

26 September 2007

The Manager
Company Announcements Office
ASX
Level 4
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

2006-2007 FULL YEAR RESULT & PRELIMINARY FINAL REPORT

In accordance with ASX Listing Rule 4.3A, the following documents are attached for release to the market:

- Appendix 4E – Preliminary Final Report
- Directors' Comments on Preliminary Final Report
- Financial Statements and Accounting Policies
- Directors' Report
- Auditor's Independence Declaration
- Directors' Declaration
- Independent Audit Report

Yours faithfully



RODNEY HEATH
Company Secretary

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APPENDIX 4E**NUFARM LIMITED
ABN 37 091 323 312****PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 JULY 2007****Results for announcement to the market**

| | | | | |
|--|------|--------|----|-----------|
| Revenue from ordinary activities: | | | | |
| From continuing operations | up | 5.2% | to | 1,764,384 |
| From discontinued operations | down | -56.0% | to | 29,806 |
| TOTAL | up | 2.8% | to | 1,794,190 |
| Profit from ordinary activities after tax attributable to members: | | | | |
| Before significant items | | | | |
| Continuing operations | up | 0.6% | to | 111,696 |
| Discontinued operations | down | -9.7% | to | 9,165 |
| TOTAL | down | -0.2% | to | 120,861 |
| After significant items: | | | | |
| Continuing operations | up | 4.3% | to | 106,956 |
| Discontinued operations | up | 186% | to | 41,840 |
| TOTAL | up | 26.9% | to | 148,796 |
| Net profit attributable to members: | | | | |
| Before significant items | down | -0.3% | to | 120,861 |
| After significant items | up | 22.8% | to | 148,796 |

| Dividends | | | | |
|-----------------------|----------------------------|------------|------------------------------------|------------|
| | Amount per Security | | Franked amount Per security | |
| | | | | |
| Final dividend | This year | Prior year | This year | Prior year |
| | 21¢ | 20¢ | 21¢ | 20¢ |
| Record date: 19/10/07 | | | | |

| | This year | | Prior Year |
|---|------------------|--|-------------------|
| Final Dividend | | | |
| Amount per security | \$ 0.21 | | \$ 0.20 |
| Total value of dividend | \$36,015,263 | | \$34,298,450 |
| Franked amount per security at 30% | \$ 0.21 | | \$ 0.20 |
| Amount per security of Foreign Source Dividend | Nil | | Nil |
| Date payable | 09/11/07 | | 10/11/06 |
| Record date for entitlement | 19/10/07 | | 20/10/06 |
| Interim Dividend | | | |
| Amount per security | \$ 0.11 | | \$ 0.10 |
| Franked amount per security at 30% | \$ 0.11 | | \$ 0.10 |
| Amount per security of Foreign Source Dividend | Nil | | Nil |
| Date paid | 27/04/07 | | 28/04/06 |
| Total Dividends | | | |
| Amount per security | \$ 0.32 | | \$ 0.30 |
| Dividend Reinvestment Plans | None | | None |
| Net Tangible assets per ordinary share | \$ 2.61 | | \$ 2.41 |
| Control Gained Over Entities (refer note 14) | | | |
| Control Lost Over Entities (refer note 12) | | | |

Audit Status

This Appendix 4E is based on accounts which have been audited, and the accounts, including the audit opinion is attached.

Commentary

A commentary on the results for the year is attached.



D J Rathbone
Managing Director

September 26, 2007

Preliminary announcement

Full year results for the period ending July 31, 2007

| Financial highlights | |
|--|------------------------|
| Reported net profit - | \$148.8 million |
| Group revenues - | \$1.76 billion |
| Tax paid operating profit - (exc. non operating items) | \$120.9 million |
| Earnings per share - (exc. discontinued operations) | 59.2 cents |
| Full year dividend - | 32 cents |
| Gearing (net debt to equity) - | 36% |
| EBIT – Interest cover - | 4.1 times |

The directors of Nufarm Limited announced today a net profit of \$148.8 million for the year ended July 31, 2007. This included \$27.9 million in non operating items, resulting in a tax paid operating profit of \$120.9 million. The operating result is slightly below last year's net operating profit of \$121.1 million and some 7% below the company's previous guidance.

This result is satisfactory given the significant impact of the severe drought conditions that prevailed in Australia during most of the company's financial year. It had been expected to recover the position in Australia during the second half, but – while climatic conditions improved in some areas of the country – this improvement was not sufficient to deliver on previous guidance.

Seasonal conditions – and registration issues in the UK - also adversely impacted the profitability of the European businesses.

Nufarm's North American operations again performed very strongly and the company's continued expansion into the growing markets of Central and Eastern Europe has shown excellent early progress.

Total group sales were \$1.76 billion, an increase of 5% on last year's revenues of \$1.68 billion. This included some \$60 million in sales recorded by Agripec in Brazil in June and July, after Nufarm assumed 100% control of that business.

Australasia generated \$685 million in sales (39% of total sales) and remains the company's largest region for both revenues and profit contribution. The Americas recorded \$640 million in sales (36% of total); and Europe \$440 million (25%).

Earnings per share (on an operating basis, excluding discontinued operations) were 59.2 cents, compared with last year's 60.3 cents.

Non operating items

The company's total net profit of \$148.8 million, included \$27.9 million associated with non operating items.

The previously announced sale of Nufarm's 80% interest in the Nufarm Coogee chlor alkali plants in Western Australia was completed on July 31 and resulted in an after tax gain of \$32.6 million.

A small profit was also booked on the closure and sale of a warehouse facility in Spain.

The non operating profit was offset by some restructuring costs and one-off legal expenses. Upon Nufarm's move to 100% ownership of Agripec, a detailed review was undertaken of previous years' debtors. Following this review, it was determined that additional provisions would be made, consistent with Nufarm's more conservative policy relating to the treatment of doubtful debts.

Final Dividend

Directors declared a fully franked final dividend of 21 cents per share, resulting in a full year dividend of 32 cents. This is 7%, or 2 cents, higher than the dividend paid in the previous year.

The final dividend will be paid on November 9, 2007 to the holders of all fully paid shares in the company as at the close of business on October 10, 2007.

Business review

The company's 12 month reporting period was characterised by a number of adverse weather effects, particularly in Australia. Some European markets also experienced seasonal conditions that negatively impacted sales, with warm and dry conditions reducing fungicide applications.

The second half of the year saw demand drivers strengthen in global agriculture and increases in many soft commodity prices. This provided a positive environment for crop protection sales, particularly in North America.

The farm economy strengthened in Brazil, with adverse currency impacts offset by higher commodity prices and a good harvest. Nufarm acquired the balance of Agripec and fully consolidated the final two months (June, July) of results from the Agripec business.

The newly acquired business in Italy also made an initial contribution this year.

Australasia

The Australasian business generated \$685 million in sales and a segment profit of \$103.7 million in the 2007 financial year.

Widespread and severe drought conditions severely impacted the business in Australia during the first eight months of the year, and this was only partly recovered in the latter months of the period. While good and early season opening rains were experienced in South Australia, Victoria and parts of New South Wales, important cropping regions in Queensland, Northern New South Wales and Western Australia remained dry throughout autumn and the early winter.

Water allocations for irrigators were very restricted, resulting in markedly lower sales in higher value market segments such as horticulture, as well as cotton and rice.

Stronger global demand for glyphosate saw raw material costs increase dramatically and, while a number of price increases were implemented in Australia during the 2007 year, the difficult climatic conditions restricted the company's ability to maintain margins on glyphosate sales. Glyphosate is Nufarm's largest selling product in Australia, and on a global basis.

Australian sales were more than 7% down on the previous year. Limited demand, lower sales of higher value products, and pricing pressure negatively impacted margins, and – combined with higher costs in some areas – there was a larger impact on profitability.

New Zealand crop protection sales were slightly up on the previous year, but increased competition adversely impacted margins resulting in a slightly lower profit contribution.

Sales in Asia were also higher than in the previous year, with the company's Indonesian business performing strongly. Less competition from Chinese sourced glyphosate products and several new product registrations provided additional selling opportunities for Nufarm in a number of Asian markets.

Americas

The Americas region recorded \$640 million in total sales – a 20% increase on the previous year – and a segment profit of \$80 million, up more than 65% on 2006. Excluding the impact of Agripec in Brazil, regional profit increased by 39%

Seasonal conditions in both North America and South America were generally favourable.

In the USA, agricultural producers saw relatively high moisture levels maintained for most of the season. Unseasonably cool and wet conditions – and a late freeze in April – impacted the turf segment, while dry conditions in parts of the Southeast were not conducive to strong sales in forestry.

New mandated production targets for crop based biofuels drove very strong corn plantings and contributed to a generally buoyant agriculture sector.

While sales and pricing competition remained strong, Nufarm's US business grew revenues in local currency by some 20%. An improved product mix, and the introduction of new higher margin products such as 'Nuprid' (imidacloprid) helped generate an excellent profit performance.

In Canada, sales increased by approximately 18% (local currency), with gross margins also improving. Early and dry spring conditions resulted in a higher than average use of pre-plant herbicides, but a subsequent reduction in in-crop treatments.

Argentina experienced an excellent year with sales increasing some 22% (local currency) and gross margins also up on the previous period. Nufarm introduced a number of new higher value formulations and strong corn and soybean prices encouraged increased use of crop protection products.

Chile also generated an improved performance. Despite some ongoing delays in the local regulatory system, several new products were launched, contributing to good growth in sales.

Agripec - Brazil

An agreement to acquire the outstanding 50.1% of Agripec was announced in May, 2007, with Nufarm moving to 100% control on June 1. Nufarm's 2007 results include 10 months of Agripec earnings calculated on an equity accounted basis (49.9% owned subsidiary) and two months of consolidated results (June and July).

Business conditions in Brazil improved during the course of the year as a more stable currency and higher commodity prices helped ease the credit related issues that negatively impacted the previous year. The full benefit of these improved conditions will not be seen until the 2008 year.

Agripec generated a total profit contribution – prior to financing costs and including the impact of additional provisioning for doubtful debts - of \$17.2 million (\$8.5 million in 2006). This comprised a \$7.8 million equity accounted profit for the ten months to the end of May and a \$9.4 million profit for the final two months of the financial year, fully consolidated.

Agripec implemented a more restricted credit policy over the past year and increased its use of barter trading as part of its risk management policy. Collections relating to the most recent selling season have met target, however a number of outstanding payments remain from the 2006 and 2005 years.

The introduction of new products helped the business increase its penetration in the horticulture, cotton and corn segments and a strong sales campaign for Agripec's insecticides portfolio was a major contributor to the high overall sales outcome. For the full year, Agripec net sales were R\$459 million, compared to R\$383 million in the previous period, an increase of 20%.

Europe

Total European sales were \$440 million (2006 - \$393 million). Excluding the impact of non operating items, the profit generated in Europe in 2007 was \$34.4 million, some \$9 million lower than in the previous year.

Nufarm's European businesses achieved target results in most markets despite mixed seasonal and business conditions throughout the region.

A generally mild winter and early spring provided good early planting conditions across the continent. In the northern European markets, unseasonably warm and dry weather led to lower fungicide applications in the early cereal growing period, with later rains also impacting cereal herbicide sales.

Southern Europe experienced a return to colder weather patterns and this led to crop damage and lower yields in a number of markets.

Nufarm's German business generated a 15% increase in revenues, but reduced sales opportunities for the company's proprietary spring herbicides impacted gross margins.

Both France and Spain also increased sales and profit, however the UK business suffered from the withdrawal of a product registration and delays in the introduction of planned new products. These impacts occurred very late in the financial year and had a substantial negative impact on the UK results.

The European results were also negatively impacted by lower MCPA sales from the company's Botlek (Holland) facility.

Nufarm's acquisition of the Agrosol business in Italy (completed in October, 2006) provided a platform for significant sales growth in that market.

The company's expansion into central and Eastern Europe also saw very positive progress, with the new business in Romania generating excellent first year sales (with eight new product registrations) and new opportunities emerging in other regional markets.

Seeds

Nufarm continued its expansion into the growing seeds segment in Australia, with the acquisition, in September 2006, of Monsanto's Roundup Ready® canola germ plasm and a licence to the Roundup Ready® canola trait.

The acquisition strengthens Nufarm's existing position in seeds and allows the company to accelerate the development and introduction of new seed technologies. Roundup Ready® is a genetic trait that allows farmers to use Roundup herbicide over the top of their crops, offering broad spectrum and efficient weed control and simplifying production of those crops.

The seed business was also negatively impacted by Australia's adverse seasonal conditions in the reporting period, with lower canola plantings and a restricted capacity to bulk up new seed varieties.

Treasury

Net debt to equity was 36%, compared with 81% at July 31, 2006. The lower gearing level largely results from the issue of a hybrid equity instrument (Nufarm Step-up Securities) in place of capital notes. The debt associated with the acquisition of the balance of Agripec is not reflected in the 2007 accounts as settlement did not take place until mid August. Had it been incurred prior to July 31, the impact of this additional debt would have resulted in a gearing level of 57%.

Net working capital, after allowing for the acquisition of Agripec, increased \$67 million over the previous year. June/July sales in 2007 (excluding Agripec) were some \$65 million higher than in 2006, leading to a substantial increase in receivables.

Inventories were some \$12 million higher, offset by increased trade payables of nearly \$40 million.

Agripec had approximately \$137 million in trade working capital, which was offset by recording the purchase price of the business (\$218 million) in August 2007 as a current liability in the July 31 accounts.

The high level of relatively late sales in the 2007 financial year had a significant impact on cash generated from operations in the period. As a consequence, the cash flow outcome was similar to that recorded in 2006.

Interest costs were up on the previous year due to the higher levels of working capital and increases in base interest rates in various markets around the world.

Nufarm Step-up Securities (NSS)

Nufarm issued \$251 million of NSS in November 2006. These securities are recorded as a component of equity and replaced the Capital Notes that had been issued over the last 10 years.

The NSS have a floating distribution rate, being 190 points above the 180 day BBSW on the 15 October and 15 April each year. The distributions, net of the applicable tax benefit, are recorded in equity, and are not included in the calculation of profit.

Outlook

Given normal climatic conditions in the major markets, the outlook for Nufarm's business in financial year 2008 is positive.

Demand drivers in global agriculture are strong and the company believes that these factors will be sustained for the medium to long term as competing uses for food crops continue to impact commodity prices, planting intentions and pressure to improve yields.

Glyphosate supply will continue to be tight on a global basis, maintaining pressure on raw material costs. The company is confident, however, of being able to pass through those cost increases in the form of higher prices in order to maintain margins in this important product. Management is actively engaged in securing access to additional glyphosate capacity.

Nufarm has established operations in the major global agricultural markets and, in the 2008 financial year, will deliver a number of important new products to those businesses.

A continued strong performance is anticipated in the USA; margin improvement is forecast in a number of European markets; and the Australian business is positioned to take full advantage of any improvement in climatic conditions.

Business conditions in Brazil are expected to continue to strengthen, with forecasts for increased soybean and corn plantings and a higher spending capacity for Brazilian farmers. New products will also be introduced in a number of key crop segments. The company's first full year of 100% ownership of Agripec is forecast to generate between \$25 million and \$30 million in operating profit.

In the 2008 financial year, Nufarm is forecasting a group operating profit of approximately \$145 million. On a comparable basis and excluding the net \$9.2 million profit from the divested chlor alkali interests, this represents profit growth of almost 30% for the company's continuing crop protection businesses.

This forecast profit growth assumes that seasonal conditions in Australia will remain difficult.

Directors remain confident in the ability of the company to take advantage of new growth opportunities.

A handwritten signature in black ink, appearing to read 'D J Rathbone'.

D J Rathbone
Managing Director

Nufarm Limited

Income statement

for the year ended 31 July 2007

| | Note | Consolidated | | Company | |
|--|------|-----------------|-----------------|----------------|----------------|
| | | 2007 \$000 | 2006 \$000 | 2007 \$000 | 2006 \$000 |
| Continuing operations | | | | | |
| Revenue | | 1,764,384 | 1,676,746 | 46,209 | 34,313 |
| Cost of sales | | (1,268,723) | (1,193,455) | (31,018) | (15,837) |
| Gross profit | | <u>495,661</u> | <u>483,291</u> | <u>15,191</u> | <u>18,476</u> |
| Other income | 7 | 8,567 | 9,914 | 60,065 | 47,803 |
| Sales, marketing and distribution expenses | | (186,019) | (188,482) | (5,502) | (5,164) |
| General and administrative expenses | | (93,357) | (95,835) | (3,516) | (3,196) |
| Research and development expenses | | (30,000) | (32,563) | (529) | (505) |
| Results from operating activities | | <u>194,852</u> | <u>176,325</u> | <u>65,709</u> | <u>57,414</u> |
| Financial income | 10 | 5,336 | 7,995 | 6,801 | 20,215 |
| Financial expenses | 10 | (59,770) | (57,241) | (8,736) | (21,796) |
| Net financing costs | | <u>(54,434)</u> | <u>(49,246)</u> | <u>(1,935)</u> | <u>(1,581)</u> |
| Share of net profits of associates | 19 | 8,056 | 10,545 | 788 | 1,013 |
| Profit before income tax | | <u>148,474</u> | <u>137,624</u> | <u>64,562</u> | <u>56,846</u> |
| Income tax expense | 11 | (41,151) | (34,459) | (1,448) | (2,710) |
| Profit from continuing operations | | <u>107,323</u> | <u>103,165</u> | <u>63,114</u> | <u>54,136</u> |
| Discontinued operations | | | | | |
| Profit and loss of discontinued operations and gain on sale of discontinued operations (after tax) | 12 | 41,840 | 14,634 | - | 6,624 |
| Profit for the year | | <u>149,163</u> | <u>117,799</u> | <u>63,114</u> | <u>60,760</u> |
| Attributable to: | | | | | |
| Equity holders of the parent | | 148,796 | 117,220 | 63,114 | 60,760 |
| Minority interest | | 367 | 579 | - | - |
| Profit for the year | | <u>149,163</u> | <u>117,799</u> | <u>63,114</u> | <u>60,760</u> |
| Earnings per share | | | | | |
| Basic earnings per share | 31 | 83.6 | 68.9 | | |
| Diluted earnings per share | 31 | 83.6 | 68.9 | | |
| Continuing operations | | | | | |
| Basic earnings per share | 31 | 59.2 | 60.3 | | |
| Diluted earnings per share | 31 | 59.2 | 60.3 | | |

The income statement is to be read in conjunction with the attached notes.

