12.0	12.0
Nitromak ⁽³⁾	–	6.0	22.0	19.5

(1) The terminal value growth rate represents the forecast CPI within the respective markets.

(2) The pre-tax discount rate used reflects IPL's long term underlying weighted average cost of capital adjusted for market and country risk.

(3) Due to changing conditions in the Turkish explosives market, no growth has been factored in for forecast earnings.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

19. Impairment of goodwill and non-current assets (continued)

Key assumptions for CGUs where indications of impairment have been identified

The table below summarises the key assumptions used in the value-in-use calculations for the CGUs where impairment indicators were identified. These include the SCI, Gibson Island, Donora and Nitromak CGUs.

	2014		2013	
	2015 – 2019	Long term (2020+)	2014 – 2018	Long term (2019+)
DAP (FOB Tampa – USD per tonne)	\$482 decreasing to \$457	\$535	\$435 increasing to \$464	\$527
Granular Urea (FOB Middle East – USD per tonne)	\$321 increasing to \$333	\$345	\$302 increasing to \$326	\$326
Australian East Coast Gas Price (AUD per gigajoule), excluding transportation cost ⁽¹⁾	\$9.00	\$9.00	\$9.90	\$9.10
AUD:USD Exchange rate	\$0.89 declining to \$0.82	\$0.81	\$0.90 declining to \$0.82	\$0.81
Discount rate ⁽²⁾				
SCI	13.0%	13.0%	13.0%	13.0%
Gibson Island	13.0%	13.0%	13.0%	13.0%
Donora	12.0%	12.0%	12.0%	12.0%
Nitromak	22.0%	22.0%	19.5%	19.5%
Long term growth rate	n/a	2.5%	n/a	2.5%
SCI ⁽³⁾	n/a	2.5%	n/a	2.5%
Gibson Island ⁽³⁾	n/a	2.5%	n/a	2.5%
Donora ⁽³⁾	n/a	2.5%	n/a	2.5%
Nitromak ⁽⁴⁾	n/a	–	n/a	6.0%

(1) Annual gas consumption at the Phosphate Hill plant is 10.5 petajoules (assuming 950kT per annum name plate capacity of ammonium phosphates production), and the annual gas consumption at the Gibson Island plant is 14.0 petajoules (assuming 405kT per annum name plate capacity of urea equivalent production).

(2) The pre-tax discount rate used reflects underlying cost of capital adjusted for market risk.

(3) The long term growth rate represents the forecast consumer price index (CPI) within the respective markets.

(4) Due to changing conditions in the Turkish explosives market, no growth has been factored in for forecast earnings.

Southern Cross International and Gibson Island CGUs

Fertiliser price and foreign exchange rates used in the value-in-use models are estimated by reference to external market publications and market analyst estimates, and updated at each reporting date.

The Group has a gas supply contract for SCI which will expire during the 2017 financial year. The Group also has gas supply agreements for Gibson Island which expire at the end of the 2017 financial year, although these agreements allow for banked gas to be taken in the year following the expiry of the supply term. There is a risk that a reliable, committed source of gas at commercial prices may not be available to the Group for use at either or both of these sites following the expiry of current contractual arrangements. The value-in-use model assumes that gas will be sourced by the time current supply arrangements cease and at the prices included in the table above. The gas prices have been based on market analyst forecasts of the Australian east coast natural gas price. However, costs for gas could be higher than forecast, which would adversely impact the cost of operations at each of these facilities.

In May 2011, Xstrata publicly announced the planned closure of its copper smelting operation at Mt Isa, Queensland by the end of 2016, meaning that after the closure the Group will no longer receive by-product metallurgical gas from Glencore (which acquired Xstrata in 2013) in order to produce low cost sulphuric acid. Alternative supply sources of sulphuric acid are likely to increase the cost of producing ammonium phosphates at SCI. The quantum of the impact will depend on the future availability and price of sulphur and/or sulphuric acid. Estimates of these additional costs have been included in the value-in-use model from 2017 onwards.

The SCI Mt Isa site is a leased site with a lease contract with a Glencore subsidiary to 2020. The value-in-use model reflects management's assumption that the lease will be able to be extended beyond 2020.

At 30 September 2014, the recoverable amount of the SCI and Gibson Island CGUs is higher than the carrying amount and as such no impairment has been recognised for these assets.

Nitromak CGU

The Nitromak business in Turkey has endured a significant downturn as a result of changed conditions in the Turkish explosives market. These changes are a result of economic, political and industry pressures which have included a number of new competitors entering the explosives market in that region. As a result, the Group has restructured the Nitromak business which will result in reduced activities and a lower cost base. Lower forecast earnings and growth rates were included in the value-in-use calculation performed at 30 September 2014.

At 30 September 2014, the recoverable amount of Nitromak's assets is lower than the carrying amount. As a result, the Group has recognised an impairment of \$43.0m at 30 September 2014 (2013: \$41.5m). This includes the impairment of property, plant and equipment and all goodwill previously allocated to the CGU.

Donora CGU

Lower production is forecast for the Donora ammonium nitrate plant due to a reduction in contracted volumes with key customers from January 2015. The lower production volumes will adversely impact the plant's cash flow during the forecast period. The recoverable amount of the Donora CGU is lower than the carrying amount and as such the Group has recognised an impairment of \$43.4m at 30 September 2014.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

19. Impairment of goodwill and non-current assets (continued)

Sensitivity analysis

Sensitivity analyses for CGUs where indications of impairment have been identified

Changes in the key assumptions in the table below would have the following approximate impact on the recoverable amount of the SCI and Gibson Island CGUs.

Sensitivity	Change in variable	Effect on SCI value-in-use AUD mill	Effect on GI value-in-use AUD mill
DAP (FOB Tampa – USD per tonne)	+\$10	102.7	n/a
	-\$10	(102.7)	n/a
Granular Urea (FOB Middle East – USD per tonne)	+\$10	n/a	66.7
	-\$10	n/a	(66.7)
AUD:USD Exchange Rate	+1c	(62.3)	(32.3)
	-1c	63.9	33.1
WACC	+0.5%	(33.5)	(11.7)
	-0.5%	39.1	13.4
Australian East Coast Gas Price (AUD per gigajoule)	+\$1	(83.7)	(108.8)
	-\$1	83.7	108.8
Sulphur	+\$10	(38.9)	n/a
	-\$10	38.9	n/a

Changes in the assumptions used in the SCI CGU value-in-use model, when considered in isolation, will result in the following impairment impact on the profit or loss.

Sensitivity	Change in variable	2014 SCI CGU effect on profit or loss AUD mill
DAP (FOB Tampa – USD per tonne)	-\$5	(10.5)
AUD:USD Exchange Rate	+1c	(21.5)
WACC	+1.0%	(21.5)
Australian East Coast Gas Price (AUD per gigajoule)	+\$1	(42.8)
Sulphur	+\$15	(17.5)

Changes in the assumptions used in the Gibson Island CGU value-in-use model, when considered in isolation, will result in the following impairment impact on the profit or loss.

Sensitivity	Change in variable	2014 Gibson Island CGU effect on profit or loss AUD mill
Granular Urea (FOB Middle East – USD per tonne)	-\$20	(13.8)
AUD:USD Exchange Rate	+4c	(4.9)
WACC	+12.0%	(4.5)
Australian East Coast Gas Price (AUD per gigajoule)	+\$1.2	(11.0)

It must be noted that each of the sensitivities above assumes that a specific assumption moves in isolation, while all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions could be accompanied by a change in another assumption, which may increase or decrease the net impact.

Sensitivity analyses for CGUs where indications of impairment have not been identified

The recoverable amount of the DNAP CGU exceeds the carrying amount. However, an increase of 0.9% in the discount rate used to determine the value-in-use will result in an impairment charge of \$1.2m at 30 September 2014.

The recoverable amounts of the IPF and DNA CGUs materially exceed their carrying amounts. The directors believe that any reasonably expected changes in the key assumptions on which the recoverable amount is based would be unlikely to cause the aggregate carrying amount to exceed the aggregate recoverable amount of these groups of CGUs.

Other property plant and equipment impairment

During the year ended 30 September 2014 impairment of property, plant and equipment occurred to the value of \$3.6m (2013: \$3.0m) as a result of the Group's fixed asset verification procedures and the abandonment of certain assets.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

		Consolidated	
	Notes	2014 \$mill	2013 \$mill
20. Deferred tax assets			
The balance comprises temporary differences attributable to:			
Impairment of trade and other receivables		4.8	1.3
Employee entitlements provision		19.0	18.8
Retirement benefit obligations		24.5	19.8
Restructuring and rationalisation provision		0.7	1.1
Environmental provision		24.5	29.3
Other provisions		12.5	11.5
Inventories		1.5	1.4
Property, plant and equipment		2.3	2.9
Foreign exchange losses		3.1	6.8
Unfavourable supplier contracts		0.7	3.7
Tax losses		7.2	10.1
Other		42.8	36.5
Deferred tax assets		143.6	143.2
Set-off of deferred tax assets pursuant to set-off provisions	(25)	(71.1)	(57.9)
Net deferred tax assets		72.5	85.3
Movements:			
Opening balance at 1 October		143.2	164.1
Debited to the profit or loss	(8)	(18.1)	(42.4)
Charged to equity	(8)	4.2	(15.5)
Foreign exchange movement		5.5	10.8
Tax rate change		1.7	-
Adjustments in respect of prior years	(8)	7.1	26.2
Closing balance at 30 September		143.6	143.2

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

		Consolidated	
	Notes	2014 \$mill	2013 \$mill
21. Trade and other payables			
Current			
Trade creditors			
external		613.5	676.9
bill of exchange		–	51.0
joint ventures and associates	(16)	1.1	1.7
		614.6	729.6
Sundry creditors and accrued charges			
external		205.9	239.6
joint ventures and associates	(16)	0.1	0.2
unfavourable sales/supplier contracts		2.4	9.9
		208.4	249.7
	(33)	823.0	979.3
Non-current			
Sundry creditors and accrued charges			
external		10.1	4.6
unfavourable sales/supplier contracts		–	2.4
	(33)	10.1	7.0

Unfavourable contracts

Unfavourable contracts were recognised as part of the acquisition of Southern Cross Fertilisers Pty Ltd in 2006. The liability was measured at acquisition date based on the unfavourable difference between the market rate and contractual rate with suppliers and customers and multiplying it by the volumes required to be purchased/supplied as specified in the contracts. Where contract terms are greater than one year, cash flows are discounted by applying a pre-tax interest rate equivalent to the Group's cost of debt. The liability is amortised based on contracted volumes determined in measuring the liability at acquisition date over the life of the contracts.

Significant terms and conditions

Trade creditors, including expenditures not yet billed, are recognised when the Group becomes obliged to make future payments as a result of a purchase of goods or services. Trade payables are normally settled within 62 days from invoice date, month end or within the agreed payment terms with the supplier.

Net fair values

The directors consider that the carrying amounts of trade creditors and other payables approximate their net fair values.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

	Notes	Consolidated 2014 \$mill	2013 \$mill
22. Interest bearing liabilities			
Current			
Secured			
bank loans			
participation facilities		–	25.1
Unsecured			
bank loans		24.2	0.3
other loans			
joint ventures and associates ⁽¹⁾	(16)	9.7	8.1
	(33)	33.9	33.5
Non-current			
Unsecured			
fixed interest rate bonds		1,709.0	1,620.6
	(33)	1,709.0	1,620.6

(1) Loans from joint ventures and associates relate to unsecured loans from joint venture Wampum Hardware Co.

During the year, the Group did not undertake any new financing activities.

Significant terms and conditions

Interest expense is recognised progressively over the life of the facilities.

Fixed interest rate bonds

The Group has on issue the following Fixed Interest Rate Bonds in the US144A/Regulation S debt capital market:

- US\$800.0m 10 year bond denominated in USD, with a fixed rate semi-annual coupon of 6 percent, maturing in December 2019.
- US\$500.0m 5 year bond denominated in USD, with a fixed rate semi-annual coupon of 4 percent, maturing in December 2015.

The Group has on issue the following Fixed Interest Rate Bond in the Australian debt capital market:

- AU\$200.0m 5.5 year bond denominated in AUD, with a fixed rate semi-annual coupon of 5.75 percent, maturing in February 2019.

Bank facility

The bank facility is a AU\$1,450.0m three year and five year revolving facility that may be drawn in either AUD or USD with a maturity of October 2016 (for AU\$850.0m) and September 2018 (for AU\$600.0m). At 30 September 2014, the drawn balance was nil.