Balance sheet

As at 31 July 2007

| | Note | Consolidated | | Company | |
|---|------|------------------|------------------|----------------|----------------|
| | | 2007 \$000 | 2006 \$000 | 2007 \$000 | 2006 \$000 |
| Current assets | | | | | |
| Cash and cash equivalents | 15 | 92,377 | 51,269 | 15,034 | 10,739 |
| Trade and other receivables | 16 | 787,909 | 524,164 | 235,182 | 452,112 |
| Inventories | 17 | 477,404 | 432,023 | 14,721 | 13,598 |
| Current tax assets | 18 | 27,348 | 6,172 | 11,651 | 377 |
| Assets classified as held for sale | 13 | - | 23,909 | - | - |
| Total current assets | | 1,385,038 | 1,037,537 | 276,588 | 476,826 |
| Non-current assets | | | | | |
| Receivables | 16 | 15,336 | 17,738 | - | - |
| Equity accounted investments | 19 | 22,966 | 224,886 | 8,341 | 7,724 |
| Other investments | 20 | 271 | 503 | 307,214 | 247,213 |
| Deferred tax assets | 21 | 93,577 | 57,140 | 1,079 | 1,137 |
| Property, plant and equipment | 23 | 333,777 | 285,738 | 5,034 | 3,892 |
| Intangible assets | 24 | 580,721 | 296,406 | 24 | 17 |
| Other | 22 | 7,225 | - | - | - |
| Total non-current assets | | 1,053,873 | 882,411 | 321,692 | 259,983 |
| TOTAL ASSETS | | 2,438,911 | 1,919,948 | 598,280 | 736,809 |
| Current liabilities | | | | | |
| Bank overdraft | 15 | 12,716 | 19,940 | 2,667 | 23,574 |
| Trade and other payables | 25 | 812,336 | 474,762 | 119,217 | 62,357 |
| Interest bearing loans and borrowings | 26 | 360,061 | 495,807 | - | 190,258 |
| Employee benefits | 27 | 15,328 | 14,389 | 317 | 358 |
| Current tax payable | 18 | 23,956 | 9,999 | 14,096 | 8,199 |
| Provisions | 29 | 11,983 | 3,700 | - | - |
| Liabilities classified as held for sale | 13 | - | 13,425 | - | - |
| Total current liabilities | | 1,236,380 | 1,032,022 | 136,297 | 284,746 |
| Non-current liabilities | | | | | |
| Interest bearing loans and borrowings | 26 | 92,092 | 107,012 | - | - |
| Deferred tax liabilities | 21 | 34,893 | 28,088 | 2 | 56 |
| Employee benefits | 27 | 31,742 | 38,738 | 52 | 31 |
| Provisions | 29 | 14,653 | 11,899 | - | - |
| Total non-current liabilities | | 173,380 | 185,737 | 54 | 87 |
| TOTAL LIABILITIES | | 1,409,760 | 1,217,759 | 136,351 | 284,833 |
| NET ASSETS | | 1,029,151 | 702,189 | 461,929 | 451,976 |
| Equity | | | | | |
| Share capital | 30 | 240,886 | 240,760 | 240,886 | 240,760 |
| Reserves | 30 | 9,192 | 23,891 | 39,657 | 39,799 |
| Retained earnings | 30 | 531,124 | 436,530 | 181,386 | 171,417 |
| Equity attributable to equity holders of the company | | 781,202 | 701,181 | 461,929 | 451,976 |
| Nufarm Step-up Securities | 30 | 246,932 | - | - | - |
| Minority interest | 30 | 1,017 | 1,008 | - | - |
| TOTAL EQUITY | 30 | 1,029,151 | 702,189 | 461,929 | 451,976 |

The balance sheet is to be read in conjunction with the attached notes.

Statement of cash flows

for the year ended 31 July 2007

| | Note | Consolidated | | Company | |
|---|------|-----------------|------------------|-----------------|-----------------|
| | | 2007 \$000 | 2006 \$000 | 2007 \$000 | 2006 \$000 |
| Cash flows from operating activities | | | | | |
| Cash receipts from customers | | 1,692,095 | 1,750,257 | 79,130 | 41,066 |
| Cash paid to suppliers and employees | | (1,539,715) | (1,605,543) | (47,314) | (23,565) |
| Cash generated from operations | | 152,380 | 144,714 | 31,816 | 17,501 |
| Interest received | | 5,336 | 8,132 | 6,801 | 20,215 |
| Dividends received | | 171 | 2,599 | 53,335 | 46,042 |
| Interest paid | | (59,770) | (57,325) | (8,736) | (21,796) |
| Income tax paid | | (35,519) | (35,221) | (6,766) | 1,410 |
| Net cash from operating activities | 38 | <u>62,598</u> | <u>62,899</u> | <u>76,450</u> | <u>63,372</u> |
| Cash flows from investing activities | | | | | |
| Proceeds from sale of property, plant and equipment | | 1,378 | 573 | 133 | 96 |
| Proceeds from business sale | | 67,327 | 8,797 | 25,061 | - |
| Payments for plant and equipment | | (63,231) | (40,156) | (1,433) | (2,416) |
| Purchase of businesses, net of cash acquired | | 37,106 | (37,408) | - | - |
| Payments for acquired intangibles and major product development expenditure | | (22,866) | (44,583) | - | - |
| Net investing cash flows | | <u>19,714</u> | <u>(112,777)</u> | <u>23,761</u> | <u>(2,320)</u> |
| Cash flows from financing activities | | | | | |
| Proceeds from issue of Nufarm Step-up Securities (NSS) | | 244,915 | - | - | - |
| Proceeds from borrowings | | 409,977 | 402,539 | - | - |
| Repayment of borrowings | | (426,383) | (318,858) | - | - |
| Repayment of capital notes | | (195,228) | - | - | - |
| Advances to controlled entities | | - | - | (20,498) | (9,582) |
| Payment for interest rate cap on NSS securities | | (3,755) | - | - | - |
| Distribution to NSS holders | | (8,184) | - | - | - |
| Repayment of finance lease principal | | - | (897) | - | - |
| Dividends paid | | (53,451) | (46,429) | (53,145) | (45,879) |
| Net financing cash flows | | <u>(32,109)</u> | <u>36,355</u> | <u>(73,643)</u> | <u>(55,461)</u> |
| Net increase (decrease) in cash and cash equivalents | | 50,203 | (13,523) | 26,568 | 5,591 |
| Cash at the beginning of the year | | 31,329 | 45,393 | (12,835) | (20,497) |
| Exchange rate fluctuations on foreign cash balances | | (1,871) | 426 | (1,366) | 2,071 |
| Movement in cash reclassified as assets held for sale | | - | (967) | - | - |
| Cash and cash equivalents at the end of the year | 15 | <u>79,661</u> | <u>31,329</u> | <u>12,367</u> | <u>(12,835)</u> |

The statements of cash flows are to be read in conjunction with the attached notes.

Nufarm Limited

Statement of recognised income and expense

for the year ended 31 July 2007

| | Note | Consolidated | | Company | |
|---|------|-----------------|----------------|---------------|---------------|
| | | 2007 \$000 | 2006 \$000 | 2007 \$000 | 2006 \$000 |
| Items recognised directly in equity | | | | | |
| Foreign exchange translation differences for foreign operations | 30 | (14,680) | 693 | (1) | (248) |
| Actuarial gains (losses) on defined benefit plans | 30 | 4,093 | (713) | - | - |
| Cash flow hedges: | | | | | |
| Amounts taken to equity | 30 | - | (594) | - | (8) |
| Foreign exchange movements taken to income statement | 30 | 20 | 574 | (50) | 58 |
| Income tax on income and expense recognised directly in equity | 30 | 27 | - | - | - |
| Income and expense recognised directly in equity | | <u>(10,540)</u> | <u>(40)</u> | <u>(51)</u> | <u>(198)</u> |
| Profit for the year | | 149,163 | 117,799 | 63,114 | 60,760 |
| Total recognised income and expense for the year | | <u>138,623</u> | <u>117,759</u> | <u>63,063</u> | <u>60,562</u> |
| Attributable to: | | | | | |
| Equity holders of the parent | | 138,308 | 117,221 | 63,063 | 60,562 |
| Minority interest | | 315 | 538 | - | - |
| Total recognised income and expense for the year | | <u>138,623</u> | <u>117,759</u> | <u>63,063</u> | <u>60,562</u> |
| Prior period adjustment | | | | | |
| Impact of correction of prior period error on retained earnings | 43 | <u>-</u> | <u>(7,177)</u> | <u>-</u> | <u>-</u> |
| Effects of change in accounting policy - financial instruments | | | | | |
| Equity holders of the parent | | - | 574 | - | 58 |
| Minority interest | | - | - | - | - |
| | | <u>-</u> | <u>574</u> | <u>-</u> | <u>58</u> |

Other movements in equity arising from transactions with owners are set out in note 30.

The amounts recognised directly in equity are disclosed net of tax - see note 11 for tax effect.

The statements of recognised income and expense are to be read in conjunction with the attached notes.

Notes to the financial statements

1 Reporting entity

Nufarm Limited (the 'Company') is domiciled in Australia. The consolidated financial statements of the company as at and for the year ended 31 July 2007 comprise the company and its subsidiaries (together referred to as the 'group') and the group's interest in associates and jointly controlled entities.

2 Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the group also complies with IFRS and interpretations adopted by the International Accounting Standards Board. The company's financial report does not comply with IFRS as the company has elected to apply the relief provided to parent entities by AASB 132 *Financial Instruments: Presentation and Disclosure* in respect of certain disclosure requirements.

The financial statements were approved by the board of directors on 26 September 2007.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- * derivative financial instruments are measured at fair value; and
- * financial instruments at fair value through profit or loss are measured at fair value.

The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the company's functional currency. 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, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. 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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- * Note 14 - business combinations;
- * Note 21 - utilisation of tax losses;
- * Note 24 - measurement of the recoverable amounts of cash-generating units and impairment of goodwill and indefinite life intangibles; and
- * Note 29 and 35 - provisions and contingencies.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by group entities.

The entity has elected to early adopt the following accounting standards and amendments:

- * AASB 101 *Presentation of Financial Statements* (October 2006); and
- * AASB 2007-4 *Australian Additions to, and Deletions from, IFRS*.

Notes to the financial statements

Notes to the financial statements continued

3 Significant accounting policies (continued)

In the prior year the group adopted AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement* in accordance with the transitional rules of AASB 1: *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. The change has been accounted for by adjusting the opening balance of retained earnings and reserves at 1 August 2005, as disclosed in the reconciliation of movements in equity (note 30).

Certain comparative amounts have been reclassified to conform with the current year's presentation. In addition, the comparative income statement has been re-presented as if an operation discontinued during the current period has been discontinued from the start of the comparative period (see note 12).

(a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the group. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In the company's financial statements, investments in subsidiaries are carried at cost.

Associates

Associates are those entities for which the group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the group's share of the income and expenses of associates, after adjustments to align the accounting policies with those of the group, from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses exceeds its interest in an associate, the carrying amount of that interest 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 associate.

Joint controlled operations

Joint ventures are those entities over whose activities the group has joint control, established by contractual agreement.

The interest of the company and of the group in unincorporated joint ventures is brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods and services by the joint venture.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated against the investment to the extent of the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the associates and jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the group's interest in such entities is disposed of.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Notes to the financial statements

Notes to the financial statements continued

3 Significant accounting policies (continued)

(b) Foreign currency (continued)

Foreign operations (continued)

Foreign currency translation differences are recognised directly in equity. Since 1 August 2004, the group's date of transition to AASBs, such differences have been recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in FCTR is transferred to profit or loss.

Hedge of net investment in foreign operation

Foreign currency differences arising on the re-translation of a financial liability designated as a hedge of a net investment in foreign operation are recognised directly in FCTR, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedge net investment is disposed of, the cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

(c) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date (i.e. the date the group commits itself to purchase or sell the asset). Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3 (n).

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments

The group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

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

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. 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. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and losses.

Notes to the financial statements

Notes to the financial statements continued

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

Share capital

Ordinary shares

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Ordinary share capital bears no special terms or conditions affecting the income or capital entitlements of the shareholders. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any related income tax benefit.

Hybrid securities

The group has on issue a hybrid security called Nufarm Step-up Securities (NSS). The NSS are classified as equity instruments and distributions thereon are recognised as distributions within equity.

Dividends

Dividends on ordinary capital are recognised as a liability in the period in which they are declared.

(d) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 August 2004, the date of transition to AIFRS, was determined on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Lease assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|--------------------------|-------------|
| * buildings | 15-20 years |
| * leasehold improvements | 5 years |
| * plant and equipment | 10-15 years |
| * motor vehicles | 5 years |
| * computer equipment | 3 years |

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(e) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures.

Acquisitions prior to 1 August 2004

As part of its transition to AASBs, the group elected not to restate those business combinations that occurred prior to 1 August 2004. In respect of acquisitions prior to 1 August 2004, goodwill represents the amount recognised under the group's previous accounting framework, Australian GAAP.

Notes to the financial statements

Notes to the financial statements continued

3 Significant accounting policies (continued)

(e) Intangible assets (continued)

Goodwill (continued)

Acquisitions since 1 August 2004

For acquisitions since 1 August 2004, goodwill represents the excess of the cost of the acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity investments, the carrying amount of goodwill is included in the carrying amount of the investment.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement when 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 has sufficient resources to complete development. The expenditure capitalised includes the cost of materials and direct labour. Other development expenditure is recognised in profit or loss when incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses.

Intellectual property

Intellectual property consists of product registrations, product access rights, trademarks, task force seats, product distribution rights and product licences acquired from third parties. Generally, product registrations, product access rights, trademarks and task force seats, if purchased outright, are considered to have an indefinite life as there are minimal annual fees to maintain the assets. Other items of acquired intellectual property are considered to have a finite life in accordance with the terms of the acquisition agreement. Intellectual property intangibles acquired by the group are measured at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is expensed when incurred.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss when incurred.

Amortisation

For those intangibles with a finite life, amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the assets. The estimated useful life for intangible assets with a finite life, in the current and comparative periods, are as follows:

| | |
|---------------------------------------|---|
| * capitalised development costs | 5 years |
| * intellectual property - finite life | over the useful life in accordance with the acquisition agreement terms |
| * computer software | 3 to 7 years |

(f) Leased assets

Leases in terms of which the group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and, except for investment property, the leased assets are not recognised on the group's balance sheet.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Notes to the financial statements

Notes to the financial statements continued

3 Significant accounting policies (continued)

(h) Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non-financial assets

The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the group's accounting policies. Thereafter the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, employee benefit assets and investment property, which continue to be measured in accordance with the group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Notes to the financial statements

Notes to the financial statements continued

3 Significant accounting policies (continued)

(j) Employee benefits

Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation plans are recognised as an expense in profit or loss when they are due.

Defined benefit superannuation plans

The group's net obligation in respect of defined benefit superannuation plans, is calculated separately for each plan 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 then reduced by any unrecognised past service costs and the fair value of any plan assets.

The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating the terms of the group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the fund.

When the benefits of a fund are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

All actuarial gains and losses are recognised directly in retained earnings.

Other long-term employee benefits

The group's net obligation in respect of long-term employee benefits, other than defined benefit superannuation funds, is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related 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.

Termination benefits

Termination benefits are recognised as an expense when the group is demonstrably committed, without a realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably.

Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the group expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services are expensed based on the net marginal cost to the group as the benefits are taken by employees.

An accrual is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

The group has a global share plan for employees whereby matching and loyalty shares are granted to employees. The fair value of matching and loyalty shares granted is recognised as personnel expenses in the profit or loss over the respective service period, with a corresponding increase in equity, rather than as the matching and loyalty shares are issued. Refer note 28 for details of the global share plan.

(k) Provisions

A provision is recognised if, as a result of a past event, the group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

A provision for restructuring is recognised when the group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Notes to the financial statements

Notes to the financial statements continued

3 Significant accounting policies (continued)

(l) Revenue

Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(m) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense in the income statement and are spread over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(n) Finance income and expense

Finance income comprises interest income on funds invested, dividend income, available-for-sale financial assets, changes in the fair value of financial assets, changes in the fair value of financial assets classified as fair value through profit or loss, foreign exchange gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the group's right to receive payment is established.

Finance expense comprises interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets classified as fair value through profit or loss, impairment losses recognised on financial assets and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

(o) Income tax

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between 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 and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences 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.

Tax consolidation

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 August 2002 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Nufarm Limited.

Notes to the financial statements

Notes to the financial statements continued

3 Significant accounting policies (continued)

(o) Income tax (continued)

Tax consolidation (continued)

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the company as an equity contribution or distribution.

The company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing agreements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity, in conjunction with other members of the tax-consolidated group, has also entered a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of the income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(p) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST or equivalent), except where the GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

(q) Discontinued operations

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

Notes to the financial statements

Notes to the financial statements continued

3 Significant accounting policies (continued)

(r) Earnings per share

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potential dilutive ordinary shares, which comprise convertible notes and share options granted to employees.

(s) Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographic segment), which is subject to risks or rewards that are different from those of other segments. The group's primary format for reporting segment is based on geographic segments.

(t) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 July 2007, but have not been applied in preparing this financial report:

- * AASB 7 *Financial Instruments: Disclosure* (August 2005), replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007 and will require additional disclosures with respect to the group's financial instruments and share capital.
- * AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.
- * AASB 8 *Operating Segments* replaces the presentation requirements of segment reporting in AASB 114 *Segment Reporting*. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the company and the group as the standard is only concerned with disclosures.
- * AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* makes amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 6 *Exploration for and Evaluation of Mineral Resources*, AASB 102 *Inventories*, AASB 107 *Cash Flow Statements*, AASB 119 *Employee Benefits*, AASB 127 *Consolidated and Separate Financial Statements*, AASB 134 *Interim Financial Reporting*, AASB 136 *Impairment of Assets*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 *Operating Segments*. This standard is only expected to impact disclosures contained within the financial report.
- * Interpretation 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 will become mandatory for the group's 2008 financial statements, and will apply to goodwill, investments in equity instruments and financial assets carried at cost prospectively from the date that the group first applied the measurement criteria of AASB 136 and AASB 139 respectively. The adoption of Interpretation 10 will not impact the group's financial statements as no impairment losses have been recorded to date.
- * Interpretation 11 *AASB 2 Share-based payment - Group and Treasury Share Transactions* addresses the classification of a share-based payment transaction (as equity or cash settled), in which equity instruments of the parent or another group entity are transferred, in the financial statements of the entity receiving the services. Interpretation 11 will become mandatory for the group's 2008 financial report. Interpretation 11 is not expected to have any impact on the financial report. The potential effect of the Interpretation on the company's financial report has not yet been determined.
- * AASB 2007-1 *Amendments to Australian Accounting Standards arising from AASB Interpretation 11* amends AASB 2 *Share-based Payments* to insert the transitional provisions of IFRS 2, previously contained in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. AASB 2007-1 is applicable for annual reporting periods beginning on or after 1 March 2007 and is not expected to have any impact on the consolidated financial report. The potential impact on the company has not yet been determined.
- * Revised IAS 1 has been issued by the IASB but not by the AASB, and for the purposes of compliance is a standard on issue but not yet adopted. The impact of revised IAS 1 is not reasonably estimable at the reporting date.

Notes to the financial statements

Notes to the financial statements continued

4 Determination of fair values

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

(ii) Intangibles assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Inventories

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on effort required to complete and sell the inventory.

(iv) Investments in equity securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(v) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. A provision for impairment of trade receivables is only recognised when it is considered unlikely that the full amount of the receivable will be collected. No general provision for doubtful debts is recognised due to the tight credit control procedures and the history of low bad debts write-offs.

(vi) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(vii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

(viii) Financial guarantees

For financial guarantee contract liabilities, the fair value at initial recognition is determined using a probability weighted discounted cash flow approach. This method takes into account the probability of default by the guaranteed party over the term of the contract, the loss given default (being the proportion of the exposure that is not expected to be recovered in the event of default) and exposure at default (being the maximum loss at time of default).

Notes to the financial statements

5 Segment reporting

Segment information is presented in respect of the group's geographic segments. This the primary format of segment reporting based on the group's management and internal reporting structure. The group operates predominantly in one business segment, being the crop protection industry. The business is managed on a worldwide basis, with the major geographic segments for reporting being Australasia, Europe and Americas. In presenting information on the basis of geographic segments, segment revenue is based on the geographic location of customers. Segment assets are based on the geographic location of the assets.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-bearing loans, borrowings and expenses, corporate assets and expenses and income tax assets and liabilities. Inter-segment pricing is determined on an arm's length basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

| | Australasia \$000 | Europe \$000 | Americas \$000 | Eliminations \$000 | Consolidated \$000 |
|--|----------------------|-----------------|-------------------|-----------------------|-----------------------|
| Geographic segments | | | | | |
| 2007 | | | | | |
| Revenue | | | | | |
| Total segment revenue | 685,043 | 439,615 | 639,726 | - | 1,764,384 |
| Results | | | | | |
| Segment result | 103,731 | 37,325 | 80,150 | - | 221,206 |
| Unallocated corporate expenses | | | | | (26,354) |
| Results from operating activities | | | | | 194,852 |
| Net financing costs | | | | | (54,434) |
| Share of profit of associates | | | | | 8,056 |
| Income tax expense | | | | | (41,151) |
| Profit/(loss) of discontinued operations and gain on sale of discontinued operations (net of tax) | | | | | 41,840 |
| Profit for the year | | | | | 149,163 |
| Assets | | | | | |
| Segment assets | 797,017 | 556,272 | 834,240 | - | 2,187,529 |
| Investment in associates | 9,407 | 13,207 | 352 | - | 22,966 |
| Unallocated assets | | | | | 228,416 |
| Total assets | | | | | 2,438,911 |
| Liabilities | | | | | |
| Segment liabilities | 276,168 | 154,006 | 455,867 | - | 886,041 |
| Unallocated liabilities | | | | | 523,719 |
| Total liabilities | | | | | 1,409,760 |
| Other segment information | | | | | |
| Capital expenditure | 56,533 | 26,989 | 265,391 | - | 348,913 |
| Depreciation | 15,983 | 13,114 | 4,495 | - | 33,592 |
| Amortisation | 2,742 | 5,044 | 831 | - | 8,617 |

Capital expenditure includes the goodwill and intangibles resulting from the Agripec acquisition. These are included in the Americas region.

Nufarm Limited

Notes to the financial statements

5 Segment reporting (continued)

| | Australasia \$000 | Europe \$000 | Americas \$000 | Eliminations \$000 | Consolidated \$000 |
|---|----------------------|-----------------|-------------------|-----------------------|-----------------------|
| Geographic segments | | | | | |
| Revenue | | | | | |
| Total segment revenue | 749,558 | 392,947 | 534,241 | - | 1,676,746 |
| Results | | | | | |
| Segment result | 122,023 | 35,056 | 48,058 | - | 205,137 |
| Unallocated corporate expenses | | | | | (28,812) |
| Results from operating activities | | | | | 176,325 |
| Net financing costs | | | | | (49,246) |
| Share of profit of associates | | | | | 10,545 |
| Income tax expense | | | | | (34,459) |
| Profit/(loss) of discontinued operations and gain on sale of discontinued operations | | | | | 14,634 |
| Profit for the year | | | | | 117,799 |
| Assets | | | | | |
| Segment assets | 731,226 | 495,859 | 331,334 | - | 1,558,419 |
| Investment in associates | 8,784 | 14,168 | 201,934 | - | 224,886 |
| Unallocated assets | | | | | 136,643 |
| Total assets | | | | | 1,919,948 |
| Liabilities | | | | | |
| Segment liabilities | 266,551 | 132,173 | 158,188 | - | 556,912 |
| Unallocated liabilities | | | | | 660,847 |
| Total liabilities | | | | | 1,217,759 |
| Other segment information | | | | | |
| Capital expenditure | 74,883 | 17,286 | 50,698 | - | 142,867 |
| Depreciation | 14,855 | 14,562 | 4,409 | - | 33,826 |
| Amortisation | 3,179 | 6,081 | 527 | - | 9,787 |

6 Items of material income and expense

| | Consolidated | |
|--|---------------|---------------|
| | 2007 \$000 | 2006 \$000 |
| The following material items, net of tax, were included in the period result: | | |
| Gain on sale of businesses | 35,547 | 8,415 |
| Agripec impairment loss on trade receivables | (4,606) | - |
| Other items, including restructuring | (3,006) | (8,368) |
| CACI prior period tax | - | (3,933) |
| Material items | 27,935 | (3,886) |

Notes to the financial statements

| | Consolidated | | Company | |
|--|------------------|------------------|----------------|-----------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$000 | \$000 | \$000 | \$000 |
| 7 Other income | | | | |
| Dividends from wholly owned controlled entities | - | - | 53,164 | 45,861 |
| Management fees from controlled entities | - | - | 6,194 | 1,733 |
| Sundry income | 8,567 | 9,914 | 707 | 209 |
| Total other income | <u>8,567</u> | <u>9,914</u> | <u>60,065</u> | <u>47,803</u> |
| 8 Other expenses | | | | |
| The following expenses were included in the period result: | | | | |
| Depreciation and amortisation | (42,209) | (43,613) | (595) | (319) |
| Impairment gain/(loss) on trade receivables | 251 | (823) | - | - |
| Movement in stock obsolescence provision (increase)/decrease | (138) | 631 | - | - |
| Restructuring costs | (412) | (8,990) | - | - |
| 9 Personnel expenses | | | | |
| Wages and salaries | (146,156) | (151,167) | (4,474) | (2,065) |
| Other associated personnel expenses | (26,424) | (26,064) | (333) | (188) |
| Contributions to defined contribution superannuation funds | (6,133) | (5,637) | (604) | (311) |
| Expenses related to defined benefit superannuation funds | (3,122) | (1,804) | - | - |
| Increase in liability for annual leave | (4,513) | (3,596) | (119) | (59) |
| Increase in liability for long-service leave | (1,891) | (1,835) | - | (21) |
| | <u>(188,239)</u> | <u>(190,103)</u> | <u>(5,530)</u> | <u>(2,644)</u> |
| 10 Net financing costs | | | | |
| Interest income - controlled subsidiaries | - | - | 4,485 | 14,023 |
| Interest income - external | 5,336 | 7,995 | 2,316 | 6,192 |
| Financial income | <u>5,336</u> | <u>7,995</u> | <u>6,801</u> | <u>20,215</u> |
| Interest expense - controlled entities | - | - | (8,727) | (21,695) |
| Interest expense - external | (54,666) | (52,756) | (9) | (101) |
| Costs of securitisation program | (5,103) | (4,476) | - | - |
| Finance lease charges | (1) | (9) | - | - |
| Financial expenses | <u>(59,770)</u> | <u>(57,241)</u> | <u>(8,736)</u> | <u>(21,796)</u> |
| Net financing costs | <u>(54,434)</u> | <u>(49,246)</u> | <u>(1,935)</u> | <u>(1,581)</u> |

Notes to the financial statements

| | Consolidated | | Company | |
|--|-----------------|----------------|---------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$000 | \$000 | \$000 | \$000 |
| 11 Income tax expense | | | | |
| Recognised in the income statement | | | | |
| Current tax expense | | | | |
| Current year | 73,187 | 41,499 | 1,428 | 2,940 |
| Adjustments for prior years | 306 | 2,957 | 1 | (120) |
| | <u>73,493</u> | <u>44,456</u> | <u>1,429</u> | <u>2,820</u> |
| Deferred tax expense | | | | |
| Origination and reversal of temporary differences | (10,135) | 4,142 | 19 | 620 |
| Reduction in tax rates | (1,341) | 585 | - | - |
| Benefit of tax losses recognised | (12,427) | (7,434) | - | - |
| | <u>(23,903)</u> | <u>(2,707)</u> | <u>19</u> | <u>620</u> |
| Total income tax expense in income statement | <u>49,590</u> | <u>41,749</u> | <u>1,448</u> | <u>3,440</u> |
| Attributable to: | | | | |
| Continuing operations | 41,151 | 34,459 | 1,448 | 2,710 |
| Discontinued operations | 8,439 | 7,290 | - | 730 |
| | <u>49,590</u> | <u>41,749</u> | <u>1,448</u> | <u>3,440</u> |
| Numerical reconciliation between tax expense and pre-tax net profit | | | | |
| | Consolidated | | Company | |
| | 2007 | 2006 | 2007 | 2006 |
| | \$000 | \$000 | \$000 | \$000 |
| Profit before tax - continuing operations | 148,474 | 137,624 | 64,562 | 56,846 |
| Profit before tax - discontinued operations | 50,279 | 21,924 | - | 7,354 |
| Profit before tax | <u>198,753</u> | <u>159,548</u> | <u>64,562</u> | <u>64,200</u> |
| Income tax using the local corporate tax rate of 30% | 59,626 | 47,864 | 19,369 | 19,260 |
| <i>Increase in income tax expense due to:</i> | | | | |
| Non-deductible expenses | 3,302 | 2,718 | (139) | 190 |
| Effect on tax rate in foreign jurisdictions | 1,171 | 983 | 101 | 136 |
| Effect of changes in the tax rate | (1,064) | 585 | - | - |
| <i>Decrease in income tax expense due to:</i> | | | | |
| Effect of tax losses derecognised/(recognised) | (3,489) | (4,383) | - | - |
| Tax exempt income | (9,602) | (8,078) | (17,884) | (16,026) |
| Tax incentives not recognised in the income statement | (660) | (897) | - | - |
| | <u>49,284</u> | <u>38,792</u> | <u>1,447</u> | <u>3,560</u> |
| Under/(over) provided in prior years | 306 | 2,957 | 1 | (120) |
| Income tax expense on pre-tax net profit | <u>49,590</u> | <u>41,749</u> | <u>1,448</u> | <u>3,440</u> |
| | | | | |
| | Consolidated | | Company | |
| | 2007 | 2006 | 2007 | 2006 |
| | \$000 | \$000 | \$000 | \$000 |
| Income tax recognised directly in equity | | | | |
| Relating to actuarial gains on defined benefit plans | 1,157 | (29) | - | - |
| Relating to cost of issuing equity | (1,928) | - | - | - |
| NSS distribution | (2,700) | - | - | - |
| | <u>(3,471)</u> | <u>(29)</u> | <u>-</u> | <u>-</u> |

Notes to the financial statements

12 Discontinued operations

Effective 31 July 2007, the group sold its stake in the Nufarm-Coogee joint venture, which owns and operates two industrial chlor alkali plants in Western Australia.

In the prior period, the group sold the Nuturf turf/specialty business, the French CACI industrial chemical business and the New Zealand based animal health business.

| Results of discontinued operation | Consolidated | |
|---|-----------------|-----------------|
| | 2007 | 2006 |
| | \$000 | \$000 |
| Revenue | 29,806 | 67,777 |
| Expenses | <u>(16,703)</u> | <u>(53,303)</u> |
| Results from operating activities | 13,103 | 14,474 |
| Income tax expense | <u>(3,938)</u> | <u>(4,322)</u> |
| Results from operating activities, net of income tax | <u>9,165</u> | <u>10,152</u> |
| Gain on sale of discontinued operation | 37,176 | 7,450 |
| Income tax expense | <u>(4,501)</u> | <u>(2,968)</u> |
| Gain on sale of discontinued operations after tax | <u>32,675</u> | <u>4,482</u> |
| Profit and loss of discontinued operations (per income statement) | <u>41,840</u> | <u>14,634</u> |
| Cash flows from discontinuing operations | | |
| Operating | 9,165 | 12,809 |
| Investing | (384) | (3,892) |
| Financing | <u>(934)</u> | <u>(3,510)</u> |
| Net cash flows attributable to discontinuing operations | <u>7,847</u> | <u>5,407</u> |
| Effect of the disposals on the financial position of the group | | |
| Receivables | 2,824 | 2,330 |
| Inventories | 403 | 3,317 |
| Property, plant and equipment | 13,917 | 19,735 |
| Intangibles | - | 499 |
| Deferred tax asset | 3,914 | 1,948 |
| Trade payables | (1,449) | (2,640) |
| Employee benefits | (742) | (731) |
| Income tax payable | (5,285) | - |
| Finance lease liability | - | (881) |
| Deferred tax liability | <u>(328)</u> | <u>(397)</u> |
| Net identifiable assets and liabilities | <u>13,254</u> | <u>23,180</u> |
| Consideration received, satisfied in cash | 51,000 | 8,138 |
| Deferred consideration | - | 25,061 |
| Cash disposed of | <u>(489)</u> | <u>(418)</u> |
| Net cash (inflow) | 50,511 | 32,781 |
| Other costs associated with disposal | (81) | (2,151) |
| Gain on sale of discontinued operations before tax | <u>37,176</u> | <u>7,450</u> |

Notes to the financial statements

13 Non-current assets held for sale

There were no assets held for sale at the end of the financial period.

The prior year included the chlor alkali business and the land and buildings at the Granollers site in Spain (\$1,137,076).

Consolidated

2007 2006
\$000 \$000

Assets classified as held for sale

| | | |
|-------------------------------|----------|---------------|
| Cash and cash equivalents | - | 1,423 |
| Trade and other receivables | - | 3,510 |
| Inventories | - | 523 |
| Property, plant and equipment | - | 14,681 |
| Deferred tax asset | - | 3,772 |
| | <u>-</u> | <u>23,909</u> |

Liabilities classified as held for sale

| | | |
|--------------------------|----------|---------------|
| Trade and other payables | - | 7,881 |
| Employee entitlements | - | 816 |
| Provision for tax | - | 4,175 |
| Deferred tax liability | - | 553 |
| | <u>-</u> | <u>13,425</u> |

14 Acquisition of subsidiaries

Acquisitions during the year include the Agrosol crop protection business in Italy for €6.4 million (19 October 2006), and the remaining 50.1% of Agripec Quimica e Farmaceutica SA (1 June 2007), a crop protection company based in Brazil. Agripec had previously been accounted for as an equity investment.

In the period to 31 July 2007, these businesses contributed profits of \$11,427,736 to the consolidated group after tax profit.

If the above acquisitions had occurred on 1 August 2006, their full-year contribution to group revenues would have been \$306,151,363 and to the consolidated entity's profit after tax would have been \$25,984,871.

Acquiree's net assets at acquisition date

| | Recognised values \$000 | 2007 Fair value adjustments \$000 | Carrying amounts \$000 |
|---|-------------------------------|--|------------------------------|
| Cash and cash equivalents | 50,540 | - | 50,540 |
| Receivables | 150,586 | (448) | 150,138 |
| Inventory | 41,613 | 1,209 | 42,822 |
| Property, plant and equipment | 21,384 | 6,451 | 27,835 |
| Intangibles | 14,842 | (29) | 14,813 |
| Deferred taxes | 37,290 | - | 37,290 |
| Other assets | 11,707 | - | 11,707 |
| Trade and other payables | (88,927) | - | (88,927) |
| Employee benefits | (583) | (19) | (602) |
| Interest bearing loans and borrowings | (34,585) | - | (34,585) |
| Other liabilities | (16,714) | (5,488) | (22,202) |
| Net identifiable assets and liabilities | <u>187,153</u> | <u>1,676</u> | 188,829 |
| Reversal of equity investment | | | (216,331) |
| Acquisition costs | | | (570) |
| Identifiable intangibles (registrations and trademarks) acquired on acquisition | | | 128,488 |
| Goodwill on acquisition | | | <u>128,768</u> |
| Consideration satisfied in cash | | | 229,184 |
| Deferred consideration at balance date | | | (218,750) |
| Cash (acquired) | | | <u>(50,540)</u> |
| Net cash outflow/(inflow) | | | <u>(40,106)</u> |

Notes to the financial statements

14 Acquisition of subsidiaries (continued)

Pre-acquisition carrying values were determined based on applicable accounting standards immediately before the acquisition. The value of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values (see note 4 for methods used in determining fair values).

Goodwill has arisen on the acquisitions above, mainly resulting from the synergies that these acquisitions bring to the Nufarm group. These synergies do not meet the criteria for recognition as a separately identifiable intangible assets at the date of acquisition.

Acquisitions during the prior year include: the remaining 50% of Nugrain Pty Ltd, the remaining 50% of Access Genetics Ltd, the Agrogen and FADA crop protection businesses in Colombia, the Nutrihealth business and the Dovuro business.

Acquiree's net assets at acquisition date

| | Recognised values \$000 | 2006 Fair value adjustments \$000 | Carrying amounts \$000 |
|--|-------------------------------|--|------------------------------|
| Cash and cash equivalents | 145 | - | 145 |
| Receivables | 10,682 | - | 10,682 |
| Inventory | 7,411 | 702 | 8,113 |
| Property, plant and equipment | 3,142 | - | 3,142 |
| Other assets | 2,461 | - | 2,461 |
| Trade and other payables | (9,415) | - | (9,415) |
| Employee benefits | (74) | - | (74) |
| Finance lease liability | (175) | - | (175) |
| Interest bearing loans and borrowings | (8,892) | - | (8,892) |
| Net identifiable assets and liabilities | <u>5,285</u> | <u>702</u> | 5,987 |
| Reversal of equity investment | | | 1,244 |
| Prior period investment | | | (2,000) |
| Intangibles acquired on acquisition | | | 20,558 |
| Goodwill on acquisition | | | <u>28,868</u> |
| Consideration paid, satisfied in cash | | | 54,657 |
| Consideration satisfied by issue of shares | | | (17,971) |
| Deferred consideration at balance date | | | (99) |
| Cash (acquired) | | | <u>(179)</u> |
| Net cash outflow | | | <u>36,408</u> |

| | Consolidated | | Company | |
|--|-----------------|-----------------|----------------|-----------------|
| | 2007 \$000 | 2006 \$000 | 2007 \$000 | 2006 \$000 |
| Bank balances | 8,704 | 12,483 | 15,034 | 10,739 |
| Call deposits | 83,673 | 38,786 | - | - |
| Cash and cash equivalents | <u>92,377</u> | <u>51,269</u> | 15,034 | 10,739 |
| Bank overdrafts repayable on demand | <u>(12,716)</u> | <u>(19,940)</u> | <u>(2,667)</u> | <u>(23,574)</u> |
| Cash and cash equivalents in the statement of cash flows | <u>79,661</u> | <u>31,329</u> | <u>12,367</u> | <u>(12,835)</u> |

Notes to the financial statements

| | Consolidated | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$000 | \$000 | \$000 | \$000 |
| 16 Trade and other receivables | | | | |
| Current | | | | |
| Trade receivables | 666,617 | 371,898 | 4,877 | 8,379 |
| Provision for impairment losses | (21,806) | (3,243) | - | - |
| | <u>644,811</u> | <u>368,655</u> | <u>4,877</u> | <u>8,379</u> |
| Receivables due from controlled entities | - | - | 50,390 | 228,937 |
| Loans due from controlled entities | - | - | 177,256 | 170,618 |
| Receivables due from associates | 375 | 444 | - | - |
| Receivables due from securitisation program | 57,338 | 52,836 | - | - |
| Hedge receivables | 15,114 | 18,286 | - | 18,048 |
| Proceeds receivable from sale of businesses | 3,210 | 33,763 | - | 25,061 |
| Other trade receivables and prepayments | 67,061 | 50,180 | 2,659 | 1,069 |
| | <u>787,909</u> | <u>524,164</u> | <u>235,182</u> | <u>452,112</u> |
| Non-current | | | | |
| Receivables due from associates | 344 | 602 | - | - |
| Other receivables | 5,909 | 754 | - | - |
| Proceeds receivable from sale of businesses | 12,387 | 19,850 | - | - |
| Provision for non-collectibility of sale proceeds | (3,304) | (3,468) | - | - |
| | <u>15,336</u> | <u>17,738</u> | <u>-</u> | <u>-</u> |
| Total trade and other receivables | <u>803,245</u> | <u>541,902</u> | <u>235,182</u> | <u>452,112</u> |

| | Consolidated | | Company | |
|--|----------------|----------------|---------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$000 | \$000 | \$000 | \$000 |
| 17 Inventories | | | | |
| Raw materials | 112,473 | 82,421 | - | - |
| Work in progress | 15,714 | 21,563 | 271 | 323 |
| Finished goods | 350,971 | 332,177 | 14,459 | 13,480 |
| | <u>479,158</u> | <u>436,161</u> | <u>14,730</u> | <u>13,803</u> |
| Provision for obsolescence of finished goods | (1,754) | (4,138) | (9) | (205) |
| Total inventories | <u>477,404</u> | <u>432,023</u> | <u>14,721</u> | <u>13,598</u> |

18 Current tax assets and liabilities

The current tax asset for the group of \$27,347,565 (2006: \$6,171,517) and for the company of \$11,650,621 (2006: \$376,750) represent the amount of income taxes recoverable in respect of prior periods and that arise from payments in excess of the amounts due to the relevant tax authority. The current tax liability for the group of \$23,955,941 (2006: \$9,999,276) and the company of \$14,096,247 (2006: \$8,198,985) represent the amount of income taxes payable in respect of current and prior financial periods. In accordance with the tax consolidation legislation, the company as the head entity of the Australian tax-consolidated group has assumed the current tax liability/(asset) initially recognised by the members in the tax-consolidated group.