Participation facilities

During the year, the participation facility with a carrying value of \$25.1m at September 2013 was repaid in full and cancelled on the scheduled maturity date.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

		Consolidated	
	Notes	2014 \$mill	2013 \$mill
23. Other financial liabilities			
Current			
Derivatives designated and effective as hedging instruments carried at fair value			
interest rate swaps	(33)	0.8	-
option contracts	(33)	9.7	-
forward exchange contracts	(33)	15.5	7.0
cross currency swaps	(33)	-	32.6
		26.0	39.6
Non-current			
Derivatives designated and effective as hedging instruments carried at fair value			
interest rate swaps	(33)	5.5	2.4
forward exchange contracts	(33)	23.8	8.0
cross currency swaps	(33)	247.7	103.9
		277.0	114.3

See note 33(h) for further details of interest rate and foreign exchange rate exposures that are hedged by the Group.

24. Provisions

Current			
Employee entitlements		49.5	50.4
Restructuring and rationalisation		7.3	6.2
Environmental		28.2	46.2
Asset retirement obligation		0.8	1.5
Other		4.7	4.1
		90.5	108.4
Non-current			
Employee entitlements		6.6	4.7
Restructuring and rationalisation		-	0.3
Environmental		45.7	47.1
Asset retirement obligation		31.3	25.4
		83.6	77.5
Aggregate employee entitlements			
Current		49.5	50.4
Non-current		6.6	4.7
		56.1	55.1

The present values of Group employee entitlements not expected to be settled within twelve months of balance date have been calculated using the following assumptions:

Assumed rate of increase in wage and salary rates	3.5%
Average discount rate (risk free rate)	3.46%
Settlement term	10 years

	2014 Number	2013 Number
Employees at year end		
Full time equivalent	5,064	5,286

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

24. Provisions (continued)

Reconciliations

Reconciliations of the carrying amounts of provisions from the beginning to the end of the current financial year are set out below.

	Notes	Consolidated 2014 \$mill
Current provision – dividends		
Carrying amount at the beginning of the financial year		-
Provisions made during the year	(28)	152.0
Payments made during the year		(85.1)
Settled via Dividend Reinvestment Plan	(27)	(66.9)
Carrying amount at the end of the financial year		-
Current provision – restructuring and rationalisation		
Carrying amount at the beginning of the financial year		6.2
Provisions made during the year	(5)	5.0
Provisions written back during the year		(1.3)
Payments made during the year		(3.0)
Transfer from non-current		0.3
Foreign currency exchange differences		0.1
Carrying amount at the end of the financial year		7.3
Current provision – environmental		
Carrying amount at the beginning of the financial year		46.2
Provisions written back during the year		(5.7)
Payments made during the year		(16.0)
Transfers from non-current		3.5
Foreign currency exchange differences		0.2
Carrying amount at the end of the financial year		28.2
Current provision – asset retirement obligations		
Carrying amount at the beginning of the financial year		1.5
Payments made during the year		(0.9)
Transfers to non-current		0.1
Foreign currency exchange differences		0.1
Carrying amount at the end of the financial year		0.8
Current provision – other		
Carrying amount at the beginning of the financial year		4.0
Provisions made during the year	(5)	1.7
Provisions written back during the year		(0.4)
Payments made during the year		(0.7)
Foreign currency exchange differences		0.1
Carrying amount at the end of the financial year		4.7

See Note 1(xvii) for further details on the provisions noted above.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

24. Provisions (continued)

Reconciliations (continued)

	Notes	Consolidated 2014 \$mill
Non-current provision – restructuring and rationalisation		
Carrying amount at the beginning of the financial year		0.3
Transfers to current		(0.3)
Carrying amount at the end of the financial year		–
Non-current provision – environmental		
Carrying amount at the beginning of the financial year		47.2
Provisions made during the year	(5)	5.6
Provisions written back during the year		(6.0)
Transfers to current		(3.5)
Discount unwind		1.5
Foreign currency exchange differences		0.9
Carrying amount at the end of the financial year		45.7
Non-current provision – asset retirement obligations		
Carrying amount at the beginning of the financial year		25.4
Provisions made during the year	(5)	1.7
Transfers to current		(0.1)
Discount unwind		4.1
Foreign currency exchange differences		0.2
Carrying amount at the end of the financial year		31.3

See Note 1(xvii) for further details on the provisions noted above.

	Notes	Consolidated 2014 \$mill	2013 * \$mill
25. Deferred tax liabilities			
The balance comprises temporary differences attributable to:			
Property, plant and equipment		269.1	238.7
Intangible assets		117.9	114.7
Foreign exchange gains		1.3	4.1
Derivatives		8.9	3.5
Joint venture income		13.4	11.5
Other		75.8	98.8
Deferred tax liabilities		486.4	471.3
Set-off of deferred tax liabilities pursuant to set-off provisions	(20)	(71.1)	(57.9)
Net deferred tax liabilities		415.3	413.4
Movements			
Opening balance at 1 October		471.3	510.4
Credited to the profit or loss	(8)	(9.7)	(72.0)
Charged to equity	(8)	(6.3)	(19.8)
Foreign exchange movements		25.2	42.9
Adjustments in respect of prior years	(8)	5.9	9.8
Closing balance at 30 September		486.4	471.3

* Comparative information has been restated as a result of the Group adopting the revised AASB 119 'Employee Benefits'.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

26. Retirement benefit obligations

(a) Information on plans

The Group operates a number of defined benefit plans to provide benefits for employees and their dependents on retirement, disability or death. In the Americas (comprising Canada, USA and Mexico), several defined benefit pension plans are in operation. Contributions to the plans are determined by actuarial valuation using the projected unit credit method.

The Company is the sponsoring employer of the Incitec Pivot Employees Superannuation Fund ('the Fund'), a defined benefit superannuation fund which consists of a defined contribution section of membership as well as a defined benefit section. The Fund also pays pensions to a number of pensioners.

The Group's plans are exposed to inflation, credit risk, liquidity risk and market risk. Market risk includes interest rate risk, equity price risk and foreign currency risk. The strategic investment policy of the fund is to build a diversified portfolio of assets across equities, alternative investments, fixed interest securities and cash to generate sufficient growth to match the projected liabilities of the defined benefit plan while providing appropriate liquidity to meet the expected timing of such liabilities, in line with the fund's actuarial reviews.

The key assumptions and amounts recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position are set out below.

(b) Reconciliation of the present value of the defined benefit obligation

	Notes	Consolidated 2014 \$mill	2013 * \$mill
Present value of defined benefit obligations at beginning of the year		317.4	326.6
Current service cost		2.2	7.4
Defined benefit plan settlement and curtailment		(0.8)	(5.6)
Interest cost		13.6	11.4
Actuarial losses/(gains)		34.3	(23.7)
Contributions by plan participants		0.7	0.7
Benefits paid		(25.7)	(27.7)
Foreign exchange differences on foreign plans		14.8	28.3
Present value of defined benefit obligations at end of the year		356.5	317.4

(c) Reconciliation of the fair value of plan assets

Fair value of plan assets at beginning of the year		247.0	215.0
Interest income on plan assets		10.7	8.7
Actuarial gains		19.5	15.1
Employer contributions		16.5	15.0
Contributions by plan participants		0.7	0.7
Benefits paid		(25.7)	(27.7)
Foreign exchange differences on foreign plans		9.7	20.2
Fair value of plan assets at end of the year		278.4	247.0

(d) Reconciliation of assets and liabilities recognised in the Consolidated Statement of Financial Position

Total value of funded defined benefit obligations at end of the year		356.5	317.4
Fair value of plan assets at end of the year		(278.4)	(247.0)
Net liability recognised in the Consolidated Statement of Financial Position at end of the year		78.1	70.4

(e) Net income/(expense) recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income

Current service cost	(5)	(2.2)	(7.4)
Interest cost	(5)	(13.6)	(11.4)
Interest income on plan assets	(5)	10.7	8.7
Defined benefit plan settlement and curtailment	(4)	0.8	5.6
Expense recognised in Consolidated Statement of Profit or Loss and Other Comprehensive Income		(4.3)	(4.5)

* Comparative information has been restated as a result of the Group adopting the revised AASB 119 'Employee Benefits'.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

26. Retirement benefit obligations (continued)

	Consolidated	
	2014 \$mill	2013* \$mill
(f) Amounts recognised in Other Comprehensive Income		
Measurement of the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	19.5	15.1
Actuarial gains and losses arising from changes in demographic assumptions	(17.4)	-
Actuarial gains and losses arising from changes in financial assumptions	(15.2)	28.2
Actuarial gains and losses arising from experience adjustment changes in financial assumptions	(1.7)	(4.5)
Components of defined benefits costs recognised in other comprehensive income	(14.8)	38.8
(g) Cumulative amount recognised in Other Comprehensive Income		
Cumulative amount of actuarial losses (before income tax)	107.6	92.8
(h) Plan assets		
Percentage invested in each asset class at the reporting date:		
Equities	57%	56%
Fixed Interest Securities	28%	29%
Property	6%	7%
Other	9%	8%
(i) Fair value of plan assets		
The fair value of plan assets includes no amounts relating to:		
- any of the Group's own financial instruments		
- any property occupied by, or other assets used by, the Group		
(j) Actual return on plan assets		
Actual return on plan assets	24.1	28.8
(k) Principal actuarial assumptions at the reporting date		
Discount rate (gross of tax)	3.4% – 6.5%	3.9% – 6.5%
Future salary increases	2.0% – 5.0%	2.0% – 5.0%
Future inflation	2.5% – 4.0%	2.5% – 4.0%
(l) Expected contributions		
Expected contributions in year ending 30 September 2015		
Expected employer contributions	10.7	15.6
Expected contribution by plan participants	0.5	0.5
(m) Maturity profile of Defined Benefit Obligation		
The expected maturity analysis of undiscounted defined benefit obligations is as follows:		
Within next 10 years	242.2	228.4
Within 10 to 20 years	176.9	165.1
In excess of 20 years	155.8	123.2
(n) Sensitivity analysis		
The sensitivity analysis is based on a change in a significant actuarial assumption while holding all other assumptions constant. The following table summarises how the defined benefit obligation as at 30 September would have increased/(decreased) as a result of a change in the respective assumption by 1 percentage point:		
	1 percent increase	1 percent decrease
Discount rate	(62.1)	73.3
Rate of salary increase	21.2	(21.2)

* Comparative information has been restated as a result of the Group adopting the revised AASB 119 'Employee Benefits'.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

	Consolidated	
	2014	2013
	\$mill	\$mill

27. Issued capital

Share capital

Ordinary shares authorised and issued – 1,654,998,194 (2013: 1,628,730,107) ⁽¹⁾	3,332.8	3,265.9
	3,332.8	3,265.9

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

Date	Details	Number of Shares	\$mill
30 September 2013	Balance at the end of the previous financial year	1,628,730,107	3,265.9
	Shares issued during the period		
18 December 2013	Shares issued (Dividend Reinvestment Plan)	16,188,987	39.6
1 July 2014	Shares issued (Dividend Reinvestment Plan)	10,079,100	27.3
30 September 2014	Balance at the end of the financial year	1,654,998,194	3,332.8

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

Terms and conditions

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

Shares issued during financial year

On 18 December 2013, 16,188,987 ordinary shares (\$39.6m) were issued to Dividend Reinvestment Plan (DRP) participants in respect of 2013 final dividend payment.

On 1 July 2014, 10,079,100 ordinary shares (\$27.3m) were issued to Dividend Reinvestment Plan (DRP) participants for the 2014 interim dividend payment.

	Notes	Company	
		2014	2013
		\$000	\$000

28. Dividends

Dividends paid or declared in respect of the year ended 30 September were:

Ordinary shares

Final dividend of 9.1 cents per share, 75 percent franked at the 30 percent corporate rate, paid 14 December 2012	–	148,214
Interim dividend of 3.4 cents per share, 75 percent franked at the 30 percent corporate rate, paid 2 July 2013	–	55,377
Final dividend of 5.8 cents per share, 75 percent franked at the 30 percent corporate rate, paid 18 December 2013	94,466	–
Interim dividend of 3.5 cents per share, 75 percent franked at the 30 percent corporate rate, paid 1 July 2014	57,572	–
Total ordinary share dividends	(24) 152,038	203,591

Subsequent event

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

- Final dividend of 7.3 cents per share, 10 percent franked at the 30 percent corporate tax rate, to be paid on 16 December 2014. The total dividend payment will be \$120.8m.

Ordinary shares

The financial effect of this dividend has not been recognised in the Consolidated Financial Statements and will be recognised in subsequent Consolidated Financial Statements.

Franking credits

Franking credits available to shareholders of the Company amount to \$4.7m (2013: \$47.2) at the 30 percent (2013: 30 percent) corporate tax rate. The final dividend for 2014 is 10 percent franked at the 30 percent corporate tax rate. Franking credits that will arise from payment of income tax in the year ending 30 September 2014 have been factored into the franking account balance.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

29. Reconciliation of profit after income tax to net cash inflow from operating activities

	Notes	Consolidated 2014 \$mill	2013 * \$mill
Reconciliation of cash			
Cash at the end of the financial year as shown in the Consolidated Statement of Cash Flows is reconciled to the related items in the Consolidated Statement of Financial Position as follows:			
Cash and cash equivalents	(10)	70.5	270.6
		70.5	270.6
Reconciliation of profit for the financial year to net cash flows from operating activities			
Profit for the financial year		248.2	367.7
Depreciation and amortisation	(5)	223.3	183.7
Write-down of property, plant and equipment	(5)	53.2	3.0
Impairment of goodwill and other intangible assets	(5)	37.6	41.5
Impairment of equity accounted investments	(5)	26.0	-
Share of profit on equity accounted investments	(16)	(33.3)	(33.5)
Net gain on sale of property, plant and equipment	(4)	(14.9)	(2.0)
Non-cash share-based payment transactions		0.1	(0.4)
Unwinding of discount on provisions and other payables	(5)	5.6	6.4
Changes in assets and liabilities			
(increase)/decrease in receivables and other operating assets		128.9	65.6
(increase)/decrease in inventories		(11.0)	(12.9)
(increase)/decrease in deferred tax assets		81.4	(49.8)
increase/(decrease) in deferred tax liabilities		(68.0)	(16.5)
increase/(decrease) in net interest payable		1.3	(1.5)
increase/(decrease) in payables, provisions and other operating liabilities		(194.9)	86.1
increase/(decrease) in income taxes payable		51.7	(22.9)
Net cash flows from operating activities		535.2	614.5

* Comparative information has been restated as a result of the Group adopting the revised AASB 119 'Employee Benefits'.

30. Commitments

(a) Capital expenditure commitments

Capital expenditure on property, plant and equipment contracted but not provided for and payable:

no later than one year	188.1	415.9
later than one, no later than five years	45.3	192.0
	233.4	607.9

Share of capital expenditure commitments of the joint ventures and associates:

no later than one year	0.4	0.3
later than one, no later than five years	0.5	-
	0.9	0.3

(b) Lease commitments

Non-cancellable operating lease commitments comprise a number of operating lease arrangements for the provision of certain equipment. These leases have varying durations and expiry dates. The future minimum rental commitments are as follows:

no later than one year	50.3	51.7
later than one, no later than five years	76.8	79.2
later than five years	55.4	62.7
	182.5	193.6

Share of non-cancellable operating lease commitments of the jointly controlled entities:

no later than one year	2.9	3.4
later than one, no later than five years	8.0	9.8
later than five years	0.3	1.2
	11.2	14.4

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

31. Contingent liabilities

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

Contracts, claims, guarantees and warranties

- Under a Deed of Cross Guarantee dated 30 September 2008, entered into in accordance with ASIC Class Order 98/1418 (as amended), each company which is party to the Deed has covenanted with the Trustee (or the Alternative Trustee as applicable) of the Deed to guarantee the payment of any debts of the other companies which are party to the Deed which might arise on the winding up of those companies. The entities which are party to the Deed are disclosed in the commentary to Note 36, Investments in controlled entities.
- Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss and Other Comprehensive Income for the closed group are shown in Note 37, Deed of Cross Guarantee.
- The Group has entered into various long-term supply contracts under which it receives goods and services. For some contracts, minimum charges are payable regardless of the level of operations, but in all cases the level of operations are expected to remain above those that would trigger minimum payments.
- There are a number of legal claims and exposures, which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items. The amount of liability, if any, which may arise cannot be reliably measured at this time. In the opinion of the directors, any further information about these matters would be prejudicial to the interests of the Group.
- There are guarantees relating to certain leases of property, plant and equipment and other agreements arising in the ordinary course of business.
- Contracts of sale covering companies and businesses which were divested in current and prior years include normal commercial warranties and indemnities to the purchasers. The Group is not aware of any material exposure under these warranties and indemnities.
- From time to time, the Group is subject to claims for damages arising from products and services supplied by the Group in the normal course of business. Controlled entities have received advice of claims relating to alleged failure to supply products and services suitable for particular applications. The claims in the entities concerned are considered to be either immaterial or the entity is defending the claim with no expected financial disadvantage. No specific disclosure is considered necessary.

Environmental

i. General

The Group has identified a number of sites as requiring environmental clean up and review. Appropriate implementation of clean up requirements is ongoing. In accordance with current accounting policy (see Note 1 (xvii)), provisions have been created for all known environmental liabilities that can be reliably estimated. While the directors believe that, based on current information, the current provisions are appropriate, there can be no assurance that new information or regulatory requirements with respect to known sites or the identification of new remedial obligations at other sites will not require additional future provisions for environmental remediation and such provisions could be material.

ii. Environmental matters subject to voluntary requirements with regulatory authority

For sites where the requirements have been assessed and are capable of reliable measurement, estimated regulatory and remediation costs have been capitalised, expensed as incurred or provided for in accordance with the accounting policy included in Note 1 (xvii).

Taxation

The Group is regularly subject to information requests, investigations and audit activities by the revenue authorities of jurisdictions in which the Group operates. The outcome of these investigations and audits depends upon several factors which may result in further tax payments or refunds of tax payments already made by the Group. Provisions for potential further payments have/will be recognised if a present obligation in relation to a taxation liability is assessed as probable and can be reliably estimated.

Notes to the Consolidated Financial Statements

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32. Financial risk management

Overview

The Group has exposure to the following financial risks:

- Market risk (foreign exchange, interest rate, commodity and equity price risk)
- Liquidity risk
- Credit risk

This note presents information about the Group's exposure to each of the above risks, as well as the Group's objectives, policies and processes for measuring and managing these risks.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board established the Board Audit and Risk Management Committee (BARMC), which is responsible for, amongst other things, the monitoring of the Group's risk management plans. The BARMC reports regularly to the Board of Directors on its activities.

The Group's financial risk management policies establish a framework for identifying, analysing and managing the financial risks faced by the Group. These policies set appropriate financial risk limits and controls, identify permitted derivative instruments and provide guidance on how financial risks and adherence to limits are to be monitored and reported.

Financial risk management policies and systems are reviewed regularly to ensure they remain appropriate given changes in market conditions and/or the Group's activities.

The BARMC oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The BARMC is assisted in its oversight role by the Group's internal audit function. The internal audit function involves both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the BARMC.

(a) Market risk

Market risk is the risk that changes in foreign exchange rates, interest rates, commodity prices and equity prices will affect the Group's income, cash flows and/or value of its holdings of derivative instruments. The objective of market risk management is to manage market risk exposures within acceptable parameters, while optimising the return on risk. To achieve this objective, an "insurance based" approach is often taken whereby the Group will pay a premium to limit the impact of unfavourable market movements while allowing at least partial participation in favourable movements. Where the cost of the premiums is considered to be prohibitive, some upside participation may be foregone to reduce the overall cost of the structure.

For some market risks, primarily commodity price risks, there is either no specific derivative market available or the derivative market is illiquid and expensive. In some cases, derivative markets exist but contain unacceptable levels of basis risk (the risk that the change in price of a hedge may not match the change in price of the item it hedges). In these circumstances, the Group chooses not to hedge these exposures using derivatives.

Further details of the Group's financial risk management structures are outlined below, including information as to whether hedge accounting has been applied.

i. Foreign exchange risk – transactional

The Group is exposed to foreign exchange movements on sales and purchases denominated, either directly or indirectly, in foreign currency (primarily in United States dollars). Where these exposures are significant, and cannot be eliminated by varying contract terms or other business arrangements, formal hedging strategies are implemented within Board approved policy. The formal hedging strategies involve collating and consolidating exposure levels centrally by IPL's Treasury function, and hedging specific transactions, after taking into account offsetting exposures, by entering into derivative contracts with highly rated financial institutions. The Group's principal transactional foreign exchange risks can be split into two main categories: contractual exposures and forecast exposures.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

32. Financial risk management (continued)

(a) Market risk (continued)

i. Foreign exchange risk – transactional (continued)

Contractual exposures: As the Group both imports and exports fertilisers and raw materials in foreign currency, its profitability is impacted by foreign exchange movements. Timing differences between receipts and payments of foreign currency are managed using foreign exchange swaps. Where there is a net excess or shortfall of foreign currency, forward exchange contracts (FECs) are taken out to hedge those exposures. The Group applies hedge accounting for these derivatives. The table below shows the outstanding FECs as at 30 September:

Term	Weighted average strike rate		FEC contract value	
	2014	2013	AUD mill	AUD mill
Buy USD/Sell AUD	0.9026	0.9564	271.8	337.5
Buy AUD/Sell USD	–	0.9300	–	0.1
Buy EUR/Sell AUD	0.6663	0.6848	11.8	7.6

Forecast exposures: The profitability of Southern Cross International and Incitec Pivot Fertilisers is impacted by foreign exchange movements due to the manufacturing inputs (gas, electricity, labour) being denominated in Australian dollars, while the manufactured outputs (phosphate based fertilisers, urea and ammonia) are sold either in United States dollars or in Australian dollars in each case based on an import parity formula impacted by the rate of exchange.

Similarly, the profitability of Dyno Nobel Americas is impacted by foreign exchange movements due to the manufacturing inputs (gas, electricity, labour) being denominated in United States dollars, while some of the manufactured outputs (ammonium nitrate and initiating systems) are sold in Canadian dollars.

The amount of anticipated future sales is forecast in light of plant capacities, current conditions in both domestic and international agricultural and industrial markets, commitments from customers and historical seasonal impacts. Policies approved by the Board of Directors limit the percentage of forecast sales that can be hedged with the percentage reducing as the time horizon increases.

In general, the Group manages its foreign currency exposure on a gross basis. In order to strike an appropriate balance between the level of participation the hedge provides and the cost of the hedge, the Group uses different types of instruments ranging from FECs to a variety of option structures. As part of the currency hedging program, the Group has entered into a series of options and FECs to protect a portion of the Group's forecast manufactured fertiliser exposure and to protect a portion of the Group's USD import exposure. The market value of these FECs and options is recorded in the Consolidated Statement of Financial Position at year end. Any movement in the market value of outstanding positions from contract price to year end price is recorded in the Cash Flow Hedge Reserve in the Consolidated Statement of Financial Position. To the extent that the FECs are closed out by offsetting options, the market value of the closed out FECs, from contract price to the close out price, is recorded in the Cash Flow Hedge Reserve in the Consolidated Statement of Financial Position.

The Group has entered into a series of FECs to Sell CAD/Buy USD, to protect a portion of the Group's forecast exposure of sales of product manufactured in the USA and sold in Canada. The market value of these FECs is recorded in the Consolidated Statement of Financial Position at year end. Any movement in the market value from contract price to year end price is recorded in the Cash Flow Hedge Reserve in the Consolidated Statement of Financial Position. Favourable outcomes on the hedge will occur when the CAD depreciates. As FECs do not offer participation when the CAD appreciates, occasionally, options and collar contracts are entered into to allow some participation.

The table below summarises the outstanding FEC and foreign currency option contracts taken out to hedge the currency exposure associated with activities of Southern Cross International, Incitec Pivot Fertilisers and Dyno Nobel at 30 September:

Term	AUD/USD exercise price		Weighted average AUD/USD strike rate		Contract amounts	
	2014	2013	2014	2013	AUD mill	AUD mill
Forward exchange contracts						
Buy USD/Sell AUD	0.8735	0.9076	–	–	222.8	41.9
Buy AUD/Sell USD	0.8720	–	–	–	57.3	–
Buy USD/Sell CAD	1.1049	1.0281	–	–	51.5	104.4
Foreign currency option contracts						
Bought AUD call/USD put, not later than one year	–	–	0.9151	1.05	180.3	190.5
Sold AUD put/USD call, not later than one year	–	–	0.9151	–	180.3	–
Sold AUD call/USD put, not later than one year	–	–	–	1.10	–	(181.8)

From time to time, the Group may look to reduce premium costs by transacting collars, option spreads or by selling floors against existing bought positions. Board approved policies prevent the Group from selling naked options. At 30 September 2014, all outstanding options had an outstanding matching FEC (in USD face value terms), effectively closing out the structure.

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For the year ended 30 September 2014

32. Financial risk management (continued)

(a) Market risk (continued)

i. Foreign exchange risk – transactional (continued)

The following sensitivity is based on the unhedged transactional foreign currency risk exposures in existence at the reporting date and is calculated based on name plate capacity for plants, average achieved Fertiliser selling prices and exchange rates in 2014.