Notes to the financial statements

19 Investments accounted for using the equity method

The group accounts for investments in associates using the equity method. Effective 1 June 2007, Nufarm acquired the remaining 50.1% of Agripec. Agripec's results have been equity accounted from August 2006 through to May 2007, and are consolidated in the group results for the months of June and July 2007.

The group had the following significant investments in associates during the year:

| | | Country | Balance date of associate | Ownership and voting interest 2007 | 2006 |
|-----------------------------------|-------------------------------------|---------|---------------------------|------------------------------------|--------|
| Agripec Quimica e Farmaceutica SA | Crop protection company | Brazil | 31.12.2006 | 100.0% | 49.9% |
| Bayer CropScience Nufarm Limited | Agricultural chemicals manufacturer | UK | 31.12.2006 | 25% | 25% |
| Excel Crop Care Ltd | Agricultural chemicals manufacturer | India | 31.3.2007 | 14.69% | 14.69% |

The 14.69% investment in Excel Crop Care Ltd is equity accounted as Nufarm has two directors on the board and, together with an unrelated partner, has significant influence over nearly 35% of the shares of the company. The relationship also extends to manufacturing and marketing collaborations.

Financial summary of material associates

| | Revenues (100%) | Profit after tax (100%) | Total assets (100%) | Total liabilities (100%) | Net assets as reported by associates (100%) | Share of associate's net assets equity accounted |
|-----------------------------------|-----------------|-------------------------|---------------------|--------------------------|---|--|
| 2007 | | | | | | |
| Bayer CropScience Nufarm Limited | 92,556 | (3,876) | 105,264 | 39,059 | 66,205 | 16,551 |
| Excel Crop Care Ltd | 125,821 | 5,584 | 86,311 | 55,669 | 30,642 | 4,501 |
| | <u>218,377</u> | <u>1,708</u> | <u>191,575</u> | <u>94,728</u> | <u>96,847</u> | <u>21,052</u> |
| 2006 | | | | | | |
| Agripec Quimica e Farmaceutica SA | 229,282 | 17,146 | 313,088 | 120,776 | 192,312 | 95,964 |
| Bayer CropScience Nufarm Limited | 86,289 | 2,130 | 77,970 | 17,167 | 60,803 | 15,201 |
| Excel Crop Care Ltd | 123,777 | 6,898 | 74,983 | 48,993 | 25,990 | 3,818 |
| | <u>439,348</u> | <u>26,174</u> | <u>466,041</u> | <u>186,936</u> | <u>279,105</u> | <u>114,983</u> |

| Consolidated | |
|--------------|-------|
| 2007 | 2006 |
| \$000 | \$000 |

Carrying value by major associate

| | | |
|-----------------------------------|---------------|----------------|
| Agripec Quimica e Farmaceutica SA | - | 201,631 |
| Bayer CropScience Nufarm Ltd | 12,640 | 13,998 |
| Excel Crop Care Ltd | 8,341 | 7,724 |
| Others | 1,985 | 1,533 |
| Carrying value of associates | <u>22,966</u> | <u>224,886</u> |

Share of profit by major associate

| | | |
|--|--------------|---------------|
| Agripec Quimica e Farmaceutica SA (to 31 May 2007) | 7,799 | 8,556 |
| Bayer CropScience Nufarm Ltd | (969) | 863 |
| Excel Crop Care Ltd | 788 | 1,013 |
| Others | 438 | 113 |
| Share of net profits of associates | <u>8,056</u> | <u>10,545</u> |

Notes to the financial statements

20 Other investments

| | Consolidated | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2007 \$000 | 2006 \$000 | 2007 \$000 | 2006 \$000 |
| Investment in controlled entities | | | | |
| Balance at the beginning of the year | - | - | 247,213 | 247,213 |
| New investments during the year | - | - | 60,001 | - |
| Balance at the end of the year | - | - | 307,214 | 247,213 |
| Investment in other companies (at cost) | | | | |
| Balance at the beginning of the year | 233 | 1,013 | - | - |
| Exchange adjustment | (3) | 36 | - | - |
| Disposals | (167) | - | - | - |
| Reclassification to equity investment | (63) | - | - | - |
| Reclassification to other receivables | - | (816) | - | - |
| Balance at the end of the year | - | 233 | - | - |
| Other investments | | | | |
| Share purchase schemes | | | | |
| Balance at the beginning of the year | 270 | 930 | - | - |
| Exchange adjustment | - | 5 | - | - |
| Movements in investments during the year | 1 | 100 | - | - |
| Loans repaid during the year | - | (765) | - | - |
| Balance at the end of the year | 271 | 270 | - | - |
| Total other investments | 271 | 503 | 307,214 | 247,213 |

21 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|-------------------------------------|---------------|---------------|-----------------|-----------------|---------------|---------------|
| | 2007 \$000 | 2006 \$000 | 2007 \$000 | 2006 \$000 | 2007 \$000 | 2006 \$000 |
| Consolidated | | | | | | |
| Property, plant and equipment | 15,731 | 12,403 | (11,376) | (12,780) | 4,355 | (377) |
| Intangibles assets | 8,829 | 6,370 | (22,296) | (18,991) | (13,467) | (12,621) |
| Other investments | - | - | - | (41) | - | (41) |
| Employee benefits | 11,917 | 14,543 | - | - | 11,917 | 14,543 |
| Provisions | 3,977 | 3,872 | (69) | (45) | 3,908 | 3,827 |
| Other items | 17,576 | 1,505 | (9,575) | (6,242) | 8,001 | (4,737) |
| Tax value of losses carried forward | 43,970 | 28,458 | - | - | 43,970 | 28,458 |
| Tax assets/(liabilities) | 102,000 | 67,151 | (43,316) | (38,099) | 58,684 | 29,052 |
| Set off of tax | (8,423) | (10,011) | 8,423 | 10,011 | - | - |
| Net tax assets/(liabilities) | 93,577 | 57,140 | (34,893) | (28,088) | 58,684 | 29,052 |
| Company | | | | | | |
| Property, plant and equipment | - | 2 | (2) | (52) | (2) | (50) |
| Intangibles assets | - | - | - | (4) | - | (4) |
| Other investments | - | - | - | - | - | - |
| Employee benefits | 369 | 121 | - | - | 369 | 121 |
| Provisions | 9 | 67 | - | - | 9 | 67 |
| Other items | 701 | 947 | - | - | 701 | 947 |
| Tax value of losses carried forward | - | - | - | - | - | - |
| Tax assets/(liabilities) | 1,079 | 1,137 | (2) | (56) | 1,077 | 1,081 |
| Set off of tax | - | - | - | - | - | - |
| Net tax assets/(liabilities) | 1,079 | 1,137 | (2) | (56) | 1,077 | 1,081 |

Notes to the financial statements

21 Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

| Consolidated 2007 | Balance 31.07.06 \$000 | Recognised in income \$000 | Recognised in equity \$000 | Currency adjustment \$000 | Other movement \$000 | Balance 31.07.07 \$000 |
|-------------------------------------|------------------------------|----------------------------------|----------------------------------|---------------------------------|----------------------------|------------------------------|
| Property, plant and equipment | (377) | 3,785 | - | 555 | 392 | 4,355 |
| Intangibles assets | (12,621) | (182) | - | 1,283 | (1,947) | (13,467) |
| Other investments | (41) | 41 | - | - | - | - |
| Employee benefits | 14,543 | (1,472) | (1,157) | (255) | 258 | 11,917 |
| Provisions | 3,827 | (291) | - | (127) | 499 | 3,908 |
| Other items | (4,737) | 7,042 | 1,928 | 81 | 3,687 | 8,001 |
| Tax value of losses carried forward | 28,458 | 16,766 | - | (985) | (269) | 43,970 |
| | 29,052 | 25,689 | 771 | 552 | 2,620 | 58,684 |

| Consolidated 2006 | Balance 31.07.05 \$000 | Recognised in income \$000 | Recognised in equity \$000 | Currency adjustment \$000 | Other movement \$000 | Balance 31.07.06 \$000 |
|-------------------------------------|------------------------------|----------------------------------|----------------------------------|---------------------------------|----------------------------|------------------------------|
| Property, plant and equipment | 1,989 | 1,068 | - | (371) | (3,063) | (377) |
| Intangibles assets | (5,215) | (6,842) | - | (252) | (312) | (12,621) |
| Other investments | (177) | 136 | - | - | - | (41) |
| Employee benefits | 14,349 | (177) | 90 | 234 | 47 | 14,543 |
| Provisions | 3,089 | 935 | - | 68 | (265) | 3,827 |
| Other items | (3,083) | (2,045) | - | (199) | 590 | (4,737) |
| Tax value of losses carried forward | 24,403 | 3,854 | - | 798 | (597) | 28,458 |
| | 35,355 | (3,071) | 90 | 278 | (3,600) | 29,052 |

| Company 2007 | Balance 31.07.06 \$000 | Recognised in income \$000 | Recognised in equity \$000 | Currency adjustment \$000 | Other movement \$000 | Balance 31.07.07 \$000 |
|-------------------------------|------------------------------|----------------------------------|----------------------------------|---------------------------------|----------------------------|------------------------------|
| Property, plant and equipment | (50) | 53 | - | (5) | - | (2) |
| Intangibles assets | (4) | 4 | - | - | - | - |
| Employee benefits | 121 | 214 | - | 34 | - | 369 |
| Provisions | 67 | (59) | - | 1 | - | 9 |
| Other items | 947 | (230) | - | (16) | - | 701 |
| | 1,081 | (18) | - | 14 | - | 1,077 |

| Company 2006 | Balance 31.07.05 \$000 | Recognised in income \$000 | Recognised in equity \$000 | Currency adjustment \$000 | Other movement \$000 | Balance 31.07.06 \$000 |
|-------------------------------|------------------------------|----------------------------------|----------------------------------|---------------------------------|----------------------------|------------------------------|
| Property, plant and equipment | 819 | (786) | - | (83) | - | (50) |
| Intangibles assets | - | (4) | - | - | - | (4) |
| Other investments | (120) | 120 | - | - | - | - |
| Employee benefits | 190 | (50) | - | (19) | - | 121 |
| Provisions | 155 | (72) | - | (16) | - | 67 |
| Other items | 654 | 293 | - | - | - | 947 |
| | 1,698 | (499) | - | (118) | - | 1,081 |

Notes to the financial statements

21 Deferred tax assets and liabilities (continued)

At 31 July 2007, a deferred tax liability of \$23,789,596 (2006: \$9,813,599) relating to investments in subsidiaries has not been recognised because the company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

| | Consolidated | | Company | |
|----------------------------------|--------------|--------------|----------|----------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$000 | \$000 | \$000 | \$000 |
| Deductible temporary differences | - | 1,292 | - | - |
| Tax losses | - | 2,878 | - | - |
| | <u>-</u> | <u>4,170</u> | <u>-</u> | <u>-</u> |

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits from.

22 Other non-current assets

| | Consolidated | | Company | |
|--|--------------|----------|----------|----------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$000 | \$000 | \$000 | \$000 |
| Balance at the beginning of the year | - | 1,567 | - | - |
| Offset against borrowings on initial application of AASB 132 and AASB 139 | - | (1,567) | - | - |
| Other | 9 | - | - | - |
| Hedge asset | <u>7,216</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Balance at the end of the year | <u>7,225</u> | <u>-</u> | <u>-</u> | <u>-</u> |

The hedge asset is the market value of the interest rate cap relating to the NSS distribution base rate.

Notes to the financial statements

23 Property, plant and equipment

| | Consolidated | | | | |
|---|-----------------------------------|---------------------------------|---|---|------------------|
| | Land and buildings \$000 | Plant and machinery \$000 | Leased plant and machinery \$000 | Capital work in progress \$000 | Total \$000 |
| 2007 | | | | | |
| Cost | | | | | |
| Balance at 1 August 2006 | 151,790 | 440,619 | 1,536 | 18,472 | 612,417 |
| Additions | 1,080 | 10,226 | 360 | 51,565 | 63,231 |
| Additions through business combinations | 22,408 | 9,647 | - | 2,668 | 34,723 |
| Disposals | (846) | (8,501) | - | - | (9,347) |
| Other transfers | 15,466 | 30,389 | (548) | (45,307) | - |
| Exchange adjustment | (4,742) | (10,535) | 13 | (363) | (15,627) |
| Balance at 31 July 2007 | <u>185,156</u> | <u>471,845</u> | <u>1,361</u> | <u>27,035</u> | <u>685,397</u> |
| Depreciation and impairment losses | | | | | |
| Balance at 1 August 2006 | (46,958) | (278,945) | (776) | - | (326,679) |
| Depreciation charge for the year | (4,952) | (28,650) | (153) | - | (33,755) |
| Additions through business combinations | (3,274) | (3,781) | 167 | - | (6,888) |
| Disposals | 340 | 8,692 | - | - | 9,032 |
| Other transfers | (329) | 162 | 167 | - | - |
| Exchange adjustment | 1,587 | 5,118 | (35) | - | 6,670 |
| Balance at 31 July 2007 | <u>(53,586)</u> | <u>(297,404)</u> | <u>(630)</u> | <u>-</u> | <u>(351,620)</u> |
| Net property, plant and equipment at 31 July 2007 | <u>131,570</u> | <u>174,441</u> | <u>731</u> | <u>27,035</u> | <u>333,777</u> |
| 2006 | | | | | |
| Cost | | | | | |
| Balance at 1 August 2005 | 156,416 | 464,818 | 5,078 | 23,584 | 649,896 |
| Additions | 627 | 6,892 | - | 31,873 | 39,392 |
| Additions through business combinations | 1,940 | 1,587 | 527 | - | 4,054 |
| Disposals | - | (6,863) | - | (464) | (7,327) |
| Disposals through sale of entities | (13,460) | (14,991) | (4,350) | - | (32,801) |
| Transfer to assets held for sale | (2,702) | (45,638) | - | (1,616) | (49,956) |
| Other transfers | 7,679 | 27,272 | 95 | (35,046) | - |
| Exchange adjustment | 1,290 | 7,542 | 186 | 141 | 9,159 |
| Balance at 31 July 2006 | <u>151,790</u> | <u>440,619</u> | <u>1,536</u> | <u>18,472</u> | <u>612,417</u> |
| Depreciation and impairment losses | | | | | |
| Balance at 1 August 2005 | (45,868) | (291,524) | (2,366) | - | (339,758) |
| Depreciation charge for the year | (4,912) | (28,728) | (186) | - | (33,826) |
| Depreciation transfer to discontinued businesses | (323) | (2,254) | (156) | - | (2,733) |
| Additions through business combinations | (203) | (441) | (268) | - | (912) |
| Disposals | 91 | 7,832 | - | - | 7,923 |
| Disposals through sale of entities | 2,909 | 8,072 | 2,304 | - | 13,285 |
| Transfer to assets held for sale | 1,420 | 33,855 | - | - | 35,275 |
| Other transfers | 949 | (921) | (28) | - | - |
| Exchange adjustment | (1,021) | (4,836) | (76) | - | (5,933) |
| Balance at 31 July 2006 | <u>(46,958)</u> | <u>(278,945)</u> | <u>(776)</u> | <u>-</u> | <u>(326,679)</u> |
| Net property, plant and equipment at 31 July 2006 | <u>104,832</u> | <u>161,674</u> | <u>760</u> | <u>18,472</u> | <u>285,738</u> |

Assets pledged as security for finance leases \$0.7 million (2006: \$0.8 million).

There were no impairment losses in the consolidated entity in the current financial year or the comparative year.

Notes to the financial statements

23 Property, plant and equipment (continued)

| | Company | | | | Total |
|---|--------------------|---------------------|----------------------------|--------------------------|----------------|
| | Land and buildings | Plant and machinery | Leased plant and machinery | Capital work in progress | |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| 2007 | | | | | |
| Cost | | | | | |
| Balance at 1 August 2006 | 2,209 | 3,178 | - | 286 | 5,673 |
| Additions | 564 | 550 | - | 319 | 1,433 |
| Disposals | (6) | (549) | - | - | (555) |
| Other transfers | 131 | 187 | - | (318) | - |
| Exchange adjustment | 235 | 338 | - | 31 | 604 |
| Balance at 31 July 2007 | <u>3,133</u> | <u>3,704</u> | <u>-</u> | <u>318</u> | <u>7,155</u> |
| Depreciation and impairment losses | | | | | |
| Balance at 1 August 2006 | (198) | (1,583) | - | - | (1,781) |
| Depreciation charge for the year | (74) | (511) | - | - | (585) |
| Disposals | 6 | 434 | - | - | 440 |
| Other transfers | 13 | (13) | - | - | - |
| Exchange adjustment | (22) | (173) | - | - | (195) |
| Balance at 31 July 2007 | <u>(275)</u> | <u>(1,846)</u> | <u>-</u> | <u>-</u> | <u>(2,121)</u> |
| Net property, plant and equipment at 31 July 2007 | <u>2,858</u> | <u>1,858</u> | <u>-</u> | <u>318</u> | <u>5,034</u> |
| 2006 | | | | | |
| Cost | | | | | |
| Balance at 1 August 2005 | 15,132 | 11,529 | - | 3,053 | 29,714 |
| Additions | 3 | 737 | - | 1,676 | 2,416 |
| Disposals | (2) | (134) | - | - | (136) |
| Disposals through sale of entities | (11,394) | (11,926) | - | - | (23,320) |
| Other transfers | - | 4,134 | - | (4,134) | - |
| Exchange adjustment | (1,530) | (1,162) | - | (309) | (3,001) |
| Balance at 31 July 2006 | <u>2,209</u> | <u>3,178</u> | <u>-</u> | <u>286</u> | <u>5,673</u> |
| Depreciation and impairment losses | | | | | |
| Balance at 1 August 2005 | (2,184) | (6,837) | - | - | (9,021) |
| Depreciation charge for the year | (53) | (264) | - | - | (317) |
| Depreciation transferred to discontinued businesses | (298) | (853) | - | - | (1,151) |
| Disposals | 2 | 79 | - | - | 81 |
| Disposals through sale of entities | 2,084 | 5,502 | - | - | 7,586 |
| Exchange adjustment | 251 | 790 | - | - | 1,041 |
| Balance at 31 July 2006 | <u>(198)</u> | <u>(1,583)</u> | <u>-</u> | <u>-</u> | <u>(1,781)</u> |
| Net property, plant and equipment at 31 July 2006 | <u>2,011</u> | <u>1,595</u> | <u>-</u> | <u>286</u> | <u>3,892</u> |

There were no impairment losses in the company in the current financial year or the comparative year.