Foreign exchange sensitivity – transactional (unhedged)	USD + 1c AUD mill	USD - 1c AUD mill	USD + 1c AUD mill	USD - 1c AUD mill
	2014	2014	2013	2013
USD Fertiliser sales from Australian plants	(6.5)	6.7	(6.1)	6.2

ii. Foreign exchange risk – translational

Hedge of earnings from foreign operations

The Group has foreign operations with non-AUD functional currencies and is, therefore, exposed to translation risk resulting from the translation of the earnings from these foreign operations. The Group may, from time to time, use FECs or option contracts to manage the translation risk of foreign earnings. As at 30 September 2014, there were no derivative contracts outstanding.

The following sensitivity is based on the unhedged translational foreign currency risk exposures in existence at the reporting date and is calculated using the Group's USD denominated earnings before interest, tax, depreciation and amortisation for the reporting period, at the average 2014 translation exchange rate.

Foreign exchange sensitivity – translational (unhedged)	USD + 1c AUD mill	USD - 1c AUD mill	USD + 1c AUD mill	USD - 1c AUD mill
	2014	2014	2013	2013
North American earnings before interest, tax, depreciation and amortisation	(2.2)	2.2	(1.8)	1.8

Hedge of net assets of foreign operations (net investment hedge)

The Group has foreign operations with non-AUD functional currencies and is, therefore, exposed to translation risk resulting from foreign exchange movements which impact on the AUD equivalent value of the foreign operations.

The Group manages the impact of the translation risk by a combination of borrowing in the same currency as the net foreign assets and by using forward exchange contracts and cross currency swaps to create 'synthetic' foreign currency debt. The forward exchange contracts rate includes the net fixed interest rate differential for the period of the contract. The cross currency swaps pay and receive floating rates of interest with quarterly rate resets throughout the life of the swap. The translation movement of the Group's net assets is recognised within the foreign currency translation reserve. As at 30 September 2014, none of the Group's foreign currency borrowings were designated as net investment hedges.

The table below summarises the forward exchange contracts and cross currency swaps outstanding at 30 September:

Term	Receive AUD/Pay USD mill	
	2014	2013
not later than one year	-	-
later than one year, no later than five years	AUD 1,215.5/USD 1,185.0	AUD 680.8/USD 682.9
later than five years	AUD 818.4/USD 800.0	AUD 843.4/USD 824.0

Term	Receive AUD/Pay CAD mill	
	2014	2013
not later than one year	-	AUD 103.0/CAD 100.0

Hedge of foreign currency interest-bearing liabilities (fair value hedge)

The Group has borrowings denominated in USD. Where these borrowings are held by AUD functional currency entities and have not been designated as net investment hedges, any gains or losses resulting from the translation of the principal balance of these borrowings to AUD are recorded in the profit or loss. The Group manages the impact of this translation risk by using forward exchange contracts and cross currency swaps to create 'synthetic' USD assets. Any gains or losses resulting from the foreign currency revaluation of these 'synthetic' assets are recorded in the profit or loss.

The table below summarises the cross currency swaps designated as hedges of USD borrowings outstanding at 30 September:

Term	Pay AUD/Receive USD mill	
	2014	2013
not later than one year	-	-
later than one year, no later than five years	AUD 511.5/USD 500.0	AUD 511.5/USD 500.0
later than five years	AUD 818.4/USD 800.0	AUD 818.4/USD 800.0

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For the year ended 30 September 2014

32. Financial risk management (continued)

(a) Market risk (continued)

iii. Interest rate risk

The Group is exposed to interest rate risk on outstanding interest bearing liabilities and investments. The mix of floating and fixed rate debt is managed within policies determined by the Board of Directors using approved derivative instruments. Interest rate risk is managed by entering into interest rate derivatives in order to balance the Group's fixed and variable interest rate mix. Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting future cash flows using the interest rate curves at the end of the reporting period.

The Group's interest rate risk arises from borrowings in Australian and United States dollars. Of the AUD1,742.9m of Interest Bearing Liabilities at the reporting date, AUD948.7m (54 percent) were exposed to floating interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date and is calculated based on the variable interest rate borrowings balance at 30 September 2014 and the average variable interest rate during the 2014 year.

Interest rate sensitivity	+ 1% LIBOR ⁽¹⁾ AUD mill	- 1% LIBOR ⁽¹⁾ AUD mill	+ 1% LIBOR ⁽¹⁾ AUD mill	- 1% LIBOR ⁽¹⁾ AUD mill
	2014	2014	2013	2013
Current and non-current borrowings with variable interest rates	(14.7)	14.7	(10.6)	10.6

Interest rate sensitivity	+ 1% CDOR ⁽²⁾ AUD mill	- 1% CDOR ⁽²⁾ AUD mill	+ 1% CDOR ⁽²⁾ AUD mill	- 1% CDOR ⁽²⁾ AUD mill
	2014	2014	2013	2013
Current and non-current borrowings with variable interest rates	-	-	(1.0)	1.0

Interest rate sensitivity	+ 1% BBSW ⁽³⁾ AUD mill	- 1% BBSW ⁽³⁾ AUD mill	+ 1% BBSW ⁽³⁾ AUD mill	- 1% BBSW ⁽³⁾ AUD mill
	2014	2014	2013	2013
Current and non-current borrowings with variable interest rates	5.1	(5.1)	3.9	(3.9)

(1) LIBOR – London Interbank Offered Rate.

(2) CDOR – Canadian Dealer Offer Rate.

(3) BBSW – Bank Bills Swap Rate.

iv. Commodity risk

The Group is exposed to changes in commodity prices by virtue of its operations. Where possible the Group manages some of that risk by negotiating appropriate contractual terms with its suppliers and customers.

Natural gas represents a significant raw material cost for the Group's ammonia and nitrogen based manufacturing. In order to manage the price risk associated with natural gas in Australia, the Group entered into long term fixed price contracts for the supply of gas. In the United States, the Group aims, where possible, to mitigate some of its exposure to natural gas price risk by entering into contracts with its customers which pass on the risk of natural gas price movements.

For longer term contracts that do not include a gas price pass-through clause, the Group will typically manage its gas price risk by entering into a fixed price derivative that matches the term of the customer contract (see the table below for a list of contracts outstanding as at 30 September 2014). On occasion the Group has used fixed price derivatives during the year for managing its short term gas price risk for periods shorter than one year.

The table below summarises the fixed price derivatives outstanding as at 30 September:

	Months hedged	Monthly volume (MMBTU*)	Fixed rate USD	Months hedged	Monthly volume (MMBTU*)	Fixed rate USD
	2014	2014	2014	2013	2013	2013
Contract	3	3,900	\$3.79	3	10,000	\$3.85
Contract	3	16,450	\$4.04	3	10,000	\$3.67
Contract	3	5,000	\$3.91	3	90,000	\$3.54

* Million Metric British Thermal Units

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

32. Financial risk management (continued)

(a) Market risk (continued)

iv. Commodity risk (continued)

The Group is exposed to price volatility on the commodities it sells. These exposures can be categorised into three main areas: ammonium nitrate, ammonium phosphate and urea.

The Group aims to manage its price risk exposure to ammonium nitrate by entering into long term contracts with its customers with sales prices that are adjusted for changes to input costs such as natural gas and for movements in CPI.

The following sensitivity analysis is based on the gas commodity risk exposures in existence at the reporting date.

Commodity risk sensitivity	+ US\$1 per 1 MMBTU AUD mill	- US\$1 per 1 MMBTU AUD mill	+ US\$1 per 1 MMBTU AUD mill	- US\$1 per 1 MMBTU AUD mill
	2014	2014	2013	2013
Henry Hub US\$ prices per 1 MMBTU	(5.9)	5.9	(5.5)	5.5

The market for ammonium phosphates and urea is generally based on spot prices with minimal ability to contract for longer terms. For these commodities, no deep and liquid derivative market is available. The following table details the Group's profit sensitivity to price movements for these commodities, based on plant name plate capacity.

Incitec Pivot Fertiliser and Southern Cross International

Fertiliser price sensitivity	+ USD10 AUD mill	- USD10 AUD mill	Name plate Tonnes ⁽¹⁾	+ USD10 AUD mill	- USD10 AUD mill	Name plate Tonnes ⁽¹⁾
	2014	2014	2014	2013	2013	2013
Granular Urea (FOB Middle East – USD per tonne)	4.4	(4.4)	405,000	4.1	(4.1)	405,000
DAP (FOB Tampa – USD per tonne)	10.3	(10.3)	950,000	9.5	(9.5)	950,000

Dyno Nobel Americas

Fertiliser price sensitivity	+ USD10 USD mill	- USD10 USD mill	Name plate short tonnes ⁽¹⁾	+ USD10 USD mill	- USD10 USD mill	Name plate short tonnes ⁽¹⁾
	2014	2014	2014	2013	2013	2013
Urea (FOB NOLA – USD per short tonne)	1.8	(1.8)	180,000	1.8	(1.8)	180,000

(1) Maximum production capacity of the plant

The Group is also exposed to fluctuations in fertiliser prices as part of the operations of Quantum Fertilisers Limited, the Group's fertiliser marketing business. Quantum Fertilisers Limited can hold either 'long' or 'short' physical fertiliser positions which are governed by the Group's policy on commodity trading.

At 30 September 2014, Quantum Fertilisers Limited had no open contracts. Quantum Fertilisers Limited had an outstanding position of 2,000 tonnes of 'long' prilled urea at a contract price of US\$287.5 per tonne at 30 September 2013.

v. Equity price risk

The Group is exposed to equity price risk on securities held on investments. These securities are not held for trading as it is the Group's objective to hold these in the long term for strategic purposes. Refer to Note 14.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

32. Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that there are sufficient committed funding facilities available to meet the Group's financial commitments in a timely manner. The Group's forecast liquidity requirements are continually reassessed based on regular forecasting of capital requirements including stress testing of critical assumptions such as input costs, sales prices, production volumes, exchange rates and capital expenditure.

Typically, the Group aims to hold a minimum liquidity buffer of AUD500.0m in undrawn committed funding at all times to meet any unforeseen cash flow requirements including unplanned reduction in revenue, business disruption and unplanned capital expenditure. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group maintains the following committed lines of credit:

- An unsecured Bank facility agreement of AUD850.0m for 3 years, maturing October 2016. This is a multi-currency facility drawable in AUD or USD with interest payable at BBSY/LIBOR plus a margin. This facility is revolving in nature whereby repayment can be redrawn at the Group's discretion.
- A second unsecured Bank facility agreement of AUD600.0m for 5 years, maturing September 2018. This is a multicurrency facility drawable in AUD or USD with interest payable at BBSY/LIBOR plus a margin. This facility is revolving in nature whereby repayment can be redrawn at the Group's discretion.
- A USD800.0m 10 year bond completed in the US 144A/Regulation S debt capital market. The bond is denominated in USD, has a fixed rate semi-annual coupon of 6.00 percent and matures in December 2019.
- A USD500.0m 5 year bond completed in the US 144A/Regulation S debt capital market. The bond is denominated in USD, has a fixed rate semi-annual coupon of 4.00 percent and matures in December 2015.
- An AUD200.0m 5.5 year Medium Term Note issued in Australia and denominated in AUD. The bond has a fixed rate semi-annual coupon of 5.75 percent and matures in February 2019.

At reporting date, the Group has committed undrawn lines of AUD1,450.0m and cash of AUD70.5m.

Capital risk management

When managing capital, the key objectives of the Group are to safeguard its ability to continue as a going concern and maintain optimal returns to shareholders and benefits for other stakeholders. "Capital" is considered to be all sources of funding, whether debt or equity. Management also aims to maintain a capital and funding structure that optimises the cost of capital available to the Group over the long term.

The key objectives include:

- Maintaining an investment grade credit profile and the requisite financial metrics;
- Securing access to diversified sources of debt funding with a spread of maturity dates and sufficient undrawn committed facility capacity; and
- Optimising over the long term, and to the extent practicable, the Weighted Average Cost of Capital (WACC) to reduce the cost of capital to the Group while maintaining financial flexibility.

In order to optimise the capital structure, the amount of dividends paid to shareholders may be changed, capital returned to shareholders or new shares issued, or management may vary discretionary capital expenditure, draw down additional debt or sell assets to reduce debt in line with the strategic objectives and operating plans of the Group.

To monitor and support the key objectives set out above, various financial ratios and internal targets are assessed and reported to the Board, on a regular basis, by management. These ratios and targets include: Gearing ratio and Interest cover. The Gearing ratio is 'Net Debt' over Earnings before Interest, Tax, Depreciation and Amortisation, excluding individually material items (EBITDA). 'Net Debt' is the sum of interest bearing liabilities plus the fair value of derivative instruments, economically hedging the Group's interest bearing liabilities, less available cash and cash equivalents. Interest cover is the average 12 month rolling EBITDA over Net Interest expense before accounting adjustments.

Debt covenants relating to the Bank facility (AUD1,450.0m) have been measured and are within the debt covenant targets for the year ended 30 September 2014.

The Group self-insures for certain insurance risks under the *Singapore Insurance Act*. Under this Act, authorised general insurer, Coltivi Insurance Pte Limited (the Group's self-insurance company), is required to maintain a minimum amount of capital. For the financial year ended 30 September 2014, Coltivi Insurance Pte Limited maintained capital in excess of the minimum requirements prescribed under this Act.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

32. Financial risk management (continued)

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The major exposure to credit risk arises from trade receivables, which have been recognised in the Consolidated Statement of Financial Position net of any impairment losses, and from derivative financial instruments.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers currently operate, have an influence on credit risk. Credit risk on sales to overseas customers is usually negated by way of entering into irrevocable letters of credit with financial institutions or by asking customers to pay in advance.

The Group has a credit policy under which each new customer is analysed individually for creditworthiness before the Group enters into any sales transaction on an open credit account with standard payment, delivery terms and conditions of sale. The creditworthiness review includes analysing the financial information provided by the customer, where applicable, and reports from external ratings agencies. Based on this analysis credit limits are established for each customer which represent the projected highest level of exposure, at any one point in time, which a customer may reach. These limits are reviewed annually for all customers with a limit greater than AUD0.5m and on an as-needed basis if an increase is required. Customers that fail to meet the Group's benchmark creditworthiness, or that are in breach of their credit limits, may transact only on a "Cash Before Delivery" basis.

The Group establishes an allowance for impairment that represents its estimate of probable losses in respect of trade and other receivables.

Financial Instruments

The Group limits its exposure to credit risk created by investing in financial instruments by only investing in liquid securities and only with counterparties that have a credit rating of at least "A-". In practice, financial instruments are usually dealt with financial institutions with a stronger rating than "A-". Currently all financial instruments held are with financial institutions with a long term rating of "A-" or better.

The credit risk exposure arising from derivative financial instruments is the sum of all contracts with a fair value. As at 30 September 2014, the sum of all contracts with a fair value was AUD244.3m (2013: AUD135.10m).

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

33. Financial instruments

(a) Foreign exchange risk

The Group's exposure to foreign exchange risk at reporting date was:

Consolidated	2014 Euro mill	2013 Euro mill	2014 USD mill	2013 USD mill
Trade receivables	0.2	7.0	10.3	3.6
Trade payables	8.6	10.8	194.0	277.6
Gross statement of financial position exposure (excluding hedging)	8.4	3.8	183.7	274.0
Forward exchange contracts (hedge of trade payables)	7.9	5.2	187.6	270.2
Net statement of financial position exposure (including hedging)	0.5	(1.4)	(3.9)	3.8

The following significant exchange rates applied during the year:

	Average rate 2014	Balance date spot rate 2014	Average rate 2013	Balance date spot rate 2013
Euro	0.6786	0.6861	0.7582	0.6883
USD	0.9204	0.8705	0.9957	0.9288

(b) Interest rate risk

At the reporting date, after taking into account the effect of hedging, the interest rate profile of the Group's interest bearing financial instruments was:

	Notes	Consolidated 2014 \$mill	2013 \$mill
Variable rate instruments			
– Financial liabilities		948.7	964.6
Fixed rate instruments			
– Financial liabilities		794.2	689.5
	(22)	1,742.9	1,654.1

Cash flow sensitivities for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/decreased equity and profit or loss by AUD9.6m (2013: AUD7.7m) assuming all the variables were held constant in particular foreign exchange rates.

(c) Credit risk

The maximum exposure to credit risk at the reporting date was:

Trade receivables	(11)	241.7	331.3
Other receivables	(11)	30.9	41.6
Cash and cash equivalents	(10)	70.5	270.6
Forward exchange contracts	(14)	40.7	13.6
Cross currency swaps	(14)	165.4	72.4
Interest rate swaps	(14)	27.8	35.2
		577.0	764.7

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

33. Financial instruments (continued)

(c) Credit risk (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by country or geographical area was:

	Notes	Consolidated 2014 \$mill	2013 \$mill
Australia		92.0	121.1
India		–	15.5
Europe		0.5	0.2
USA		44.9	43.4
Canada		46.6	58.7
Asia		28.5	26.3
Turkey		19.8	37.7
Other		9.4	28.4
	(11)	241.7	331.3

The maximum exposure to credit risk for trade receivables at the reporting date by type of customers was:

Wholesale customers	68.9	123.4
End user customers	172.8	207.9
	(11)	241.7
		331.3

As at the end of September 2014 and September 2013, the Group had no individual debtor's balance outstanding in excess of 10 percent of the total of the trade receivable balance.

Impairment losses

The ageing to terms of the Group's trade receivables at the reporting date was:

	Gross 2014 \$mill	Impairment 2014 \$mill	Gross 2013 \$mill	Impairment 2013 \$mill
Current	210.9	–	278.3	–
Past due 0 – 30 days	21.2	–	26.0	–
Past due 31 – 120 days	35.8	26.2	39.7	12.7
Total	267.9	26.2	344.0	12.7

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Notes	Consolidated 2014 \$mill	2013 \$mill
Balance at 1 October		12.7	8.5
Net impairment losses recognised		(3.8)	(2.1)
Provisions recognised/(written back) during the year	(5)	17.2	6.2
Foreign exchange movements		0.1	0.1
Balance at 30 September	(11)	26.2	12.7

Based on past experience, the Group believes that no impairment allowance is necessary in respect of trade receivables that are not past due.

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point the amount considered irrecoverable is written off against the financial asset directly.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

33. Financial instruments (continued)

(d) Liquidity risk – Non-derivative financial liabilities

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting payments.

Consolidated	Contractual cash flows ⁽¹⁾ \$mill	6 months or less ⁽¹⁾ \$mill	6 – 12 months ⁽¹⁾ \$mill	1 – 2 years ⁽¹⁾ \$mill	2 – 5 years ⁽¹⁾ \$mill	more than 5 years ⁽¹⁾ \$mill
30 September 2014						
Non-derivative financial liabilities						
Interest bearing liabilities	1,742.9	33.9	–	582.3	195.9	930.8
Interest payments	422.4	50.2	50.1	89.0	205.5	27.6
Trade and other payables	833.1	795.7	27.3	4.3	5.8	–
Total	2,998.4	879.8	77.4	675.6	407.2	958.4
30 September 2013						
Non-derivative financial liabilities						
Interest bearing liabilities	1,654.1	14.0	19.5	–	545.6	1,075.0
Interest payments	500.9	49.7	49.3	95.8	222.8	83.3
Trade and other payables	986.3	937.3	42.0	7.0	–	–
Total	3,141.3	1,001.0	110.8	102.8	768.4	1,158.3

(1) Contractual cash flows are not discounted and based on exchange rates prevailing at year end. Any subsequent movement in exchange rates will impact the cash flow required to settle the obligations where those obligations are in a foreign currency.

(e) Liquidity risk – Derivative financial instruments

The following are the contractual maturities of derivative financial instruments, including interest payments and excluding the impact of netting payments.

Consolidated	Contractual cash flows ⁽¹⁾ \$mill	6 months or less ⁽¹⁾ \$mill	6 – 12 months ⁽¹⁾ \$mill	1 – 2 years ⁽¹⁾ \$mill	2 – 5 years ⁽¹⁾ \$mill	more than 5 years ⁽¹⁾ \$mill
30 September 2014						
Derivative financial assets and liabilities						
Assets						
Forward exchange contracts	19.2	16.1	–	–	3.1	–
Cross currency swaps	163.5	–	–	62.9	–	100.6
Interest rate swaps	34.1	8.5	8.0	10.7	4.2	2.7
	216.8	24.6	8.0	73.6	7.3	103.3
Liabilities						
Forward exchange contracts	(18.4)	(15.3)	–	–	(3.1)	–
Option contracts	(9.2)	(9.2)	–	–	–	–
Cross currency swaps	(244.9)	–	–	(144.3)	–	(100.6)
Interest rate swaps	(7.2)	(1.0)	(0.2)	(0.1)	1.3	(7.2)
	(279.7)	(25.5)	(0.2)	(144.4)	(1.8)	(107.8)
Total	(62.9)	(0.9)	7.8	(70.8)	5.5	(4.5)

(1) Contractual cash flows are not discounted and based on exchange rates prevailing at year end. Any subsequent movement in exchange rates will impact the cash flow required to settle the obligations where those obligations are in a foreign currency.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

33. Financial instruments (continued)

(e) Liquidity risk – Derivative financial instruments (continued)

Consolidated	Contractual cash flows ⁽¹⁾ \$mill	6 months or less ⁽¹⁾ \$mill	6 – 12 months ⁽¹⁾ \$mill	1 – 2 years ⁽¹⁾ \$mill	2 – 5 years ⁽¹⁾ \$mill	more than 5 years ⁽¹⁾ \$mill
30 September 2013						
Derivative financial assets and liabilities						
Assets						
Forward exchange contracts	(30.9)	1.6	(3.3)	(4.2)	(1.1)	(23.9)
Cross currency swaps	69.8	2.8	(2.8)	–	–	69.8
Interest rate swaps	41.4	7.8	7.7	13.7	11.9	0.3
	80.3	12.2	1.6	9.5	10.8	46.2
Liabilities						
Forward exchange contracts	29.2	(3.3)	3.3	4.2	1.1	23.9
Cross currency swaps	(132.5)	(21.8)	(3.6)	–	(37.3)	(69.8)
Interest rate swaps	(2.7)	(0.3)	(0.3)	(0.2)	(1.3)	(0.6)
	(106.0)	(25.4)	(0.6)	4.0	(37.5)	(46.5)
Total	(25.7)	(13.2)	1.0	13.5	(26.7)	(0.3)

(1) Contractual cash flows are not discounted and based on exchange rates prevailing at year end. Any subsequent movement in exchange rates will impact the cash flow required to settle the obligations where those obligations are in a foreign currency.

(f) Liquidity risk – cash flow hedges and net investment hedges

Cash flow hedges are mainly used to mitigate the Group's exposure to commodity price risk, foreign exchange risk and interest rate risk. Forward commodity contracts are entered into to manage the price risk associated with the purchase of natural gas which is a key raw material input to the production of ammonia and ammonium nitrate. Net investment hedges are used to mitigate the Group's exposure to foreign exchange risk resulting from controlled entities that have functional currencies that are different to the Group's functional currency.

Foreign currency risk associated with sales and purchases denominated in a foreign currency is managed by entering into forward contracts, cross currency interest rate swaps and options.

The following table indicates the periods in which the cash flows associated with derivatives, that are cash flow hedges and net investment hedges, are expected to occur.

Consolidated	Contractual cash flows \$mill	6 months or less \$mill	6 – 12 months \$mill	1 – 2 years \$mill	2 – 5 years \$mill	more than 5 years \$mill
30 September 2014						
Cash flow hedges						
Assets	3.3	3.3	–	–	–	–
Liabilities	5.7	5.7	–	–	–	–
Net investment hedges						
Assets	–	–	–	–	–	–
Liabilities	268.1	–	–	145.1	20.9	102.1
Total	(270.5)	(2.4)	–	(145.1)	(20.9)	(102.1)
30 September 2013						
Cash flow hedges						
Assets	2.8	2.7	0.1	–	–	–
Liabilities	3.2	3.2	–	–	–	–
Net investment hedges						
Assets	–	–	–	–	–	–
Liabilities	137.1	36.2	–	–	54.9	46.0
Total	(137.5)	(36.7)	0.1	–	(54.9)	(46.0)

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For the year ended 30 September 2014

33. Financial instruments (continued)

(g) Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated	Notes	Carrying amount 2014 \$mill	Fair value 2014 \$mill	Carrying amount 2013 \$mill	Fair value 2013 \$mill
Cash and cash equivalents	(10)	70.5	70.5	270.6	270.6
Financial assets carried at fair value through Other Comprehensive Income					
Investments – equity instruments	(14)	4.8	4.8	1.5	1.5
Financial assets/(liabilities) carried at amortised cost through the profit or loss					
Trade and other receivables	(11)	272.6	272.6	372.9	372.9
Trade and other payables	(21)	(833.1)	(833.1)	(986.3)	(986.3)
Financial liabilities	(22)	(1,742.9)	(1,860.0)	(1,654.1)	(1,749.3)
Derivatives designated and effective as hedging instruments carried at fair value					
Cross currency swaps	(14),(23)	(82.3)	(82.3)	(64.1)	(64.1)
Option contracts	(23)	(9.7)	(9.7)	–	–
Forward exchange contracts	(14),(23)	1.4	1.4	(1.4)	(1.4)
Interest rate swaps	(14),(23)	21.5	21.5	32.8	32.8
Total		(2,297.2)	(2,414.3)	(2,028.1)	(2,123.3)

Basis for determining fair value

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

Investments in equity securities

The fair value of equity instruments is based on the quoted bid price at the reporting date.