Notes to the financial statements

24 Intangible assets

Consolidated

| Goodwill \$000 | Intellectual Property | | Capitalised development costs \$000 | Computer software \$000 | Total \$000 |
|-------------------|-----------------------------|---------------------------|--|-------------------------------|----------------|
| | indefinite life \$000 | definite life \$000 | | | |

2007

Cost

| | | | | | | |
|---|----------------|----------------|---------------|---------------|---------------|----------------|
| Balance at 1 August 2006 | 161,945 | 150,627 | 45,356 | 34,921 | 16,544 | 409,393 |
| Additions | 376 | 13,158 | 10 | 16,062 | 868 | 30,474 |
| Additions through business combinations | 128,768 | 128,488 | 10,682 | 6,512 | 82 | 274,532 |
| Disposals | - | (5) | - | (1,582) | (74) | (1,661) |
| Other transfers | 15,625 | (431) | 839 | - | 131 | 16,164 |
| Exchange adjustment | (7,426) | (6,087) | (1,014) | (1,207) | (421) | (16,155) |
| Balance at 31 July 2007 | <u>299,288</u> | <u>285,750</u> | <u>55,873</u> | <u>54,706</u> | <u>17,130</u> | <u>712,747</u> |

Amortisation and impairment losses

| | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|----------------|------------------|
| Balance at 1 August 2006 | (61,917) | (10,606) | (21,063) | (11,297) | (8,104) | (112,987) |
| Amortisation charge for the year | - | - | (3,448) | (2,585) | (2,162) | (8,195) |
| Additions through business combinations | - | - | - | - | (55) | (55) |
| Disposals | - | 1 | - | 793 | 54 | 848 |
| Other transfers | (15,194) | - | (1,004) | 67 | (33) | (16,164) |
| Exchange adjustment | 2,863 | 342 | 498 | 456 | 368 | 4,527 |
| Balance at 31 July 2007 | <u>(74,248)</u> | <u>(10,263)</u> | <u>(25,017)</u> | <u>(12,566)</u> | <u>(9,932)</u> | <u>(132,026)</u> |

| | | | | | | |
|---|----------------|----------------|---------------|---------------|--------------|----------------|
| Intangibles carrying amount at 31 July 2007 | <u>225,040</u> | <u>275,487</u> | <u>30,856</u> | <u>42,140</u> | <u>7,198</u> | <u>580,721</u> |
|---|----------------|----------------|---------------|---------------|--------------|----------------|

2006

Cost

| | | | | | | |
|---|----------------|----------------|---------------|---------------|---------------|----------------|
| Balance at 1 August 2005 | 130,360 | 94,928 | 41,050 | 25,467 | 10,905 | 302,710 |
| Additions | - | 34,513 | 1,652 | 7,771 | 7,315 | 51,251 |
| Additions through business combinations | 28,581 | 19,808 | 1,150 | - | - | 49,539 |
| Disposals | - | - | - | - | (349) | (349) |
| Disposals through sale of entities | - | - | - | - | (830) | (830) |
| Other transfers | 1,473 | 428 | (547) | 884 | (748) | 1,490 |
| Exchange adjustment | 1,531 | 950 | 2,051 | 799 | 251 | 5,582 |
| Balance at 31 July 2006 | <u>161,945</u> | <u>150,627</u> | <u>45,356</u> | <u>34,921</u> | <u>16,544</u> | <u>409,393</u> |

Amortisation and impairment losses

| | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|----------------|------------------|
| Balance at 1 August 2005 | (60,945) | (8,545) | (17,166) | (6,726) | (7,797) | (101,179) |
| Amortisation charge for the year | - | - | (3,207) | (3,408) | (1,896) | (8,511) |
| Transferred to discontinued businesses | - | - | - | - | (17) | (17) |
| Disposals | - | - | - | - | 210 | 210 |
| Disposals through sale of entities | - | - | - | - | 827 | 827 |
| Other transfers | 63 | (1,964) | 547 | (884) | 748 | (1,490) |
| Exchange adjustment | (1,035) | (97) | (1,237) | (279) | (179) | (2,827) |
| Balance at 31 July 2006 | <u>(61,917)</u> | <u>(10,606)</u> | <u>(21,063)</u> | <u>(11,297)</u> | <u>(8,104)</u> | <u>(112,987)</u> |

| | | | | | | |
|---|----------------|----------------|---------------|---------------|--------------|----------------|
| Intangibles carrying amount at 31 July 2006 | <u>100,028</u> | <u>140,021</u> | <u>24,293</u> | <u>23,624</u> | <u>8,440</u> | <u>296,406</u> |
|---|----------------|----------------|---------------|---------------|--------------|----------------|

The major intangibles with an indefinite economic life are the product registrations that Nufarm owns. These registrations are considered to have an indefinite life because, based on past experience, they will be renewed by the relevant regulatory authorities and the underlying products will continue to be commercialised and available for sale in the foreseeable future. The company will satisfy all of the conditions necessary for renewal and the cost of renewal is minimal. In determining that the registrations have indefinite useful life, the principal factor that influenced this determination is the expectation that the existing registration will not be subject to significant amendment in the foreseeable future.

Notes to the financial statements

24 Intangible assets (continued)

The group has determined that legal entity by country is the appropriate method for determining the cash-generating units (CGU) of the business. This level of CGU aligns with the cash flows of the business and the management structure of the group. The goodwill and intellectual property with an indefinite life are CGU specific, as the acquisitions generating goodwill and the product registrations that are the major indefinite intangible are country specific in nature. There is no allocation of goodwill between CGUs.

The most significant item in goodwill and indefinite life intangibles relates to the Agripec business and amounts to \$250 million. The balance of goodwill and indefinite life intangibles is spread across multiple CGUs, with no individual amount being material relative to the total intangibles at balance date.

For the impairment testing of these assets, the carrying amount of the asset is compared to its recoverable amount at a CGU level. The group uses the value-in-use method to estimate the recoverable amount. In assessing value-in-use, the estimated future cash flows are derived from the five year plan for each cash-generating unit with a growth factor applied to extrapolate a cash flow over a 20 year period. The 20 year period has been selected on the basis that this period most closely aligns with the product registration life in most geographies. The growth rate assumed for each CGU is the average growth achieved over the last five years, with a cap of 10%. The 10% growth cap is the average growth achieved by the group in recent years. The cash flow is then discounted to a present value using a discount rate of 11.4%. At 31 July 2007, the recoverable amount exceeded the carrying amount for all CGUs.

Company

| Goodwill \$000 | Intellectual Property | | Capitalised development costs \$000 | Computer software \$000 | Total \$000 |
|-------------------|-----------------------------|---------------------------|--|-------------------------------|----------------|
| | indefinite life \$000 | definite life \$000 | | | |

2007**Cost**

| | | | | | | |
|--------------------------|---|---|---|---|----|----|
| Balance at 1 August 2006 | - | - | - | - | 66 | 66 |
| Additions | - | - | - | - | 16 | 16 |
| Exchange adjustment | - | - | - | - | 2 | 2 |
| Balance at 31 July 2007 | - | - | - | - | 84 | 84 |

Amortisation and impairment losses

| | | | | | | |
|---|---|---|---|---|------|------|
| Balance at 1 August 2006 | - | - | - | - | (49) | (49) |
| Amortisation charge for the year | - | - | - | - | (11) | (11) |
| Balance at 31 July 2007 | - | - | - | - | (60) | (60) |
| Intangibles carrying amount at 31 July 2007 | - | - | - | - | 24 | 24 |

2006**Cost**

| | | | | | | |
|------------------------------------|---|---|---|---|-------|-------|
| Balance at 1 August 2005 | - | - | - | - | 997 | 997 |
| Disposals through sale of entities | - | - | - | - | (830) | (830) |
| Exchange adjustment | - | - | - | - | (101) | (101) |
| Balance at 31 July 2006 | - | - | - | - | 66 | 66 |

Amortisation and impairment losses

| | | | | | | |
|---|---|---|---|---|-------|-------|
| Balance at 1 August 2005 | - | - | - | - | (957) | (957) |
| Amortisation charge for the year | - | - | - | - | (17) | (17) |
| Disposals through sale of entities | - | - | - | - | 828 | 828 |
| Exchange adjustment | - | - | - | - | 97 | 97 |
| Balance at 31 July 2006 | - | - | - | - | (49) | (49) |
| Intangibles carrying amount at 31 July 2006 | - | - | - | - | 17 | 17 |

Notes to the financial statements

26 Interest-bearing loans and borrowings (continued)

Financing arrangements

Capital notes

The capital notes, with a face value of NZD\$225,000,000 (2006: NZD\$225,000,000), were repaid on 24 November 2006. The capital notes were repaid from the proceeds of the Nufarm Step-up Securities (see note 30).

Bank loans

All unsecured bank borrowings, including bank overdraft facilities, are provided by banks that are parties to the group negative pledge deed. The assets of all the entities included in the negative pledge deed (note 36) are in excess of their related borrowings.

| Repayment of borrowings (excluding finance leases) | Consolidated | | Company | |
|--|--------------|---------|---------|-------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$000 | \$000 | \$000 | \$000 |
| Period ending 31 July, 2007 | - | 515,730 | - | - |
| Period ending 31 July, 2008 | 372,661 | 44,847 | - | - |
| Period ending 31 July, 2009 | 62,748 | 61,692 | - | - |
| Period ending 31 July, 2010 | 27,924 | - | - | - |
| No specified repayment date | 208 | 248 | - | - |

The obligations with no specified repayment date are repayable upon certain contingent events, which the directors believe will not occur in the foreseeable future.

Finance lease liabilities

Finance leases are entered to fund the acquisition of minor items of plant and equipment, mainly by partly-owned entities of the group. Rentals are fixed for the duration of these leases. Lease commitments for capitalised finance leases are payable as follows:

| | Consolidated | | Company | |
|--|--------------|-------|---------|-------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$000 | \$000 | \$000 | \$000 |
| Not later than one year | 452 | 280 | - | - |
| Later than one year but not later than two years | 302 | 200 | - | - |
| Later than two years but not later than five years | 19 | 42 | - | - |
| | 773 | 522 | - | - |
| Less future finance charges | (91) | (37) | - | - |
| | 682 | 485 | - | - |

Finance lease liabilities are secured over the relevant leased plant.

| Average interest rates | Consolidated | | Company | |
|---|--------------|------|---------|------|
| | 2007 | 2006 | 2007 | 2006 |
| | % | % | % | % |
| Capital notes coupon | - | 8.6 | - | - |
| Nufarm Step-up Securities | 8.35 | - | - | - |
| Bank loans | 6.6 | 5.2 | - | - |
| Other loans | 3.0 | 3.0 | - | - |
| Subordinated loans from controlled entities | - | - | - | 9.2 |
| Finance lease liabilities - secured | 13.2 | 7.8 | - | - |

Notes to the financial statements

| 27 Employee benefits | Consolidated | | Company | |
|---|-----------------|-----------------|------------|------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$000 | \$000 | \$000 | \$000 |
| Current | | | | |
| Liability for annual leave | 15,328 | 14,389 | 317 | 358 |
| | <u>15,328</u> | <u>14,389</u> | <u>317</u> | <u>358</u> |
| Non-current | | | | |
| Present value of wholly unfunded obligations | 8,440 | 8,543 | - | - |
| Present value of wholly funded obligations | 50,847 | 54,044 | - | - |
| Fair value of fund assets - funded | <u>(39,732)</u> | <u>(35,477)</u> | - | - |
| Recognised liability for defined benefit fund obligations | 19,555 | 27,110 | - | - |
| Liability for long service leave | 12,187 | 11,628 | 52 | 31 |
| | <u>31,742</u> | <u>38,738</u> | <u>52</u> | <u>31</u> |
| Total employee benefits | <u>47,070</u> | <u>53,127</u> | <u>369</u> | <u>389</u> |

The consolidated entity makes contributions to defined benefit pension funds, in the UK, Holland, France and Indonesia, that provide defined benefit amounts for employees upon retirement. The company has no defined benefit pension funds.

Historical information

| | Consolidated | | | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2007 | 2006 | 2005 | 2004 |
| | \$000 | \$000 | \$000 | \$000 |
| Present value of defined benefit obligation | (59,287) | (62,587) | (57,881) | (56,466) |
| Fair value of plan assets | <u>39,732</u> | <u>35,477</u> | <u>30,534</u> | <u>27,693</u> |
| Surplus/(deficit) | <u>(19,555)</u> | <u>(27,110)</u> | <u>(27,347)</u> | <u>(28,773)</u> |
| Experience adjustments arising on plan liabilities | 321 | 961 | 3,640 | 58 |
| Experience adjustments arising on plan assets | 1,687 | 586 | 4,086 | (433) |

| Changes in the present value of the defined benefit obligation are as follows: | Consolidated | |
|--|----------------|---------------|
| | 2007 | 2006 |
| | \$000 | \$000 |
| Opening defined benefit obligation | 62,587 | 57,881 |
| Indonesia defined benefit plan inclusion | 382 | - |
| Service cost | 2,696 | 2,726 |
| Interest cost | 3,109 | 2,657 |
| Actuarial losses/(gains) | (5,087) | 932 |
| Plan changes | 404 | (631) |
| Past service cost | 6 | - |
| Losses/(gains) on curtailment | (932) | (1,261) |
| Contributions | (808) | (1,253) |
| Benefits paid | (1,166) | (1,219) |
| Liability in disposed business | - | (196) |
| Exchange differences on foreign funds | <u>(1,904)</u> | <u>2,951</u> |
| Closing defined benefit obligation | <u>59,287</u> | <u>62,587</u> |

Changes in the fair value of fund assets are as follows:

| | | |
|---------------------------------------|----------------|---------------|
| Opening fair value of fund assets | 35,477 | 30,534 |
| Expected return | 2,161 | 1,687 |
| Actuarial gains | 1,687 | 586 |
| Contributions by employer | 2,018 | 1,404 |
| Distributions | (409) | (393) |
| Exchange differences on foreign funds | <u>(1,202)</u> | <u>1,659</u> |
| Closing fair value of fund assets | <u>39,732</u> | <u>35,477</u> |

The actual return on plan assets is the sum of the expected return and the actuarial gain.

Notes to the financial statements

27 Employee benefits (continued)

| | Consolidated | |
|---|--------------|--------------|
| | 2007 | 2006 |
| | \$000 | \$000 |
| Expense recognised in profit or loss | | |
| Current service costs | 2,696 | 2,726 |
| Interest on obligation | 3,109 | 2,657 |
| Expected return on fund assets | (2,161) | (1,687) |
| Past service cost | 6 | - |
| Plan changes | 404 | (631) |
| Losses/(gains) on curtailment | (932) | (1,261) |
| | <u>3,122</u> | <u>1,804</u> |

The expense is recognised in the following line items in the income statement:

| | | |
|--|--------------|--------------|
| Cost of sales | 1,776 | 911 |
| Sales, marketing and distribution expenses | 617 | 455 |
| General and administrative expenses | 583 | 382 |
| Research and development expenses | 146 | 56 |
| | <u>3,122</u> | <u>1,804</u> |

Actuarial gains/(losses) recognised directly in equity (net of tax)

| | | |
|-------------------------------|--------------|--------------|
| Cumulative amount at 1 August | (713) | - |
| Recognised during the period | 4,093 | (713) |
| Cumulative amount at 31 July | <u>3,380</u> | <u>(713)</u> |

| | Consolidated | |
|--|--------------|-------|
| | 2007 | 2006 |
| | % | % |
| The major categories of fund assets as a percentage of total fund assets are as follows: | | |
| European equities | 58.7% | 60.8% |
| European bonds | 31.3% | 30.1% |
| Property | 2.8% | 2.8% |
| Cash | 7.2% | 6.3% |

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

| | | |
|---|------|------|
| Discount rate at 31 July | 5.5% | 4.9% |
| Expected return on fund assets at 31 July | 6.6% | 6.0% |
| Future salary increases | 3.4% | 3.4% |
| Future pension increases | 2.9% | 2.8% |

The overall expected long-term rate of return on assets is 6.6%. The expected rate of return on plan assets reflects the average rate of earnings expected on the funds invested to provide for the benefits included in the projected benefit obligation.

The group expects to pay \$3,273,000 in contributions to defined benefit plans in 2008.

28 Share-based payments

The Nufarm Limited Executive Share Purchase Scheme (1984) enabled the issue of fully paid ordinary shares to executive directors and senior executives, issued at a price equal to 70% of the market price at the date of the offer. There is an eight year restrictive period during which time the allocated shares are held by the trustees and the consideration will be paid over the restrictive period with all dividends, net of tax, being applied in reduction of the advances by the company to the trustees which total \$21,740 at 31 July 2007 (2006: \$65,341). Each executive is entitled to exercise voting rights attached to the shares allocated. At 31 July 2007 the trustees of the Executive Share Purchase Scheme (1984) held 25,000 (2006: 50,000) ordinary shares, all of which were allocated. There are 4 remaining participants (2006: 4 participants) in the scheme.

Notes to the financial statements

28 Share-based payments (continued)

The Nufarm Executive Share Plan (2000) offers shares at no cost to executives. The executives may select an alternative mix of shares (at no cost) and options at a cost determined under the 'Black Scholes' methodology. These benefits are only given when a predetermined return on capital employed is achieved over the relevant period. The shares and options are subject to forfeiture and dealing restrictions. The executive cannot deal in the shares or options for a period of between three and ten years without board approval. An independent trustee holds the shares and options on behalf of the executives. At 31 July 2007 there were 63 participants (2006: 58 participants) in the scheme and 1,635,832 shares (2006: 1,512,224) were allocated and held by the trustee on behalf of the participants. The cost of issuing shares is expensed in the year of issue.

The Global Share Plan commenced in 2001, and is available to all permanent employees. Participants contribute a proportion of their salary to purchase shares. The company will contribute an amount equal to 10% of the number of ordinary shares acquired with a participant's contribution in the form of additional ordinary shares. Amounts over 10% of the participant's salary can be contributed but will not be matched. For each year the shares are held, up to a maximum of five years, the company contributes a further 10% of the value of the shares acquired with the participant's contribution. An independent trustee holds the shares on behalf of the participants. At 31 July 2007 there were 751 participants (2006: 824 participants) in the scheme and 1,527,135 shares (2006: 1,703,775) were allocated and held by the trustee on behalf of the participants. The cost of the Global Share Plan expensed for the year ended 31 July 2007 was \$1,241,729 (2006: \$2,647,798).

The power of appointment and removal of the trustees for the share purchase schemes is vested in the company.

| 29 Provisions | Consolidated | | Company | |
|-------------------------|---------------|---------------|----------|----------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$000 | \$000 | \$000 | \$000 |
| Current | | | | |
| Restructuring | 128 | 3,700 | - | - |
| Other | 7,083 | - | - | - |
| Provision for dividends | 4,772 | - | - | - |
| | <u>11,983</u> | <u>3,700</u> | <u>-</u> | <u>-</u> |
| Non-current | | | | |
| Other | 14,653 | 11,899 | - | - |
| | <u>14,653</u> | <u>11,899</u> | <u>-</u> | <u>-</u> |
| Total provisions | <u>26,636</u> | <u>15,599</u> | <u>-</u> | <u>-</u> |

| Movement in provisions | Consolidated | | | Total |
|---|--------------|---------------|------------------|---------------|
| | Dividends | Restructuring | Other provisions | |
| | \$000 | \$000 | \$000 | \$000 |
| Balance at 1 August 2006 | - | 3,700 | 11,899 | 15,599 |
| Provisions made during the year | - | 2,751 | 6,000 | 8,751 |
| Provisions used during the year | - | (4,228) | - | (4,228) |
| Provisions reversed during the year | - | - | (1,746) | (1,746) |
| Transfer | - | (1,958) | 1,958 | - |
| Provisions acquired through business combinations | 4,772 | - | 4,578 | 9,350 |
| Exchange adjustment | - | (137) | (953) | (1,090) |
| Balance at 31 July 2007 | <u>4,772</u> | <u>128</u> | <u>21,736</u> | <u>26,636</u> |

The provision for dividends is for Agripec dividends declared prior to the purchase of the remaining 50.1%. The restructuring provision relates to taxes to be paid on the sale of the Granollers site in Spain. The other provisions consist of deferred payments for business acquisitions (\$15.2 million), contingent liabilities recognised with the Agripec acquisition (\$4.6 million) and provisions for employee litigation in France (\$1.9 million).