Derivative financial instruments

The fair value of forward exchange contracts, interest rate swaps, and cross currency interest rate swaps is based on discounted cash flows, reflecting the credit risk of various counterparties. Future cash flows are estimated based on contract rates and observable forward interest and exchange rates, and currency basis at the end of the reporting period.

The fair value of option contracts is calculated using the contract rates and observable market rates at the end of the reporting period, reflecting the credit risk of various counterparties. The valuation technique is consistent with the Black-Scholes methodology and utilises Monte Carlo simulations.

The fair value of commodity contracts is based on their listed market price as quoted on the NYMEX, if available, and, if a listed market price is not available, then fair value is estimated by discounting the difference between the contractual price and current observable market price at the end of the reporting period, reflecting the credit risk of various counterparties.

Trade and other receivables & trade and other payables

The fair value of trade and other receivables, and trade and other payables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Method of discounting

In calculating the fair values of financial instruments the present value of all cash flows greater than 1 year are discounted.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

33. Financial instruments (continued)

(g) Fair values (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 \$mill	Level 2 \$mill	Level 3 \$mill
30 September 2014			
Listed equity securities	4.8	–	–
Derivative financial assets	–	233.9	–
Total	4.8	233.9	–
Derivative financial liabilities	–	303.0	–
Total	–	303.0	–
30 September 2013			
Listed equity securities	1.5	–	–
Derivative financial assets	–	121.2	–
Total	1.5	121.2	–
Derivative financial liabilities	–	153.9	–
Total	–	153.9	–

(h) Derivative financial instruments

	30 September 2014										
	Cross currency swaps		Interest rate swaps		Forward exchange contracts		Options contracts		Total asset \$mill	Total liability \$mill	Total net \$mill
	Asset \$mill	Liability \$mill	Asset \$mill	Liability \$mill	Asset \$mill	Liability \$mill	Asset \$mill	Liability \$mill			
Current											
Cash flow hedge	–	–	–	–	2.7	(0.2)	–	–	2.7	(0.2)	2.5
Held for trading	–	–	–	(0.8)	14.2	(15.3)	–	(9.7)	14.2	(25.8)	(11.6)
	–	–	–	(0.8)	16.9	(15.5)	–	(9.7)	16.9	(26.0)	(9.1)
Non-current											
Cash flow hedge	–	–	0.6	(5.5)	–	–	–	–	0.6	(5.5)	(4.9)
Fair value hedge	165.4	–	27.0	–	–	–	–	–	192.4	–	192.4
Net investment hedge	–	(247.2)	–	–	–	(20.9)	–	–	–	(268.1)	(268.1)
Held for trading	–	(0.5)	0.2	–	23.8	(2.9)	–	–	24.0	(3.4)	20.6
	165.4	(247.7)	27.8	(5.5)	23.8	(23.8)	–	–	217.0	(277.0)	(60.0)
	165.4	(247.7)	27.8	(6.3)	40.7	(39.3)	–	(9.7)	233.9	(303.0)	(69.1)

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

33. Financial instruments (continued)

(h) Derivative financial instruments (continued)

	30 September 2013										
	Cross currency swaps		Interest rate swaps		Forward exchange contracts		Options contracts		Total asset	Total liability	Total net
	Asset \$mill	Liability \$mill	Asset \$mill	Liability \$mill	Asset \$mill	Liability \$mill	Asset \$mill	Liability \$mill			
Current											
Cash flow hedge	-	-	-	-	2.8	(3.2)	-	-	2.8	(3.2)	(0.4)
Net investment hedge	-	(34.9)	-	-	-	(1.3)	-	-	-	(36.2)	(36.2)
Held for trading	-	2.3	-	-	2.8	(2.5)	-	-	2.8	(0.2)	2.6
	-	(32.6)	-	-	5.6	(7.0)	-	-	5.6	(39.6)	(34.0)
Non-current											
Fair value hedge	70.9	-	35.2	(0.1)	-	-	-	-	106.1	(0.1)	106.0
Net investment hedge	-	(99.0)	-	-	-	(1.9)	-	-	-	(100.9)	(100.9)
Held for trading	1.5	(4.9)	-	(2.3)	8.0	(6.1)	-	-	9.5	(13.3)	(3.8)
	72.4	(103.9)	35.2	(2.4)	8.0	(8.0)	-	-	115.6	(114.3)	1.3
	72.4	(136.5)	35.2	(2.4)	13.6	(15.0)	-	-	121.2	(153.9)	(32.7)

During the prior financial year, the Group changed its strategy to separately manage (as opposed to a net basis) the forward exchange risk associated with its USD borrowings and its new investments in operations. Cross currency swaps and foreign exchange contracts were used to hedge the foreign exchange risk.

Fair value hedge

Cross currency swaps and interest rate swaps were transacted to hedge a portion of the Group's interest-bearing liabilities. The fair value of these derivative instruments is included in the calculation of the Group's net debt.

Cash flow hedge

Gains or losses recognised in the cash flow hedging reserve will be continuously released to the profit or loss until the underlying forecast transaction occurs. However, where the underlying forecast transaction is a purchase of a non financial asset (for example property, plant and equipment) the gain or loss in the cash flow hedging reserve will be transferred and included in the measurement of the initial cost of the asset at the date on which the asset is recognised.

Net investment hedge

Hedges of a net investment in a foreign operation, including a hedge of monetary item that is accounted for as part of the net investment, are accounted for in a similar way as cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity (foreign currency translation reserve) while any gains or losses relating to the ineffective portion are recognised in the profit or loss component of the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Hedge for trading

Derivatives which are classified as held for trading are in economic relationships but are not in designated hedge relationships for hedge accounting purposes. Although these held for trading derivatives did not satisfy the requirements for hedge accounting, these are effective economic hedges based on contractual amounts and cash flows over the life of the transaction.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

34. Key management personnel disclosures

(a) Key management personnel

	Consolidated	
	2014	2013
	\$000	\$000
Short-term employee benefits	15,164	9,358
Post-employment benefits	248	238
Other long-term benefits	265	264
Termination benefits	371	904
Share-based payments	1,565	265
	17,613	11,029

Determination of key management personnel and detailed remuneration disclosures are provided in the Remuneration Report.

(b) Loans to key management personnel

In the year ended 30 September 2014, there were no loans to key management personnel and their related parties (2013: \$nil).

(c) Other key management personnel transactions

The following transactions, entered into during the year and prior year with key management personnel, were on terms and conditions no more favourable than those available to other customers, suppliers and employees:

- (1) The spouse of Mr Fazzino, the Managing Director & Chief Executive Officer, is a partner in the accountancy and tax firm PricewaterhouseCoopers (PwC) from which the Group purchased services of \$4,701,371 during the year (2013: \$9,934,124). Mr Fazzino's spouse did not directly provide these services. Mr Fazzino has not engaged PwC at any time for any assignment.
- (2) During the year ended 30 September 2013, a related party of Mr Smorgon provided printing services to the value of \$3,300. No services were provided by the related party to the Company during the year ended 30 September 2014. The balance owing by the Company at 30 September 2014 was \$nil (2013: \$nil).
- (3) The spouse of Ms Fagg is a partner in the accountancy and tax firm KPMG from which the Group purchased services of \$89,078 during the year (2013: \$770,435). Ms Fagg's spouse did not directly provide these services. Ms Fagg, who was appointed to the Board on 15 April 2014, was not involved in any engagement of KPMG made by the Group.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

35. Share based payments

(a) Long Term Incentive Plans (LTIs)

The LTIs are designed to link reward with the key performance drivers which underpin sustainable growth in shareholder value – which comprises EPS, share price growth and returns to shareholders. The arrangements also support the Company's strategy for retention and motivation of its executives and senior employees.

Long Term Incentive Performance Rights Plans

During the year, the Company established the Long Term Incentive Performance Rights Plan 2013/16 (LTI 2013/16) for key management personnel. The performance period for this plan is 1 October 2013 to 30 September 2016.

The LTI 2013/16 has the same features as the Long Term Incentive Performance Rights Plan 2012/15 (LTI 2012/15) and Long Term Incentive Performance Rights Plan 2011/14 (LTI 2011/14). Details of these plans are summarised as follows:

- **Performance rights:** A performance right entitles the participant to be transferred a fully paid ordinary share in the Company for no consideration at a later date subject to the satisfaction of certain conditions. As no share is issued until exercise, performance rights have no dividend entitlement.
- **Allocation:** The decision to grant performance rights and to whom they will be granted is made annually by the Board. Grants of performance rights to participants are based on a percentage of the relevant participant's fixed annual remuneration. A grant of performance rights to the Executive Director is subject to shareholder approval.
- **Conditions:** The performance rights only vest if certain conditions are met, which are approved by the Board on commencement of the Plan. The conditions focus on the performance of the Company and include a condition relating to duration of employment. The performance conditions are based on the relative Total Shareholder Returns of the Company and Earnings Per Share (before IMIs):

Total Shareholder Return (TSR) Condition: The TSR Condition requires growth in the Company's total shareholder returns to be at or above the median of the companies in the comparator group, being the S&P/ASX 100. If, at the end of the performance period, the Company's TSR over the three year performance period is:

- below the 50th percentile of the comparator group of companies ranked by their TSR performance: no performance rights in this tranche will vest;
- between the 50th and 75th percentile of the comparator group of companies ranked by their TSR performance: the portion of performance rights in this tranche that will vest will be increased on a pro rata basis from 50 percent to 100 percent (assuming 50 percent vest at the 50th percentile); and
- equal to or above the 75th percentile of the comparator group of companies ranked by their TSR performance: all performance rights in this tranche will vest; and

Earnings Per Share (EPS) Condition: For the 2011/14, if at the end of the performance period, the compound annual growth rate on EPS (before IMIs) over the performance period, from the base year, is:

- below 7 percent per annum: no performance rights in this tranche will vest;
- equal to or greater than 7 percent per annum but less than 15 percent per annum: the portion of performance rights in this tranche that will vest will be increased on a pro rata basis between 50 percent and 100 percent; and
- 15 percent or greater: all performance rights in this tranche will vest.

For the 2012/15 and 2013/16, if at the end of the performance period, the compound annual growth rate on EPS (before IMIs) over the performance period, from the base year, is:

- below 6 percent per annum: no performance rights in this tranche will vest;
- equal to or greater than 6 percent per annum but less than 12.5 percent per annum: the portion of performance rights in this tranche that will vest will be increased on a pro rata basis between 50 percent and 100 percent; and
- 12.5 percent or greater: all performance rights in this tranche will vest.

These two performance conditions are equally weighted, in all Long Term Incentive Performance Rights Plans.

- **Lapse:** Performance rights will lapse if the performance conditions are not satisfied during the performance period or, in certain circumstances, if a participant ceases to be employed by the Group during the performance period. Performance rights will also lapse if a participant serves a notice that he or she wishes the rights to lapse.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

35. Share based payments (continued)

(a) Long Term Incentive Plans (LTIs) (continued)

Long Term Incentive Performance Cash Plans

Certain employees and executives based in some jurisdictions (excluding KMP), participate in long term incentive performance cash plans which are operated by the Group, through its offshore entities. The Long Term Incentive Performance Cash Plan 2012/15 and Long Term Incentive Performance Cash Plan 2011/14 are designed to deliver a similar benefit to executives and employees on achievement of sustained performance over the relevant three year performance period, and with similar conditions as the Long Term Incentive Performance Rights Plans. Cash payments to employees upon vesting of the plan will be determined with reference to the Company's share price at the end of the performance period.