Notes to the financial statements

30 Capital and reserves

Reconciliation of movements in capital and reserves attributable to equity holders of the parent

| Consolidated | Share capital \$000 | Translation reserve \$000 | Capital profit reserve \$000 | Hedging reserve \$000 | Other reserve \$000 | Retained earnings \$000 | Nufarm step-up securities \$000 | Minority interest \$000 | Total equity \$000 |
|---|------------------------|------------------------------|---------------------------------|--------------------------|------------------------|----------------------------|------------------------------------|----------------------------|-----------------------|
| Balance at 1 August 2005 | 219,049 | (10,450) | 33,603 | - | 242 | 365,660 | - | 5,966 | 614,070 |
| Foreign exchange translation differences | - | 734 | - | - | - | - | - | (41) | 693 |
| Change in accounting policy for financial instruments | - | - | - | 574 | - | - | - | - | 574 |
| Foreign exchange movement taken to hedging reserve | - | - | - | (594) | - | - | - | - | (594) |
| Actuarial gains/(losses) on defined benefit plans | - | - | - | - | - | (713) | - | - | (713) |
| Share issued to employees | 1,065 | - | - | - | - | - | - | - | 1,065 |
| Shares issued under employee global share plan | 2,647 | - | - | - | - | - | - | - | 2,647 |
| Shares issued as consideration for business acquisition | 17,972 | - | - | - | - | - | - | - | 17,972 |
| Tax benefit on share issue costs | 27 | - | - | - | - | - | - | - | 27 |
| Transfer to current year income statement | - | - | 24 | - | - | - | - | - | 24 |
| Transfer to/from reserves | - | - | - | - | (242) | 242 | - | - | - |
| Profit for the period | - | - | - | - | - | 117,220 | - | 579 | 117,799 |
| Dividends paid to shareholders | - | - | - | - | - | (45,879) | - | (551) | (46,430) |
| Minority interest acquired | - | - | - | - | - | - | - | (4,945) | (4,945) |
| Balance at 31 July 2006 | <u>240,760</u> | <u>(9,716)</u> | <u>33,627</u> | <u>(20)</u> | <u>-</u> | <u>436,530</u> | <u>-</u> | <u>1,008</u> | <u>702,189</u> |
| Balance at 1 August 2006 | 240,760 | (9,716) | 33,627 | (20) | - | 436,530 | - | 1,008 | 702,189 |
| Foreign exchange translation differences | - | (14,628) | - | - | - | - | - | (52) | (14,680) |
| Foreign exchange movement taken to hedging reserve | - | - | - | 20 | - | - | - | - | 20 |
| Actuarial gains/(losses) on defined benefit plans | - | - | - | - | - | 4,093 | - | - | 4,093 |
| Share issued to employees | - | - | - | - | - | - | - | - | - |
| Accrual and issue of shares under global share plan | - | - | - | - | (91) | - | - | - | (91) |
| Shares issued as consideration for business acquisition | 99 | - | - | - | - | - | - | - | 99 |
| Tax benefit on share issue costs | 27 | - | - | - | - | - | - | - | 27 |
| Transfer to current year income statement | - | - | - | - | - | - | - | - | - |
| Transfer to/from reserves | - | - | - | - | - | 334 | - | - | 334 |
| Profit for the period | - | - | - | - | - | 148,796 | - | 367 | 149,163 |
| Dividends paid to shareholders | - | - | - | - | - | (53,145) | - | (306) | (53,451) |
| Issue of Nufarm Step-up Securities | - | - | - | - | - | - | 246,932 | - | 246,932 |
| Distributions to Nufarm Step-up Security holders | - | - | - | - | - | (5,484) | - | - | (5,484) |
| Balance at 31 July 2007 | <u>240,886</u> | <u>(24,344)</u> | <u>33,627</u> | <u>-</u> | <u>(91)</u> | <u>531,124</u> | <u>246,932</u> | <u>1,017</u> | <u>1,029,151</u> |

Notes to the financial statements

30 Capital and reserves (continued)

Reconciliation of movements in capital and reserves attributable to equity holders of the parent

| Company | Share capital \$000 | Translation reserve \$000 | Capital profit reserve \$000 | Hedging reserve \$000 | Other reserve \$000 | Retained earnings \$000 | Nufarm step-up securities \$000 | Minority interest \$000 | Total equity \$000 |
|---|------------------------|------------------------------|---------------------------------|--------------------------|------------------------|----------------------------|------------------------------------|----------------------------|-----------------------|
| Balance at 1 August 2005 | 219,049 | (77) | 40,074 | - | - | 156,536 | - | - | 415,582 |
| Foreign exchange translation differences | - | (248) | - | - | - | - | - | - | (248) |
| Change in accounting policy for financial instruments | - | - | - | 58 | - | - | - | - | 58 |
| Foreign exchange movement taken to hedging reserve | - | - | - | (8) | - | - | - | - | (8) |
| Share issued to employees | 1,065 | - | - | - | - | - | - | - | 1,065 |
| Shares issued under employee global share plan | 2,647 | - | - | - | - | - | - | - | 2,647 |
| Shares issued as consideration for business acquisition | 17,972 | - | - | - | - | - | - | - | 17,972 |
| Tax benefit on share issue costs | 27 | - | - | - | - | - | - | - | 27 |
| Profit for the period | - | - | - | - | - | 60,760 | - | - | 60,760 |
| Dividends paid to shareholders | - | - | - | - | - | (45,879) | - | - | (45,879) |
| Balance at 31 July 2006 | <u>240,760</u> | <u>(325)</u> | <u>40,074</u> | <u>50</u> | <u>-</u> | <u>171,417</u> | <u>-</u> | <u>-</u> | <u>451,976</u> |
| Balance at 1 August 2006 | 240,760 | (325) | 40,074 | 50 | - | 171,417 | - | - | 451,976 |
| Foreign exchange translation differences | - | (1) | - | - | - | - | - | - | (1) |
| Change in accounting policy for financial instruments | - | - | - | - | - | - | - | - | - |
| Foreign exchange movement taken to hedging reserve | - | - | - | (50) | - | - | - | - | (50) |
| Share issued to employees | - | - | - | - | - | - | - | - | - |
| Accrual and issue of shares under global share plan | - | - | - | - | (91) | - | - | - | (91) |
| Shares issued as consideration for business acquisition | 99 | - | - | - | - | - | - | - | 99 |
| Tax benefit on share issue costs | 27 | - | - | - | - | - | - | - | 27 |
| Profit for the period | - | - | - | - | - | 63,114 | - | - | 63,114 |
| Dividends paid to shareholders | - | - | - | - | - | (53,145) | - | - | (53,145) |
| Balance at 31 July 2007 | <u>240,886</u> | <u>(326)</u> | <u>40,074</u> | <u>-</u> | <u>(91)</u> | <u>181,386</u> | <u>-</u> | <u>-</u> | <u>461,929</u> |

Notes to the financial statements

30 Capital and reserves (continued)

| | Company | |
|----------------------|---|---|
| | Number of ordinary shares 2007 | Number of ordinary shares 2006 |
| Share capital | | |
| Balance at 1 August | 171,492,251 | 169,671,874 |
| Issue of shares | <u>9,002</u> | <u>1,820,377</u> |
| Balance at 31 July | <u>171,501,253</u> | <u>171,492,251</u> |

In May 2006, Nufarm acquired the shares of Nutrihealth Pty Ltd. Dr John Stocker, a director of Nufarm, was a minority shareholder of Nutrihealth. In accordance with the purchase agreement, Dr Stocker was allocated 9,002 ordinary shares in respect of his Nutrihealth shares. These shares were issued on 8 December 2006, after the issue was approved by the shareholders at the company's 2006 annual general meeting.

On 19 October 2005 185,439 fully paid ordinary shares at an average price of \$10.39 per share, were issued in accordance with the Nufarm executive share plan (2000), the employee global share plan and the non-executive directors share plan. On 1 May 2006, 1,634,938 fully paid ordinary shares were issued at an average price of \$10.99 as partial consideration for the purchase of the Nutrihealth specialty canola business.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Nufarm Step-up Securities

In the year ended 31 July 2007 Nufarm Finance (NZ) Limited, a wholly owned subsidiary of Nufarm Limited, issued a new hybrid security called Nufarm Step-up Securities (NSS). The NSS are perpetual step up securities and on 24 November 2006, 2,510,000 NSS were allotted at an issue price of \$100 per security raising \$251 million. The NSS are listed on the ASX under the code 'NFNG' and on the NZDX under the code 'NFFHA'. The after-tax costs associated with the issue of the NSS, totalling \$4.1 million, have been deducted from the proceeds.

Distributions on the NSS are at the discretion of the directors and are floating rate, unfranked, non-cumulative and subordinated. However, distributions of profits and capital by Nufarm Limited are restricted if distributions to NSS holders are not made, until such time that Nufarm Finance (NZ) Limited makes up the arrears. The first distribution date for the NSS was 16 April 2007 and on a six-monthly basis after this date. The floating rate is the average mid-rate for bills with a term of six months plus a margin of 1.90%. The step-up date is five years from issue date, and provides the issuer with the following options: (a) keep the NSS on issue whereby the margin will be reset or step up by the step-up margin; or (b) redeem the NSS for face value, or exchange them for a number of ordinary shares in Nufarm. The exchange ratio is calculated based on the average market price of Nufarm ordinary shares for 20 business days prior to exchange date less a 2.5% discount.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

Capital profit reserve

This reserve is used to accumulate realised capital profits.

Hedging reserve

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

Notes to the financial statements

30 Capital and reserves (continued)**Dividends**

| Dividends recognised in the current year by the company are: | Cents per share | Total amount \$000 | Franked/ unfranked | Payment date |
|--|-----------------|-----------------------|-----------------------|-----------------|
| 2007 | | | | |
| Interim 2007 ordinary | 11.0 | 18,894 | Franked | 27-Apr-07 |
| Final 2006 ordinary | 20.0 | <u>34,251</u> | Franked | 10-Nov-06 |
| Total amount | | <u>53,145</u> | | |
| 2006 | | | | |
| Interim 2006 ordinary | 10.0 | 16,994 | Franked | 28-Apr-06 |
| Final 2005 ordinary | 17.0 | <u>28,885</u> | Franked | 11-Nov-05 |
| Total amount | | <u>45,879</u> | | |

Dividends paid on ordinary shares during the year were franked at the tax rate of 30%.

| Distributions recognised in the current year by Nufarm Finance (NZ) Ltd on the Nufarm Step-up Securities are: | Distribution rate | Total amount \$000 | Payment date |
|---|-------------------|-----------------------|-----------------|
| Nufarm Step-up Securities distribution | 8.35% | 8,184 | 16-Apr-07 |

The distribution on the Nufarm Step-up Securities reported on the equity movement schedule has been reduced by the tax benefit on the gross distribution, giving an after-tax amount of \$5.484 million.

| Franking credit balance | Consolidated | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| The amount of franking credits available for the subsequent financial year are: | \$000 | \$000 | \$000 | \$000 |
| Franking account balance as at the end of the year at 30% (2006: 30%) | 13,163 | 22,800 | 13,163 | 22,800 |
| Franking credits that will arise from the payment of income tax payable as at the end of the year | (2,769) | 3,893 | (2,769) | 3,893 |
| Balance at 31 July | <u>10,394</u> | <u>26,693</u> | <u>10,394</u> | <u>26,693</u> |

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by \$15,435,113 (2006: \$14,699,336). In accordance with the tax consolidation legislation, the company as the head entity in the tax-consolidated group has also assumed the benefit of \$10,394,000 (2006: \$26,693,000) franking credits.

31 Earnings per share

| | Consolidated | |
|---|----------------|----------------|
| | 2007 \$000 | 2006 \$000 |
| Net profit for the year | 149,163 | 117,799 |
| Net profit attributable to minority interest | (367) | (579) |
| Net profit attributable to equity holders of the parent | <u>148,796</u> | <u>117,220</u> |
| Nufarm Step-up Securities distribution | (5,484) | - |
| Earnings used in the calculations of basic and diluted earnings per share | <u>143,312</u> | <u>117,220</u> |
| Earnings from continuing operations | 101,472 | 102,586 |
| Earnings from discontinued operations | 41,840 | 14,634 |
| | <u>143,312</u> | <u>117,220</u> |
| Subtract items of material income/(expense) (refer note 6) | <u>27,935</u> | <u>(3,886)</u> |
| Earnings excluding items of material income/(expense) used in the calculation of operating earnings per share | <u>115,377</u> | <u>121,106</u> |

For the purposes of determining basic and diluted earnings per share, the after-tax distributions on NSS are deducted from net profit.

Notes to the financial statements

31 Earnings per share (continued)

| | Number of shares | |
|--|--------------------|--------------------|
| | 2007 | 2006 |
| Weighted average number of ordinary shares used in calculation of basic earnings per share | 171,498,071 | 170,224,284 |
| Weighted average number of ordinary shares used in calculation of diluted earnings per share | <u>171,498,071</u> | <u>170,224,284</u> |

There have been no conversions to, calls of, or subscriptions for ordinary shares or issues of ordinary shares since the reporting date and before the completion of this financial report.

| | Cents per share | |
|--|-----------------|-------------|
| | 2007 | 2006 |
| Earnings per share for continuing and discontinued operations | | |
| <i>Basic earnings per share</i> | | |
| From continuing operations | 59.2 | 60.3 |
| From discontinued operations | <u>24.4</u> | <u>8.6</u> |
| | <u>83.6</u> | <u>68.9</u> |
| <i>Diluted earnings per share</i> | | |
| From continuing operations | 59.2 | 60.3 |
| From discontinued operations | <u>24.4</u> | <u>8.6</u> |
| | <u>83.6</u> | <u>68.9</u> |
| <i>Earnings per share (excluding items of material income/expense - see note 6)</i> | | |
| Basic earnings per share | 67.3 | 71.1 |
| Diluted earnings per share | 67.3 | 71.1 |

32 Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the group's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates and interest rates.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the group. Transactions involving derivative financial instruments are with counterparties who have sound credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivatives in the balance sheet.

In Brazil, Agripec uses barter transactions to partially offset the customer credit risk by allowing settlement through the delivery of soybeans from the customer's crop. Options are taken out on the soybean price to hedge movements in the soybean price between the date of sale and the date of settlement.

Interest rate risk

The group uses derivative financial instruments to manage specifically identified interest rate risks. Interest rate swaps, denominated in AUD, have been entered into to achieve an appropriate mix of fixed and floating rate exposures. There were no interest rate swaps in place at 31 July 2007.

The group measures interest rate swaps at fair value, with the movements in fair value reflected in the profit or loss. At 31 July 2007, the group had no interest rate swaps in place (2006: \$20,000,000). The net fair value of swaps at 31 July 2006, recognised as fair value derivatives, was \$238,000.

Cash flow risk on Nufarm Step-up Securities

The group uses interest rate caps to protect the cash flow impact of a movement in the distribution base rate. The distribution rate is the average mid-rate for bank bills with a term of six months plus a margin of 1.90%.

Notes to the financial statements

32 Financial instruments (continued)

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

| | | Effective interest rate | Total \$000 | Less than 1 year \$000 | 1-2 years \$000 | More than 2 years \$000 |
|--|------|----------------------------|----------------|------------------------------|-----------------------|-------------------------------|
| Consolidated | | | | | | |
| | Note | | 2007 | | | |
| Financial assets | | | | | | |
| Cash and cash equivalents | 15 | 6.8% | 92,377 | 92,377 | - | - |
| Financial liabilities | | | | | | |
| <i>Unsecured debt</i> | | | | | | |
| Bank overdrafts | 15 | 7.3% | 12,716 | 12,716 | - | - |
| Bank loans - unsecured | 26 | 6.6% | 450,617 | 359,662 | 62,748 | 28,207 |
| Other loans - unsecured | 26 | 3.0% | 854 | - | - | 854 |
| Finance lease liabilities - secured | 26 | 13.2% | 682 | 399 | 266 | 17 |
| | | | <u>464,869</u> | <u>372,777</u> | <u>63,014</u> | <u>29,078</u> |
| 2006 | | | | | | |
| Financial assets | | | | | | |
| Cash and cash equivalents | 15 | 4.4% | 51,269 | 51,269 | - | - |
| Financial liabilities | | | | | | |
| <i>Unsecured debt</i> | | | | | | |
| Bank overdrafts | 15 | 5.4% | 19,940 | 19,940 | - | - |
| Bank loans - unsecured | 26 | 5.2% | 400,437 | 293,898 | 44,847 | 61,692 |
| Other loans - unsecured | 26 | 3.0% | 248 | - | - | 248 |
| Interest rate swaps | | 5.0% | 20,000 | 20,000 | - | - |
| Capital notes | 26 | 8.6% | 181,649 | 181,649 | - | - |
| Finance lease liabilities - secured | 26 | 7.8% | 485 | 260 | 186 | 39 |
| | | | <u>622,759</u> | <u>515,747</u> | <u>45,033</u> | <u>61,979</u> |
| Company | | | | | | |
| | Note | | 2007 | | | |
| Financial assets | | | | | | |
| Cash and cash equivalents | 15 | 8.25% | 15,034 | 15,034 | - | - |
| Financial liabilities | | | | | | |
| Bank overdrafts | 15 | 9.5% | 2,667 | 2,667 | - | - |
| | | | <u>2,667</u> | <u>2,667</u> | <u>-</u> | <u>-</u> |
| 2006 | | | | | | |
| Financial assets | | | | | | |
| Cash and cash equivalents | 15 | 7.25% | 10,739 | 10,739 | - | - |
| Financial liabilities | | | | | | |
| Bank overdrafts | 15 | 9.5% | 23,574 | 23,574 | - | - |
| Subordinated loans from controlled entities | 26 | 9.2% | 190,258 | 190,258 | - | - |
| | | | <u>213,832</u> | <u>213,832</u> | <u>-</u> | <u>-</u> |

Notes to the financial statements

32 Financial instruments (continued)

Foreign currency risk

The group uses derivative financial instruments to manage specifically identified foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than AUD. The currencies giving rise to this risk are primarily the US Dollar, the Euro and the British Pound. The consolidated entity uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than three months after reporting date.

The group uses foreign exchange contracts to hedge the foreign currency exposures between the Nufarm Step-up Securities issued in Australia and New Zealand, and related group funding to several jurisdictions to which the funds were advanced. The foreign exchange contracts cover the exposure on the principal advanced to group companies in US Dollars, the Euro, the British Pound and the Canadian Dollar.

In the current year, the group discontinued cash flow hedging with all movements in fair value recognised in profit or loss during the period. The net fair value of forward exchange contracts in the group used as hedges of forecasted transactions at 31 July 2007 was \$2,187,491 (2006: \$353,309) comprising assets of \$95,294 (2006: \$194,164) and liabilities of \$2,282,785 (2006: \$547,472) that were recognised as derivatives measured at fair value. The net fair value of forward exchange contracts in the company at 31 July 2007 was \$340,150 (2006: \$194,164) comprising liabilities of \$340,150 (2006: \$194,164) that were recognised as derivatives measured at fair value.

Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows:

| Consolidated | Note | Carrying amount 2007 \$000 | Fair value 2007 \$000 | Carrying amount 2006 \$000 | Fair value 2006 \$000 |
|--|------|-------------------------------------|--------------------------------|-------------------------------------|--------------------------------|
| Cash and cash equivalents | 15 | 92,377 | 92,377 | 51,269 | 51,269 |
| Trade and other receivables | 16 | 788,131 | 788,131 | 523,616 | 523,616 |
| Interest rate cap: | | | | | |
| Payable maturities - one to five years | 22 | 7,225 | 7,225 | 238 | 238 |
| Forward exchange contracts: | | | | | |
| Receivables - less than one year | 16 | 86 | 86 | 194 | 194 |
| Payables - less than one year | 25 | (2,274) | (2,274) | (547) | (547) |
| Forward exchange contracts are being used to hedge the following foreign currency exposures: | | | | | |
| Foreign advances - less than one year | | - | - | 17,854 | 17,854 |
| - one to five years | 16 | 15,028 | 15,028 | - | - |
| Bank overdraft | 15 | (12,716) | (12,716) | (19,940) | (19,940) |
| Unsecured bank loans | 26 | (450,617) | (450,617) | (420,437) | (420,437) |
| Other loans | 26 | (854) | (854) | (248) | (248) |
| Capital notes - one to five years | 26 | - | - | (181,649) | (181,351) |
| Finance leases | 26 | (683) | (683) | (485) | (485) |
| | | <u>435,703</u> | <u>435,703</u> | <u>(30,135)</u> | <u>(29,837)</u> |
| Unrecognised (losses) / gains | | | - | | (298) |

Notes to the financial statements

32 Financial instruments (continued)

Fair values (continued)

| Company | | Carrying amount 2007 \$000 | Fair value 2007 \$000 | Carrying amount 2006 \$000 | Fair value 2006 \$000 |
|--|----|-------------------------------------|--------------------------------|-------------------------------------|--------------------------------|
| Cash and cash equivalents | 15 | 15,034 | 15,034 | 10,739 | 10,739 |
| Trade and other receivables | 16 | 7,536 | 7,536 | 34,509 | 34,509 |
| Receivables due from controlled entities | 16 | 50,390 | 50,390 | 228,937 | 228,937 |
| Loans due from controlled entities | 16 | 177,256 | 177,256 | 170,618 | 170,618 |
| Forward exchange contracts: | | | | | |
| Payables - less than one year | 25 | (340) | (340) | 194 | 194 |
| Forward exchange contracts, currency options and cross currency interest rate swaps are being used to hedge the following foreign currency exposures: | | | | | |
| Foreign advances - less than one year | 16 | - | - | 17,854 | 17,854 |
| Bank overdraft | 15 | (2,667) | (2,667) | (23,574) | (23,574) |
| Subordinated loans from controlled entities | 26 | - | - | (190,258) | (190,258) |
| | | <u>247,209</u> | <u>247,209</u> | <u>249,019</u> | <u>249,019</u> |
| Unrecognised (losses) / gains | | | - | | - |

Estimation of fair values

The methods used in determining the fair values of financial instruments are discussed in note 4.