	Grant date	Expiry date		Balance at the start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
			Fair Value	Number	Number	Number	Number	Number	Number
Consolidated – 2014									
Performance Rights									
LTI Rights – 2011/14 – TSR	02 Feb 12	30 Sep 14	\$1.72	2,462,223	–	–	(2,462,223)	–	–
LTI Rights – 2011/14 – EPS	02 Feb 12	30 Sep 14	\$2.90	2,462,223	–	–	(2,462,223)	–	–
LTI Cash – 2011/14 – TSR	02 Feb 12	30 Sep 14	\$1.72	89,078	–	–	(89,078)	–	–
LTI Cash – 2011/14 – EPS	02 Feb 12	30 Sep 14	\$2.90	89,078	–	–	(89,078)	–	–
LTI Rights – 2012/15 – TSR	25 Jan 13	30 Sep 15	\$1.54	3,341,341	–	–	(446,818)	2,894,523	–
LTI Rights – 2012/15 – EPS	25 Jan 13	30 Sep 15	\$2.86	3,341,341	–	–	(446,818)	2,894,523	–
LTI Cash – 2012/15 – TSR	25 Jan 13	30 Sep 15	\$1.54	132,164	–	–	(5,743)	126,421	–
LTI Cash – 2012/15 – EPS	25 Jan 13	30 Sep 15	\$2.86	132,164	–	–	(5,743)	126,421	–
LTI Rights – 2013/16 – TSR	06 Jan 14	30 Sep 16	\$1.40	–	1,243,981	–	–	1,243,981	–
LTI Rights – 2013/16 – EPS	06 Jan 14	30 Sep 16	\$2.39	–	1,243,981	–	–	1,243,981	–
Total – Performance rights				12,049,612	2,487,962	–	(6,007,724)	8,529,850	–
Weighted average fair value				\$2.25	\$1.89	–	\$2.29	\$2.11	–

	Grant date	Expiry date		Balance at the start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
			Fair Value	Number	Number	Number	Number	Number	Number

Consolidated – 2013

Performance Rights

LTI Rights – 2010/13 – TSR	23 Dec 10	30 Sep 13	\$2.77	2,132,289	–	–	(2,132,289)	–	–
LTI Rights – 2010/13 – EPS	23 Dec 10	30 Sep 13	\$3.76	2,132,289	–	–	(2,132,289)	–	–
LTI Cash – 2010/13 – TSR	23 Dec 10	30 Sep 13	\$2.77	79,001	–	–	(79,001)	–	–
LTI Cash – 2010/13 – EPS	23 Dec 10	30 Sep 13	\$3.76	79,001	–	–	(79,001)	–	–
LTI Rights – 2011/14 – TSR	02 Feb 12	30 Sep 14	\$1.72	2,626,367	–	–	(164,144)	2,462,223	–
LTI Rights – 2011/14 – EPS	02 Feb 12	30 Sep 14	\$2.90	2,626,367	–	–	(164,144)	2,462,223	–
LTI Cash – 2011/14 – TSR	02 Feb 12	30 Sep 14	\$1.72	107,481	–	–	(18,403)	89,078	–
LTI Cash – 2011/14 – EPS	02 Feb 12	30 Sep 14	\$2.90	107,481	–	–	(18,403)	89,078	–
LTI Rights – 2012/15 – TSR	25 Jan 13	30 Sep 15	\$1.54	–	3,433,518	–	(92,177)	3,341,341	–
LTI Rights – 2012/15 – EPS	25 Jan 13	30 Sep 15	\$2.86	–	3,433,518	–	(92,177)	3,341,341	–
LTI Cash – 2012/15 – TSR	25 Jan 13	30 Sep 15	\$1.54	–	135,232	–	(3,068)	132,164	–
LTI Cash – 2012/15 – EPS	25 Jan 13	30 Sep 15	\$2.86	–	135,232	–	(3,068)	132,164	–
Total – Performance rights				9,890,276	7,137,500	–	(4,978,164)	12,049,612	–
Weighted average fair value				\$2.74	\$2.20	–	\$3.15	\$2.25	–

The weighted average remaining contractual life of shares treated as options and rights outstanding at the end of the period was 1.29 years (2013 – 1.58 years).

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

35. Share based payments (continued)

(a) Long Term Incentive Plans (LTIs) (continued)

Fair value of performance rights granted

LTI 2013/16

In respect of the LTI 2013/16, the assessed fair values at grant date of the rights granted during the year for both the TSR measure and the EPS condition are shown in the table below. The fair value at grant date is independently determined using an adjusted form of the Black-Scholes option pricing model that takes into account the exercise price, the life of the performance right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the performance rights.

Performance rights were granted at \$nil per right, have a three year life, and vest after the performance hurdles are met for the period 1 October 2013 to 30 September 2016.

The model inputs for these performance rights granted during the year ended 30 September 2014 included:

Grant date	6 January 2014
Share price (at grant date)	\$2.66
Exercise price	\$nil
Expected price volatility of the Company's shares	27.5% pa
Vesting date	30 September 2016
Expected dividends	4.0% pa
Risk-free interest rate (based on Australian Government bonds) with approximately three years to maturity (as at 6 January 2014)	3.02% pa

LTI 2013/16

Fair value at grant date: LTI 2013/16 – TSR	\$1.40
Fair value at grant date: LTI 2013/16 – EPS	\$2.39

(b) Employee Share Ownership Plan

The Board established the Incitec Pivot Employee Share Ownership Plan (ESOP) on 28 October 2003. Administration of the plan is held with Link Market Services Limited. The Board determines which employees are eligible to receive invitations to participate in the ESOP. Invitations are generally made annually to eligible employees on the following basis:

- shares acquired are either newly issued shares or existing shares acquired on market.
- employees are each entitled to acquire shares with a maximum value of \$1,000.
- employees salary sacrifice the value of the shares by equal deductions through to 30 June the following year.
- employees cannot dispose of the shares for a period of three years from the date of acquisition or until they leave their employment with the Company, whichever occurs first.
- employees who leave the Company must salary sacrifice any remaining amount prior to departure.

Grant date	Date shares become unrestricted	Number of participants as at		Number of restricted shares held as at	
		30 Sep 14	30 Sep 13	30 Sep 14	30 Sep 13
1-Jul-11	1-Jul-14	–	419	–	106,588
2-Jul-12	2-Jul-15	497	562	172,547	195,314
1-Jul-13	1-Jul-16	457	510	157,673	175,523
1-Jul-14	1-Jul-17	441	–	150,674	–

These shares rank equally with all other fully paid ordinary shares from the date acquired by the employee and are eligible for dividends.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated 2014 \$000	2013 \$000
Shares, treated as options, and rights issued under the LTI performance plans, net of the prior year write-back of the LTI 2012/15 EPS portion (2013: net of prior year write-back of the LTI 2010/13 and LTI 2011/14 EPS portions).	111	(446)
Total carrying amount of liabilities for cash settled arrangements	133	479

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

36. Investments in controlled entities

Name of entity	Ownership interest		Country of incorporation
	September 2014	September 2013	
Company			
Incitec Pivot Limited ⁽¹⁾			Australia
Controlled entities – operating			
Incitec Fertilizers Limited ⁽¹⁾	100%	100%	Australia
TOP Australia Ltd ⁽¹⁾	100%	100%	Australia
Southern Cross Fertilisers Pty Ltd ⁽¹⁾	100%	100%	Australia
Southern Cross International Pty Ltd ⁽¹⁾	100%	100%	Australia
Incitec Pivot LTI Plan Company Pty Limited	100%	100%	Australia
Incitec Pivot Holdings (Hong Kong) Limited	100%	100%	Hong Kong
Incitec Pivot Explosives Holdings Pty Limited ⁽¹⁾	100%	100%	Australia
TinLinhe Nitrogen Limited	100%	100%	Hong Kong
Quantum Fertilisers Limited	65%	65%	Hong Kong
Coltivi Insurance Pte Limited	100%	100%	Singapore
Queensland Operations Pty Limited	100%	100%	Australia
Incitec Pivot Investments 1 Pty Ltd ⁽¹⁾	100%	100%	Australia
Incitec Pivot Investments 2 Pty Ltd	100%	100%	Australia
Incitec Pivot US Investments	100%	100%	USA
Incitec Pivot US Holdings Pty Ltd	100%	100%	Australia
Incitec Pivot Management LLC	100%	100%	USA
Incitec Pivot Finance LLC	100%	100%	USA
Incitec Pivot Finance Australia Pty Ltd ⁽¹⁾	100%	100%	Australia
Dyno Nobel Pty Limited	100%	100%	Australia
Dyno Nobel Australia LLC	100%	100%	USA
Prime Manufacturing Ltd	75%	75%	New Zealand
The Dyno Nobel SPS LLC	100%	100%	USA
Dyno Nobel Europe Pty Ltd	100%	100%	Australia
Dyno Nobel Management Pty Limited	100%	100%	Australia
Industrial Investments Australia Finance Pty Limited	100%	100%	Australia
Dyno Nobel Holdings IV LLC	100%	100%	USA
Dyno Nobel Holdings USA III, Inc.	100%	100%	USA
Dyno Nobel Holdings USA II	100%	100%	USA
Dyno Nobel Holdings USA II, Inc.	100%	100%	USA
Dyno Nobel Holdings USA, Inc.	100%	100%	USA

(1) Party to deed of cross guarantee dated 30 September 2008.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

36. Investments in controlled entities (continued)

Name of entity	Ownership interest		Country of incorporation
	September 2014	September 2013	
Controlled entities – operating (continued)			
Dyno Nobel Inc.	100%	100%	USA
Dyno Nobel Transportation, Inc.	100%	100%	USA
Simsbury Hopmeadow Street LLC	100%	100%	USA
Tech Real Estate Holdings LLC	100%	100%	USA
Tradestar Corporation	100%	100%	USA
Dyno Nobel Explosivos Chile Limitada	100%	100%	Chile
CMMPM, LLC	100%	100%	USA
CMMPM Holdings, L.P.	100%	100%	USA
Dyno Nobel Peru S.A.	100%	100%	Peru
Dyno Nobel Mexico, S.A. de C.V.	99%	99%	Mexico
Dyno Nobel Canada Inc.	100%	100%	Canada
Dyno Nobel Transportation Canada Inc.	100%	100%	Canada
Dyno Nobel Nunavut Inc.	100%	100%	Canada
Incitec Pivot Finance Canada Inc.	100%	100%	Canada
Polar Explosives 2000 Inc.	100%	100%	Canada
Polar Explosives Ltd	84%	84%	Canada
Dyno Nobel Asia Pacific Pty Limited ⁽¹⁾	100%	100%	Australia
Dampier Nitrogen Pty Ltd	100%	100%	Australia
DNX Australia Pty Ltd ⁽¹⁾	100%	100%	Australia
DNX Papua New Guinea Ltd ⁽²⁾	100%	100%	PNG
Dyno Nobel Moranbah Pty Ltd ⁽¹⁾	100%	100%	Australia
Dyno Nobel Moura Pty Limited ⁽¹⁾	100%	100%	Australia
PT DNX Indonesia	100%	100%	Indonesia
Nitromak DNX Kimya Sanayii A.S.	100%	100%	Turkey
SC Romnitro Explosives Srl.	100%	100%	Romania
DNX Nitro Industria Kimike Sh.p.k	100%	100%	Albania
Dyno Nobel Louisiana Ammonia, LLC	100%	100%	USA

(1) Party to deed of cross guarantee dated 30 September 2008.

(2) These entities have a 31 December financial year end.

Notes to the Consolidated Financial Statements

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37. Deed of cross guarantee

	Closed Group	
	2014 \$mill	2013 * \$mill
Statement of Financial Position		
Current assets		
Cash and cash equivalents	19.3	210.5
Trade and other receivables	140.5	192.8
Other financial assets	16.9	5.6
Inventories	316.4	319.7
Assets classified as held for sale	0.1	0.5
Other assets	23.9	35.1
Current tax asset	-	12.7
Total current assets	517.1	776.9
Non-current assets		
Trade and other receivables	129.4	6.0
Other financial assets	4,331.2	4,248.3
Investments accounted for using the equity method	54.3	99.5
Property, plant and equipment	2,255.9	2,181.7
Intangible assets	270.6	282.0
Deferred tax assets	117.4	96.0
Total non-current assets	7,158.8	6,913.5
Total assets	7,675.9	7,690.4
Current liabilities		
Trade and other payables	604.0	754.4
Interest bearing liabilities	24.0	25.1
Provisions	65.5	88.8
Other financial liabilities	26.0	39.6
Current tax liabilities	11.9	-
Total current liabilities	731.4	907.9
Non-current liabilities		
Trade and other payables	306.2	492.5
Interest bearing liabilities	780.4	747.3
Other financial liabilities	277.0	114.3
Retirement benefit obligation	9.1	7.3
Provisions	44.3	36.7
Deferred tax liabilities	268.3	184.4
Total non-current liabilities	1,685.3	1,582.5
Total liabilities	2,416.7	2,490.4
Net assets	5,259.2	5,200.0
Equity		
Issued capital	3,332.8	3,265.9
Reserves	580.1	699.8
Retained earnings	1,346.3	1,234.3
Total equity	5,259.2	5,200.0
Statement of Profit or Loss and Other Comprehensive Income		
Profit before income tax	341.6	374.4
Income tax expense	(76.5)	(77.8)
Profit for the financial year	265.1	296.6
Retained profits at the beginning of the financial year	1,234.3	1,139.0
Other movements in retained earnings	(1.1)	2.3
Dividend paid	(152.0)	(203.6)
Retained profits at the end of the financial year	1,346.3	1,234.3

* Comparative information has been restated as a result of the Group adopting the revised AASB 119 'Employee Benefits'.