Interest rates used for determining fair value

The average interest rates used for determining fair value are:

| | 2007 | 2006 |
|---------------|------|------|
| Derivatives | 6.0% | 5.0% |
| Capital notes | - | 9.4% |

33 Operating leases

Non-cancellable operating lease rentals are payable as follows:

| | Consolidated | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2007 \$000 | 2006 \$000 | 2007 \$000 | 2006 \$000 |
| Not later than one year | 5,726 | 7,390 | - | 214 |
| Later than one year but not later than two years | 4,560 | 5,133 | - | 104 |
| Later than two years but not later than five years | 9,801 | 9,520 | - | 92 |
| Later than five years | 4,664 | 10,415 | - | - |
| | <u>24,751</u> | <u>32,458</u> | <u>-</u> | <u>410</u> |

Operating leases are generally entered to access the use of shorter term assets such as motor vehicles, mobile plant and some office equipment. Rentals are fixed for the duration of these leases. There are also a small number of leases for office properties. These rentals have regular reviews based on market rentals at the time of review.

Notes to the financial statements

34 Capital and other commitments

| | Consolidated | | Company | |
|---|--------------|--------|---------|-------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$000 | \$000 | \$000 | \$000 |
| Capital expenditure commitments | | | | |
| Plant and equipment | | | | |
| <i>Contracted but not provided for and payable:</i> | | | | |
| Within one year | 17,717 | 10,005 | - | - |

35 Contingencies

The directors are of the opinion that provisions are not required in respect of the following matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

The parent entity together with all the material wholly owned controlled entities have entered into a negative pledge deed with the group's lenders whereby all group entities, which are a party to the deed, have guaranteed repayment of all liabilities in the event that any of these companies are wound up.

| | Consolidated | | Company | |
|---|---------------|---------------|----------|----------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$000 | \$000 | \$000 | \$000 |
| Guarantee facility for Eastern European joint ventures with FMC Corporation. | 5,680 | 7,312 | - | - |
| The parent entity has provided a guarantee to note holders in respect of the issuers' obligations under the capital notes. | - | - | - | 181,892 |
| Environmental claim warranty: Environmental guarantee given to the purchaser of land and buildings at Gennevilliers for EUR 8.5 million. The guarantee expires in 2014, 18 months after the expiry of the business tenancy contract. | 13,710 | 14,167 | - | - |
| Guarantee upon sale of a business limited to EUR 2.74 million on account of possible remediation costs for soil and groundwater contamination. This guarantee decreases from 2004 progressively to nil in 2011. | 4,419 | 5,850 | - | - |
| | <u>23,809</u> | <u>27,329</u> | <u>-</u> | <u>181,892</u> |

Notes to the financial statements

36 Group entities

| | Notes | Place of incorporation | Percentage of shares held | |
|--|---------|------------------------|---------------------------|------|
| | | | 2007 | 2006 |
| Parent entity | | | | |
| Nufarm Limited - ultimate controlling entity | | | | |
| Subsidiaries | | | | |
| Abel Lemon and Company Pty Ltd (<i>liquidated</i>) | (a) | Australia | - | 100 |
| Access Genetics Pty Ltd | | Australia | 100 | 100 |
| ACN000425927 Pty Ltd (<i>formerly Nuturf Pty Ltd</i>) | (a),(b) | Australia | 100 | 100 |
| Agcare Biotech Pty Ltd | | Australia | 70 | 70 |
| Agchem Receivables Corporation | | USA | 40 | 40 |
| Agripec Quimica e Farmaceutica SA | | Brazil | 100 | 49.9 |
| Agrogen Nufarm de Colombia S.A. (<i>formerly Nufarm Colombia Ltda</i>) | (b) | Colombia | 100 | 100 |
| Agroquimicos Genericos S.A. (<i>merged into Agrogen Nufarm de Colombia S.A.</i>) | | Colombia | - | 100 |
| Agryl Holdings Limited | (a),(b) | Australia | 100 | 100 |
| Ag-seed Research Pty Ltd | (a) | Australia | 100 | 100 |
| Artfern Pty Ltd | (a) | Australia | 100 | 100 |
| Australis Services Pty Ltd | (a) | Australia | 100 | 100 |
| Bestbeech Pty Ltd (<i>formerly Captec Pty Ltd</i>) | (a) | Australia | 100 | 100 |
| CFPI GmbH (<i>liquidated</i>) | | Germany | - | 100 |
| Chemicca Limited | (a) | Australia | 100 | 100 |
| Chemturf Pty Ltd (<i>liquidated</i>) | (a) | Australia | - | 100 |
| Chloral Investment Trust (<i>sold July 2007</i>) | | Australia | - | 80 |
| Chloral Unit Trust No1 (<i>sold July 2007</i>) | | Australia | - | 80 |
| Chloral Unit Trust No2 (<i>sold July 2007</i>) | | Australia | - | 80 |
| Clama s.a.s (<i>merged into Nufarm Holdings s.a.s</i>) | | France | - | 100 |
| CNG Holdings BV | | Netherlands | 100 | 100 |
| CNZL Limited (<i>formerly Captec (NZ) Limited and later amalgamated into Nufarm Holdings (NZ) Limited</i>) | (b) | New Zealand | - | 100 |
| Crop Care Australasia Pty Ltd | (a),(b) | Australia | 100 | 100 |
| Crop Care Holdings Limited | | New Zealand | 100 | 100 |
| Croplands Equipment Limited | (b) | New Zealand | 100 | 100 |
| Croplands Equipment Pty Ltd | (a),(b) | Australia | 100 | 100 |
| CSRPAR Participacoes LTDA | | Brazil | 100 | - |
| Danestoke Pty Ltd | | Australia | 100 | 100 |
| Electronic Agriculture Limited (<i>liquidated</i>) | (a) | Australia | - | 100 |
| Fada S.A. (<i>merged into Agrogen Nufarm de Colombia S.A.</i>) | | Colombia | - | 100 |
| Fchem (Aust) Limited | (a),(b) | Australia | 100 | 100 |
| Fchem Limited (<i>amalgamated into Nufarm Holdings (NZ) Limited</i>) | (b) | New Zealand | - | 100 |
| Fernz Canada Limited | (b) | Canada | 100 | 100 |
| Fernz Singapore Pte Ltd | (b) | Singapore | 100 | 100 |
| Fidene Limited | | New Zealand | 100 | 100 |
| Finotech BV | (b) | Netherlands | 100 | 100 |
| Framchem SA | (b) | Egypt | 100 | 100 |
| Frost Technology Corporation | | USA | 100 | 100 |
| Health & Science Limited (<i>amalgamated into Nufarm Holdings (NZ) Limited</i>) | (b) | New Zealand | - | 100 |
| Inpar s.a.s (<i>merged into Nufarm Holdings s.a.s</i>) | (b) | France | - | 100 |
| Interferon Limited (<i>liquidated</i>) | (a) | Australia | - | 100 |
| Interferon NZ Limited (<i>amalgamated into Nufarm Holdings (NZ) Limited</i>) | (b) | New Zealand | - | 100 |
| Laboratoire European de Biotechnologie s.a.s | | France | 100 | 100 |
| Le Moulin des Ecluses s.a | (b) | France | 100 | 100 |
| Les Ecluses de la Garenne s.a.s | | France | 100 | 100 |
| Manaus Holdings Sdn Bhd | (b) | Malaysia | 100 | 100 |
| Marman (Nufarm) Inc | | USA | 100 | 100 |

Notes to the financial statements

36 Consolidated entities (continued)

| | Notes | Place of incorporation | Percentage of shares held | |
|--|---------|------------------------|---------------------------|------|
| | | | 2007 | 2006 |
| Marman de Guatemala Sociedad Anonima | | Guatemala | 100 | 100 |
| Marman de Mexico Sociedad Anonima De Capital Variable | | Mexico | 100 | 100 |
| Marman Holdings LLC | | USA | 100 | 100 |
| Mastra Corporation Pty Ltd | (b) | Australia | 70 | 70 |
| Mastra Corporation Sdn Bhd | (b) | Malaysia | 70 | 70 |
| Mastra Corporation USA Pty Ltd | | Australia | 70 | 70 |
| Mastra Holdings Sdn Bhd | (b) | Malaysia | 70 | 70 |
| Mastra Industries Sdn Bhd | (b) | Malaysia | 70 | 70 |
| Medisup International NV | | N. Antillies | 100 | 100 |
| Medisup Securities Limited | (a),(b) | Australia | 100 | 100 |
| Neuchatel Pty Ltd (<i>liquidated</i>) | (a) | Australia | - | 100 |
| Nufarm (Asia) Pte Ltd | (b) | Singapore | 100 | 100 |
| Nufarm Agriculture (Pty) Ltd | | South Africa | 100 | 100 |
| Nufarm Agriculture Inc | (b) | Canada | 100 | 100 |
| Nufarm Agriculture Inc (USA) | | USA | 100 | 100 |
| Nufarm Agriculture Zimbabwe (Pvt) Ltd | | Zimbabwe | 100 | 100 |
| Nufarm Americas Holding Company | (b) | USA | 100 | 100 |
| Nufarm Americas Inc | (b) | USA | 100 | 100 |
| Nufarm Asia Sdn Bhd | | Malaysia | 100 | 100 |
| Nufarm Australia Limited | (a),(b) | Australia | 100 | 100 |
| Nufarm BV | (b) | Netherlands | 100 | 100 |
| Nufarm Chemical (Shanghai) Co Ltd | | China | 100 | 100 |
| Nufarm Chile Limitada | (b) | Chile | 100 | 100 |
| Nufarm Coogee Pty Ltd (<i>sold July 2007</i>) | | Australia | - | 80 |
| Nufarm Crop Products UK Limited | | UK | 100 | 100 |
| Nufarm de Costa Rica | | Costa Rica | 100 | 100 |
| Nufarm de Guatemala SA | | Guatemala | 100 | 100 |
| Nufarm de Mexico Sa de CV | | Mexico | 100 | 100 |
| Nufarm de Panama SA | | Panama | 100 | 100 |
| Nufarm de Venezuela SA | | Venezuela | 100 | 100 |
| Nufarm del Ecuador SA | | Ecuador | 100 | 100 |
| Nufarm Deutschland GmbH | (b) | Germany | 100 | 100 |
| Nufarm do Brazil LTDA | | Brazil | 100 | 100 |
| Nufarm Energy Pty Ltd (<i>liquidated</i>) | (a) | Australia | - | 100 |
| Nufarm Espana SA | (b) | Spain | 100 | 100 |
| Nufarm Finance (NZ) Limited (<i>formerly Fernz Corporation (NZ) Limited</i>) | (b) | New Zealand | 100 | 100 |
| Nufarm GmbH | (b) | Germany | 100 | 100 |
| Nufarm GmbH | (b) | Austria | 100 | 100 |
| Nufarm GmbH & Co KG | (b) | Austria | 100 | 100 |
| Nufarm Holdings (NZ) Limited | (b) | New Zealand | 100 | 100 |
| Nufarm Holdings BV | (b) | Netherlands | 100 | 100 |
| Nufarm Holdings s.a.s | (b) | France | 100 | 100 |
| Nufarm Inc. | (b) | USA | 100 | 100 |
| Nufarm Insurance Pte Ltd | | Singapore | 100 | 100 |
| Nufarm Investments Cooperatie WA | (b) | Netherlands | 100 | 100 |
| Nufarm Italia srl | | Italy | 100 | - |
| Nufarm Italia Holding srl | | Italy | 100 | - |
| Nufarm KK | | Japan | 100 | 100 |
| Nufarm Labuan Pte Ltd | (b) | Malaysia | 100 | 100 |
| Nufarm Malaysia Sdn Bhd | (b) | Malaysia | 100 | 100 |
| Nufarm Materials Limited | (a),(b) | Australia | 100 | 100 |
| Nufarm NZ Limited | (b) | New Zealand | 100 | 100 |
| Nufarm Platte Pty Ltd | | Australia | 100 | 100 |

Notes to the financial statements

| 36 Consolidated entities (continued) | Notes | Place of incorporation | Percentage of shares held 2007 | 2006 |
|---|---------|---------------------------|--------------------------------------|------|
| Nufarm Portugal LDA | (b) | Portugal | 100 | 100 |
| Nufarm s.a.s | (b) | France | 100 | 100 |
| Nufarm SA | (b) | Argentina | 100 | 100 |
| Nufarm Specialty Products Inc (<i>liquidated</i>) | (b) | USA | - | 100 |
| Nufarm Srl | | Romania | 100 | - |
| Nufarm Technologies (M) Sdn Bhd | | Malaysia | 51 | 51 |
| Nufarm Technologies USA | | New Zealand | 100 | 100 |
| Nufarm Technologies USA Pty Ltd | | Australia | 100 | 100 |
| Nufarm Treasury Pty Ltd | (a),(b) | Australia | 100 | 100 |
| Nufarm UK Limited | (b) | United Kingdom | 100 | 100 |
| Nugrain Pty Ltd | | Australia | 100 | 100 |
| Nuseed Pty Ltd | | Australia | 100 | 100 |
| Nutrihealth Grains Pty Ltd | | Australia | 100 | 100 |
| Nutrihealth Pty Ltd | | Australia | 100 | 100 |
| Opti-Crop Systems Pty Ltd | (b) | Australia | 75 | 75 |
| Pacific Raw Materials Australia Pty Ltd (<i>liquidated</i>) | (a) | Australia | - | 100 |
| Pacific Raw Materials Limited (<i>liquidated</i>) | | New Zealand | - | 100 |
| Pharma Pacific Pty Ltd | (a) | Australia | 100 | 100 |
| PT Crop Care | | Indonesia | 100 | 100 |
| PT Nufarm Indonesia | (b) | Indonesia | 100 | 100 |
| Rockmere Pty Ltd (<i>liquidated</i>) | (a) | Australia | - | 100 |
| Safepak Industries Sdn Bhd | | Malaysia | 70 | 70 |
| Selchem Pty Ltd | (a) | Australia | 100 | 100 |
| TPL Limited | (b) | New Zealand | 100 | 100 |

Note (a). These entities have entered into a deed of cross guarantee date 10 July 2000 with Nufarm Limited which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding-up of that company. As a result of a class order issued by the Australian Securities and Investment Commission (dated 14 July 2000), these companies are relieved from the requirement to prepare financial statements.

Note (b). These entities have entered into a deed of negative pledge dated 24 October 1996 (as amended on 26 April 1999, 26 January 2000 and 9 October 2003) with the group lenders which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed.

37 Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 dated 13 August 1998, the wholly-owned subsidiaries referred to in note 37 are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and director's reports.

It is a condition of the class order that the company and each of the subsidiaries enter into a deed of cross guarantee. The parent entity and all the Australian controlled entities have entered into a deed of cross guarantee dated 10 July 2000 which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding-up of that company.

A consolidated income statement and consolidated balance sheet, comprising the company and controlled entities which are a party to the deed, after eliminating all transactions between parties to the deed of cross guarantee, at 31 July 2007 is set out as follows:

Notes to the financial statements

37 Deed of cross guarantee (continued)

| | Consolidated | |
|---|------------------|------------------|
| | 2007 | 2006 |
| | \$000 | \$000 |
| Summarised income statement and retained profits | | |
| Profit before income tax expense | 81,236 | 102,431 |
| Income tax expense | (12,021) | (18,014) |
| Net profit attributable to members of the closed group | <u>69,215</u> | <u>84,417</u> |
| Retained profits at the beginning of the period | 283,660 | 244,102 |
| Include new members to the closed group | - | 1,020 |
| Dividends paid | (53,145) | (45,879) |
| Retained profits at the end of the period | <u>299,730</u> | <u>283,660</u> |
| Statement of financial position | | |
| Current assets | | |
| Cash and cash equivalents | 12,543 | 11,480 |
| Trade and other receivables | 238,460 | 417,592 |
| Inventories | 185,590 | 182,392 |
| Current tax assets | 23,677 | 2,094 |
| Assets classified as held for sale | - | 22,772 |
| Total current assets | <u>460,270</u> | <u>636,330</u> |
| Non-current assets | | |
| Receivables | - | 1,240 |
| Equity accounted investments | 9,408 | 173,424 |
| Other investments | 620,190 | 263,334 |
| Deferred tax assets | 25,028 | 21,372 |
| Property, plant and equipment | 154,244 | 128,351 |
| Intangible assets | 85,296 | 70,728 |
| Other | - | - |
| Total non-current assets | <u>894,166</u> | <u>658,449</u> |
| TOTAL ASSETS | <u>1,354,436</u> | <u>1,294,779</u> |
| Current liabilities | | |
| Bank overdraft | 5,584 | 26,794 |
| Trade and other payables | 611,963 | 500,290 |
| Interest bearing loans and borrowings | 57,800 | 116,068 |
| Employee benefits | 7,674 | 7,662 |
| Current tax payable | 28,294 | 3,533 |
| Liabilities classified as held for sale | - | 13,425 |
| Total current liabilities | <u>711,315</u> | <u>667,772</u> |
| Non-current liabilities | | |
| Interest bearing loans and borrowings | 23,500 | 31,607 |
| Deferred tax liabilities | 7,918 | 3,562 |
| Employee benefits | 8,605 | 7,844 |
| Provisions | 6,000 | - |
| Total non-current liabilities | <u>46,023</u> | <u>43,013</u> |
| TOTAL LIABILITIES | <u>757,338</u> | <u>710,785</u> |
| NET ASSETS | <u>597,098</u> | <u>583,994</u> |
| Equity | | |
| Share capital | 248,086 | 247,960 |
| Reserves | 49,282 | 52,374 |
| Retained earnings | 299,730 | 283,660 |
| TOTAL EQUITY | <u>597,098</u> | <u>583,994</u> |

Notes to the financial statements

38 Reconciliation of cash flows from operating activities

| | Consolidated | | Company | |
|---|-----------------|-----------------|---------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$000 | \$000 | \$000 | \$000 |
| Cash flows from operating activities | | | | |
| Profit for the period | 149,163 | 121,732 | 63,114 | 60,760 |
| Dividend from associated company | 171 | 2,599 | 171 | 181 |
| Non-cash items: | | | | |
| Amortisation | 8,454 | 9,806 | 10 | - |
| Depreciation | 33,755 | 36,556 | 585 | 319 |
| Gain on disposal of non current assets | (1,063) | (512) | (18) | (359) |
| Gain on sale of discontinued operation | (37,176) | - | - | - |
| Write-down of non current assets | - | 219 | - | - |
| Share of profits of associates net of tax | (8,056) | (10,545) | (788) | (1,013) |
| Movement in provisions for: | | | | |
| Deferred tax | 6,804 | 8,914 | (53) | (64) |
| Tax assets | (16,390) | (8,852) | (11,216) | 479 |
| Deferred product development expenses | - | - | - | - |
| Exchange rate change on foreign controlled entities provisions | 589 | 348 | 54 | (136) |
| Operating profit before changes in working capital and provisions | 136,251 | 160,265 | 51,859 | 60,167 |
| Movements in working capital items: | | | | |
| (Increase)/decrease in receivables | (136,362) | (36,583) | 19,911 | 5,538 |
| (Increase)/decrease in inventories | (2,559) | (3,804) | (1,123) | 165 |
| Increase/(decrease) in payables | 56,848 | (59,479) | (578) | (4,357) |
| Increase/(decrease) in income tax payable | 14,742 | 1,826 | 5,897 | 3,840 |
| Exchange rate change on foreign controlled entities working capital items | (6,322) | 674 | 484 | (1,981) |
| Movements in intercompany balances relating to cash transactions | - | - | - | - |
| | (73,653) | (97,366) | 24,591 | 3,205 |
| Net operating cash flows | 62,598 | 62,899 | 76,450 | 63,372 |

39 Key management personnel disclosures

The following were key management personnel of the consolidated entity at any time during the reporting period and were key management personnel for the entire period.