Entities which are party to a Deed of Cross Guarantee dated 30 September 2008, entered into in accordance with ASIC Class Order 98/1418 (as amended), are disclosed in Note 36, Investments in controlled entities. Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income for this closed group are shown above.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2014

38. Parent entity disclosure

As at, and throughout, the financial year ended 30 September 2014 the parent company of the Group was Incitec Pivot Limited.

Parent entity guarantees in respect of debts of its subsidiaries

As at 30 September 2014 the Company's current liabilities exceeded its current assets by \$624.5m. The parent entity is part of a Deed of Cross Guarantee with the effect that the Group guarantees debts in respect of all members within the Group. The Group's forecasted cash flows for the next 12 months indicate that it will be able to meet current liabilities as and when they fall due. In addition the Group has undrawn financing facilities of \$1,450.0m at 30 September 2014 and a cash balance of \$70.5m.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Notes 36 and 37.

	2014 \$mill	Company 2013 * \$mill
Results of the parent entity		
Profit for the period	66.6	11.3
Other comprehensive (loss)/income	(121.5)	(175.8)
Total comprehensive (loss)/income for the period	(54.9)	(164.5)
Financial position of the parent entity at year end		
Current assets	339.6	576.6
Total assets	6,416.3	6,537.4
Current liabilities	964.1	1,198.9
Total liabilities	3,286.7	3,267.8
Net assets	3,129.6	3,269.6
Total equity of the parent entity comprises		
Share capital	3,332.8	3,265.9
Cash flow hedging reserve	(7.8)	(15.8)
Foreign currency translation reserve	(206.4)	(76.0)
Fair value reserve	(8.7)	(11.0)
Retained earnings	19.7	106.5
Total equity	3,129.6	3,269.6
Parent entity contingencies		
Contingent liabilities of Incitec Pivot Limited are disclosed in Note 31.		
Plant and equipment		
Contracted but not yet provided for and payable:		
Within one year	1.6	2.6

* Comparative information has been restated as a result of the Group adopting the revised AASB 119 'Employee Benefits'.

39. Events subsequent to reporting date

Dividends

Since the end of the financial year, in November 2014, the directors have determined to pay a final dividend of 7.3 cents per share on 16 December 2014. This dividend is 10 percent franked at the 30 percent corporate tax rate.

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

Directors' Declaration

on the Financial Statements set out on pages 43 to 107

I, Paul Brasher, being a director of Incitec Pivot Limited ("the Company"), do hereby state in accordance with a resolution of the directors that in the opinion of the directors,

1. (a) the financial statements and notes, set out on pages 43 to 107, and the remuneration disclosures that are contained in the Remuneration Report on pages 16 to 31 of the Directors' Report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and the Group as at 30 September 2014 and of their performance, for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and
- (c) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the controlled entities identified in Note 36 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418 (as amended).
3. The directors have been given the declaration by the Chief Executive Officer and the Chief Financial Officer as required by section 295A of the Corporations Act 2001 for the financial year ended 30 September 2014.



Paul Brasher
Chairman

Dated at Melbourne this 10th day of November 2014

Independent Auditor's Report to the members of Incitec Pivot Limited

Report on the Financial Report

We have audited the accompanying financial report of Incitec Pivot Limited ("the Company"), which comprises the consolidated statement of financial position as at 30 September 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, Notes 1 to 39 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the consolidated entity comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Incitec Pivot Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Incitec Pivot Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 September 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 31 of the directors' report for the year ended 30 September 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Incitec Pivot Limited for the year ended 30 September 2014, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Tom Imbesi
Partner
Chartered Accountants
Melbourne, 10 November 2014

Shareholder Statistics

As at 10 November 2014

Distribution of ordinary shareholder and shareholdings

Size of holding	Number of holders	Percentage	Number of shares	Percentage
1 – 1,000	12,507	21.74%	6,039,707	0.37%
1,001 – 5,000	28,761	50.00%	82,715,623	5.00%
5,001 – 10,000	8,994	15.64%	65,753,126	3.97%
10,001 – 100,000	7,089	12.33%	149,435,765	9.03%
100,001 and over	166	0.29%	1,351,053,976	81.63%
Total	57,517	100.00%	1,654,998,197	100.00%

Included in the above total are 2,323 shareholders holding less than a marketable parcel of shares.

The holdings of the 20 largest holders of fully paid ordinary shares represent 78.24% of that class of shares.

Twenty largest ordinary fully paid shareholders

	Number of shares	Percentage
HSBC Custody Nominees (Australia) Limited	476,514,656	28.79%
J P Morgan Nominees Australia Limited	282,576,616	17.07%
National Nominees Limited	257,946,622	15.59%
Citicorp Nominees Pty Limited	117,499,164	7.10%
BNP Paribas Noms Pty Ltd <DRP>	43,140,476	2.61%
Australian Foundation Investment Company Limited	21,483,212	1.30%
Citicorp Nominees Pty Limited <COLONIAL FIRST STATE INV A/C>	16,177,075	0.98%
AMP Life Limited	15,314,678	0.93%
HSBC Custody Nominees (Australia) Limited <NT-COMNWLTH SUPER CORP A/C>	13,160,551	0.80%
UBS Wealth Management Australia Nominees Pty Ltd	7,468,667	0.45%
RBC Investor Services Australia Nominees Pty Limited <MBA A/C>	7,414,364	0.45%
RBC Investor Services Australia Nominees Pty Limited <GSAM A/C>	6,206,878	0.38%
QIC Limited	5,945,978	0.36%
UBS Nominees Pty Ltd	4,560,000	0.28%
ARGO Investments Limited	4,095,530	0.25%
Citicorp Nominees Pty Limited <BHP BILLITON ADR HOLDERS A/C>	3,302,068	0.20%
National Nominees Limited <DB A/C>	3,080,012	0.19%
Avanteos Investments Limited <ENCIRCLE IMA A/C>	3,027,005	0.18%
Djerriwarrh Investments Limited	2,906,445	0.18%
INVIA Custodian Pty Limited <GSJBW MANAGED A/C>	2,490,149	0.15%
Total	1,294,310,146	78.24%

Substantial shareholders

The following parties have declared a relevant interest in the number of voting shares at the date of giving the notice under Part 6C.1 of the Corporations Act.

	Votes/Number of shares
Harris Associates L.P.	154,188,030
Schroder Investment Management Australia Limited	141,367,041

On-market buy-back

There is no current on-market buy-back.

Five Year Financial Statistics

Incitec Pivot Limited and its controlled entities		2014 \$mill	2013 ⁽¹⁾ \$mill	2012 \$mill	2011 \$mill	2010 \$mill
Sales		3,352.0	3,403.7	3,500.9	3,545.3	2,931.7
Earnings before depreciation, amortisation, net borrowing costs, individually material items and tax		742.7	645.2	754.9	920.3	787.3
Depreciation and amortisation (excluding individually material items)		(223.3)	(183.7)	(155.8)	(148.2)	(139.0)
Earnings before net borrowing costs, individually material items and tax (EBIT)		519.4	461.5	599.1	772.1	648.3
Net borrowing costs (excluding individually material items)		(76.9)	(71.2)	(55.5)	(58.2)	(53.0)
Individually material items before tax		(130.8)	(41.5)	168.1	(92.5)	(55.4)
Taxation revenue/(expense)		(63.5)	18.9	(203.7)	(154.1)	(127.7)
Operating profit/(loss) after tax and individually material items		248.2	367.7	508.0	467.3	412.2
Operating profit/(loss) after tax and individually material items attributable to non controlling interest		1.1	0.6	(2.7)	4.1	1.7
Operating profit/(loss) after tax and individually material items attributable to shareholders of Incitec Pivot Limited		247.1	367.1	510.7	463.2	410.5
Individually material items after tax		(109.2)	73.6	106.0	(66.9)	(32.3)
Operating profit after tax before individually material items (net of tax)		356.3	293.5	404.7	530.1	442.8
Dividends		152.0	203.6	187.3	151.4	66.4
Current assets		833.6	1,175.2	1,020.5	1,388.0	979.3
Property, plant and equipment		3,511.4	3,033.5	2,738.5	2,283.3	1,844.1
Investments		291.2	299.1	292.8	257.1	256.5
Intangibles		2,992.3	2,961.0	2,845.2	2,942.3	3,010.0
Other non-current assets		341.7	215.0	116.4	131.2	220.4
Total assets		7,970.2	7,683.8	7,013.4	7,001.9	6,310.3
Current borrowings and payables		899.6	1,052.4	969.4	1,064.9	832.8
Current provisions		90.5	108.4	122.8	98.3	82.6
Non-current borrowings and payables		2,489.5	2,225.7	1,815.3	2,068.2	1,701.0
Non-current provisions		83.6	77.5	74.5	63.8	82.6
Total liabilities		3,563.2	3,464.0	2,982.0	3,295.2	2,699.0
Net assets		4,407.0	4,219.8	4,031.4	3,706.7	3,611.3
Shareholders' equity		4,404.3	4,216.9	4,029.1	3,701.7	3,609.2
Equity attributable to non controlling interest		2.7	2.9	2.3	5.0	2.1
Total shareholders' equity		4,407.0	4,219.8	4,031.4	3,706.7	3,611.3
Ordinary Shares	thousands	1,654,998	1,628,730	1,628,730	1,628,730	1,628,730
Number of shares on issue at year end	thousands	1,654,998	1,628,730	1,628,730	1,628,730	1,628,730
Weighted average number of shares on issue (investor and ordinary)	thousands	1,643,970	1,628,730	1,628,730	1,628,730	1,623,134
Earnings/(losses) per share						
before individually material items	cents	21.7	18.0	24.8	32.5	27.3
including individually material items	cents	15.0	22.5	31.4	28.4	25.3
Dividends (declared)	cents	10.8	9.2	12.4	11.5	7.8
Dividends (paid)	cents	9.3	12.5	11.5	9.3	4.1
Dividend franking	%	31	75	68	-	-
Share price range						
	High	\$3.20	\$3.34	\$3.68	\$4.66	\$3.78
	Low	\$2.37	\$2.59	\$2.62	\$2.99	\$2.51
	Year end	\$2.71	\$2.69	\$2.98	\$3.27	\$3.59
Stockmarket capitalisation at year end	\$mill	4,485.0	4,381.3	4,853.6	5,325.9	5,847.1
Net tangible assets per share	\$	0.85	0.77	0.73	0.47	0.37
Profit margin (earnings before net borrowing costs, individually material items and tax/sales)	%	15.5	13.6	17.1	21.8	22.1
Net borrowings (interest bearing liabilities less cash)	\$mill	1,672.4	1,383.5	1,286.9	1,188.8	1,097.1
Gearing (net borrowings/net borrowings plus equity)	%	27.5	24.7	24.2	24.3	23.3
Interest cover (earnings before net borrowing costs and tax/net borrowing costs)	times	6.8	6.5	10.8	13.3	12.2
Net capital expenditure on plant and equipment (cash flow)	\$mill	638.0	428.2	616.6	610.4	297.3
Net capital expenditure on acquisitions/(disposals) (cash flow)	\$mill	-	-	35.1	(1.5)	103.7
Return on average shareholders funds						
before individually material items	%	8.3	7.1	10.5	14.5	12.7
including individually material items	%	5.7	8.9	13.1	12.8	11.9

(1) Comparative information has been restated to reflect changes made in the financial statements.

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Shareholder Information

Annual General Meeting

2.00 pm (Melbourne time)
Friday, 19 December 2014
The Auditorium,
Level 2, Melbourne Exhibition Centre,
2 Clarendon Street,
South Wharf Victoria,
Australia

Securities Exchange Listing

Incitec Pivot Limited's shares are listed on the Australian Securities Exchange (ASX) and are traded under the ASX code IPL

Share Registry

Link Market Services Limited
Level 12, 680 George Street,
Sydney New South Wales 2000,
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Locked Bag A14,
Sydney South New South Wales 1235,
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General Facsimile: +61 2 9287 0303
Proxy Facsimile: +61 2 9287 0309
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

Auditor

Deloitte Touche Tohmatsu
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Incitec Pivot Limited

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