Non-executive directors

KM Hoggard (Chairman)
GDW Curlewis
Dr WB Goodfellow
GA Hounsell
DG McGauchie
Dr JW Stocker
RFE Warburton

Executives

BF Benson Group general manager agriculture
R Heath Group general manager corporate services and company secretary
KP Martin Chief financial officer
DA Mellody Group general manager global marketing
RF Ooms Group general manager chemicals
DA Pullan Group general manager operations
RG Reis Group general manager corporate strategy and external affairs

Executive directors

DJ Rathbone

Managing director and chief executive

Key management personnel compensation

The key management personnel compensation included in personnel expenses (see note 9) are as follows:

| | Consolidated | | Company | |
|------------------------------|------------------|------------------|----------------|----------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Short term employee benefits | 5,580,527 | 7,029,731 | 574,333 | 664,250 |
| Post employment benefits | 647,613 | 511,231 | 259,833 | 149,750 |
| Equity compensation benefits | 1,332,003 | 1,584,993 | 143,000 | 143,000 |
| Other long term benefits | 170,224 | 153,257 | - | - |
| | 7,730,367 | 9,279,212 | 977,166 | 957,000 |

Notes to the financial statements

39 Key management personnel disclosures (continued)

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation is provided in the remuneration report section of the director's report.

Apart from the details disclosed in this note, no director has entered into a material contract with the company or the consolidated entity since the end of the previous financial year and there were no material contracts involving director's interest existing at year-end.

Loans to key management personnel and their related parties

There were no loans to key management personnel at July 31 2007.

Other key management personnel transactions with the Company or its controlled entities

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms length basis.

From time to time, key management personnel of the company or its controlled entities, or their related entities, may purchase goods from the group. These purchases are on the same terms and conditions as those entered into by other group employees or customers and are trivial or domestic in nature.

Options and rights over equity instruments granted as compensation

No options or other equity instruments were granted to key management personnel during the reporting period as compensation.

Movements in shares

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

| Shares held in Nufarm Ltd | | Balance at 1 August 2006 | Granted as remun- eration | 2007 Exercise of options | Net change other | Balance at 31 July 2007 |
|------------------------------|-----|--------------------------------|---------------------------------|--------------------------------|------------------------|-------------------------------|
| Directors | | | | | | |
| KM Hoggard | 1 | 2,379,426 | 4,188 | - | - | 2,383,614 |
| DJ Rathbone | | 29,912,610 | - | - | - | 29,912,610 |
| GDW Curlewis | | 42,787 | - | - | 1,000 | 43,787 |
| Dr WB Goodfellow | 1 2 | 1,468,296 | 1,657 | - | (807,039) | 662,914 |
| GA Hounsell | 1 | 60,302 | 1,657 | - | - | 61,959 |
| DG McGauchie | 1 | 14,719 | 1,657 | - | - | 16,376 |
| Dr JW Stocker | 1 | 30,314 | 1,657 | - | 9,002 | 40,973 |
| RFE Warburton | 1 | 65,281 | 1,657 | - | - | 66,938 |
| Executives | | | | | | |
| BF Benson | | 157,694 | 20,080 | - | (18,345) | 159,429 |
| R Heath | | 197,790 | 11,211 | - | - | 209,001 |
| KP Martin | | 381,610 | 21,063 | - | - | 402,673 |
| DA Mellody | | 5,196 | 11,295 | - | - | 16,491 |
| RF Ooms | | 335,757 | 21,063 | - | - | 356,820 |
| DA Pullan | | 232,132 | 22,393 | - | (29,133) | 225,392 |
| RG Reis | | 166,096 | 14,223 | - | - | 180,319 |
| Total | | 35,450,010 | 133,801 | - | (844,515) | 34,739,296 |

Notes to the financial statements

39 Key management personnel disclosures (continued)**Movements in shares (continued)**

| Shares held in Nufarm Ltd | | Balance at 1 August 2005 | Granted as remun- eration | 2006 Exercise of options | Net change other | Balance at 31 July 2006 |
|------------------------------|-----|--------------------------------|---------------------------------|--------------------------------|------------------------|-------------------------------|
| Directors | | | | | | |
| KM Hoggard | 1 | 2,374,749 | 4,677 | - | - | 2,379,426 |
| DJ Rathbone | | 29,912,610 | - | - | - | 29,912,610 |
| GDW Curlewis | | 40,787 | - | - | 2,000 | 42,787 |
| Dr WB Goodfellow | 1 2 | 1,466,446 | 1,850 | - | - | 1,468,296 |
| GA Hounsell | 1 | 11,452 | 1,850 | - | 47,000 | 60,302 |
| DG McGauchie | 1 | 8,269 | 1,850 | - | 4,600 | 14,719 |
| Dr JW Stocker | 1 | 28,464 | 1,850 | - | - | 30,314 |
| RFE Warburton | 1 | 63,431 | 1,850 | - | - | 65,281 |
| Executives | | | | | | |
| BF Benson | | 152,145 | 21,462 | - | (15,913) | 157,694 |
| R Heath | | 223,482 | 14,308 | - | (40,000) | 197,790 |
| KP Martin | | 355,470 | 26,140 | - | - | 381,610 |
| DA Mellody | | 2,500 | 2,696 | - | - | 5,196 |
| RF Ooms | | 319,617 | 26,140 | - | (10,000) | 335,757 |
| DA Pullan | | 229,423 | 27,791 | - | (25,082) | 232,132 |
| RG Reis | | 188,596 | 17,500 | - | (40,000) | 166,096 |
| Total | | 35,377,441 | 149,964 | - | (77,395) | 35,450,010 |

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

- 1 Messrs Hoggard, Goodfellow, Hounsell, McGauchie, Stocker and Warburton are participants in the non-executive share plan which enables participants to sacrifice 20% of their base director fees to the acquisition of company shares. These shares do not vest until the earlier of 3 years or retirement.
- 2 The shareholding of Dr WB Goodfellow includes his relevant interest in:
- St Kentigern Trust Board (429,855 shares and 19,727 Nufarm Step-up Securities) - Dr Goodfellow is Chairman of the Trust Board. Dr Goodfellow does not have a beneficial interest in these shares or Step-up Securities.
 - Sulkem Company Limited (113,616 shares);
 - Auckland Medical Research Foundation (25,462 Step-up Securities). Dr Goodfellow does not have a beneficial interest in the Step-up Securities.

40 Non-key management personnel disclosures**a) Transactions with related parties in the wholly-owned group**

The parent entity entered into the following transactions during the year with subsidiaries of the group:

- loans were advanced and repayments received on short term intercompany accounts; and
- management fees were received from several wholly-owned controlled entities

These transactions were undertaken on commercial terms and conditions.

b) Transactions with associated parties

| | | Consolidated | |
|----------------------------------|------------------|---------------|---------------|
| | | 2007 \$000 | 2006 \$000 |
| Bayer CropScience Nufarm Limited | sales to | 11,734 | 8,309 |
| | purchases from | 14,342 | 11,517 |
| | trade receivable | 41 | 740 |
| | trade payable | 3,949 | 2,704 |

Notes to the financial statements

40 Non-key management personnel disclosures (continued)

b) Transactions with associated parties (continued)

| | | Consolidated | |
|---------------------|-------------------|--------------|-------|
| | | 2007 | 2006 |
| | | \$000 | \$000 |
| SRFA LLC | sales to | 2,159 | 326 |
| | loan receivable | 582 | 754 |
| | interest received | 19 | 20 |
| | trade payable | - | 110 |
| | trade receivable | 60 | - |
| Excel Crop Care Ltd | purchases from | 2,610 | - |
| | trade payable | 573 | - |

These transactions were undertaken on commercial terms and conditions.

41 Subsequent events

On 26 September 2007, the directors declared a final dividend of 21 cents per share, fully franked, payable 9 November 2007.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 31 July 2007 and will be recognised in the subsequent financial reports. The declaration and subsequent payment of dividends has no income tax consequences for the company.

42 Auditors' remuneration

| | Consolidated | | Company | |
|---|--------------|--------------|-----------|-----------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$000 | \$000 | \$000 | \$000 |
| Audit services | | | | |
| <i>KPMG Australia</i> | | | | |
| Audit and review of group financial report | 384 | 377 | - | - |
| Audit of superannuation fund | 65 | - | - | - |
| Audit of AIFRS disclosures | - | 43 | - | - |
| <i>Overseas KPMG firms</i> | | | | |
| Audit and review of group financial report | 670 | 823 | 44 | 56 |
| Audit and review of local statutory reports | 166 | - | 47 | - |
| | <u>1,285</u> | <u>1,243</u> | <u>91</u> | <u>56</u> |
| <i>Other auditors</i> | | | | |
| Audit and review of financial reports | 87 | 105 | - | - |
| | <u>1,372</u> | <u>1,348</u> | <u>91</u> | <u>56</u> |
| Other services | | | | |
| <i>KPMG Australia</i> | | | | |
| AIFRS conversion advice | - | 10 | - | - |
| Transaction due diligence services | 120 | - | - | - |
| Other assurance services | 6 | 96 | - | - |
| <i>Overseas KPMG firms</i> | | | | |
| Other assurance services | 46 | - | 9 | - |
| | <u>172</u> | <u>106</u> | <u>9</u> | <u>-</u> |

43 Correction of error

In the current period, two errors have been detected requiring adjustments to prior period comparatives.

The first error is in respect of the calculation of the tax impact of the sale of the French CACI business in the year ended 31 July 2006. The prior period error was caused by a misinterpretation of the tax position in respect of the CACI sale. The amount of the error is €2.42 million (\$3.93 million), and has been reflected in the financial report as an increase in income tax expense on discontinued operations and a reduction in deferred tax assets.

The second error relates to a revaluation gain on foreign currency denominated payables accrued in July 2005, that had not been reversed when the gains were realised. The amount of the error is \$3.24 million, and has been reflected in the financial report as a decrease in prior period retained earnings and a reduction in the equity accounted investment.

DIRECTORS' REPORT

The directors present their report together with the financial report of Nufarm Limited ('the Company') and of the Group, being the Company and its subsidiaries and the Group's interests in associates and jointly controlled entities, for the financial year ended 31 July 2007 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

KM Hoggard (Chairman)
DJ Rathbone, AM (Managing Director)
GDW Curlewis (Deputy Chairman)
Dr WB Goodfellow
GA Hounsell
DG McGauchie, AO
Dr JW Stocker, AO
RFE Warburton, AO

All directors held their position as a director throughout the entire period and up to the date of this report. Details of the qualifications, experience and responsibilities and other directorships of the directors will be set out in the Company's 2007 Annual Report.

Company Secretary

The company secretary is Mr R Heath.

Details of the qualifications and experience of the Company Secretary are set out in the Company's 2007 Annual Report.

Directors' interests in shares and Step-up Securities

Relevant interests of the directors in the shares or Step-Up Securities issued by the company and related bodies corporate are, at the date of this report, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, as follows:

| | | Nufarm Ltd | Nufarm Finance (NZ) Ltd |
|------------------|----------------|-----------------|----------------------------|
| | | Ordinary shares | Step-Up Securities |
| KM Hoggard | ¹ | 2,383,614 | |
| DJ Rathbone | | 29,912,610 | |
| GDW Curlewis | | 43,787 | |
| Dr WB Goodfellow | ^{1 2} | 662,914 | 45,189 |
| G A Hounsell | ¹ | 61,959 | |
| DG Mc Gauchie | ¹ | 16,376 | |
| Dr JW Stocker | ¹ | 40,973 | |
| RFE Warburton | ¹ | 66,938 | |

¹ The shareholdings of KM Hoggard, Dr WB Goodfellow, GA Hounsell, DG McGauchie, Dr JW Stocker and RFE Warburton include shares issued under the company's non-executive director share plan and held by Pacific Custodians Pty Ltd as trustee of the plan.

- ² The holding of Dr WB Goodfellow includes his relevant interest in:
- (i) St Kentigern Trust Board (429,855 shares and 19,727 Step-Up Securities) - Dr Goodfellow is Chairman of the Trust Board. Dr Goodfellow does not have a beneficial interest in these shares or Step-Up Securities;
 - (ii) Sulkem Company Limited (113,616 shares);
 - (iii) Auckland Medical Research Foundation (25,462 Step-Up Securities). Dr Goodfellow does not have a beneficial interest in these Step-Up Securities.

Directors meetings

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

| Directors' meetings | | | | | | | | | |
|-------------------------------|-------|---|------------|---|--------------|---|------------|---|--|
| Director | Board | | Committees | | | | | | |
| | | | Audit | | Remuneration | | Nomination | | |
| | A | B | A | B | A | B | A | B | |
| KM Hoggard ^{1,2} | 7 | 6 | 4 | 4 | 3 | 3 | - | 3 | |
| DJ Rathbone ² | 7 | 7 | - | 3 | - | 3 | - | 3 | |
| GDW Curlewis | 7 | 7 | 4 | 4 | 3 | 3 | 3 | 3 | |
| Dr WB Goodfellow ² | 7 | 7 | - | 1 | - | 1 | - | 1 | |
| GA Hounsell | 7 | 7 | 4 | 3 | - | - | - | - | |
| DG McGauchie | 7 | 7 | - | - | 3 | 3 | 3 | 3 | |
| Dr JW Stocker | 7 | 7 | - | - | 3 | 3 | 3 | 3 | |
| RFE Warburton | 7 | 6 | - | - | 3 | 3 | 3 | 3 | |

Column A Indicates the number of meetings held during the period the director was a member of the board and/or committee

Column B Indicates the number of meetings attended during the period the director was a member of the board and/or committee.

Other meetings of committees of directors are convened as required to discuss specific issues or projects.

¹ Due to illness, KM Hoggard was unable to attend the 2006 Annual General Meeting of the Company and the meeting of Directors held in December 2006.

² All directors are entitled to attend any committee meetings.

Principal activities and changes

Nufarm Limited manufactures and supplies a range of agricultural chemicals used by farmers to protect crops from damage caused by weeds, pests and disease.

The company has production and marketing operations throughout the world and sells products in more than 100 countries.

Nufarm's crop protection products enjoy a reputation for high quality and reliability and are supported by strong brands, a commitment to innovation and a focus on close customer relationships.

Nufarm employs 2,488 people at its various locations in Australasia, Asia, Africa, the Americas and Europe.

The company is listed on the Australian Stock Exchange (symbol NUF). Its head office is located at Laverton in Melbourne.

Results

The net profit attributable to members of the consolidated entity for the 12 months to 31 July 2007 is \$148.8 million. The comparable figure for the 12 months to 31 July 2006 was \$117.2 million.

Reconciliation of Statutory Profit to Operating Profit

The following table is provided to enable a proper comparison of the operating profit, which excludes material non-operating items.

The main significant item in the current year is the impairment loss associated with old Brazilian receivables as a result of applying Nufarm's more conservative approach to provisioning. The 2006 number is primarily related to structural reorganisation in France.

| | Operating \$000 | Consolidated – 2007 | |
|--|--------------------|---|----------------|
| | | Material (non- operating) items \$000 | TOTAL \$000 |
| Profit after tax but before profit and loss of discontinued operating and gain on sale of discontinued operation | 107,323 | - | 107,323 |
| Discontinued businesses | 9,165 | 32,675 | 41,840 |
| Other significant items | 4,740 | (4,740) | - |
| Profit for the year | 121,228 | 27,935 | 149,163 |
| Minority interest | (367) | - | (367) |
| Operating profit attributable to equity holders of the parent | 120,861 | 27,935 | 148,796 |

| | Operating \$000 | Consolidated – 2006 | |
|--|--------------------|---|----------------|
| | | Material (non- operating) items \$000 | TOTAL \$000 |
| Profit after tax but before profit and loss of discontinued operating and gain on sale of discontinued operation | 103,165 | - | 103,165 |
| Discontinued businesses | 10,152 | 4,482 | 14,634 |
| Other restructuring items | 8,368 | (8,368) | - |
| Profit for the year | 121,685 | (3,886) | 117,799 |
| Minority interest | (579) | - | (579) |
| Operating profit attributable to equity holders of the parent | 121,106 | (3,386) | 117,220 |

Dividends

The following dividends have been paid, declared or recommended since the end of the preceding financial year:

| | |
|---|----------|
| | \$,000 |
| The final dividend for 2005/2006 of 20 cents paid 10 November 2006 | \$34,251 |
| The interim dividend for 2006/2007 of 11 cents paid 27 April 2007 | \$18,894 |
| The final dividend for 2006/2007 of 21 cents as declared and recommended by the directors is payable 9 November 2007. | \$36,015 |

Nufarm Step-Up Securities Distribution Payment

The following Nufarm Step-Up Securities Distribution payment has been paid since the end of the preceding financial year:

Distribution payment for the period 24 November 2006 – 15 April 2007 \$8,184
at the rate of 8.35% per annum paid 16 April 2007

Review of operations

The review of the operations during the financial year and the results of those operations, are set out in the managing director's review and the business review in the Company's 2007 Annual Report.

State of affairs

The state of the company's affairs are set out in the managing director's review and the business review in the Company's 2007 Annual Report.

Operations, Financial Position, Business Strategies and Prospects

The directors believe that information on the company, which enable an informed assessment of its operations, financial position, strategies and prospects are contained in the managing directors review and the business review.

Events subsequent to reporting date

On 26 September 2007 the directors declared a final dividend of 21c per share, fully franked, payable 9 November 2007.

Likely developments

The directors believe that likely developments in the company's operations and the expected results of those operations are contained in the managing director's review and the business review.

Environmental performance

Details of Nufarm's performance in relation to environmental regulations are set out in the Company's 2007 Annual Report.

The company did not incur any prosecutions or fines in the financial period relating to environmental performance.

The company publishes annually a Health, Safety & Environment Report. This report can be viewed on the Company's website, or a copy made available upon request to the company secretary.

Non Audit Services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

Details of the audit fee and non-audit services are set out in Note 42 of the financial report.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the reason that all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor.

The auditor's independence declaration as required under Section 307C of the Corporations Act forms part of the directors' report and is included as the final page to this report.

Remuneration Report

Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board on remuneration policies and packages applicable to key management personnel and Directors and ensures that remuneration policies and packages retain and motivate high calibre executives and that remuneration policies demonstrate a clear relationship between executive remuneration and company performance.

Key management personnel includes the five most highly remunerated executives in accordance with S300A of the Corporations Act.

The remuneration levels of the managing director and key management personnel are recommended by the remuneration committee and approved by the board, having taken advice from independent external advisors.

Principles of compensation - audited

Executives

The Nufarm remuneration policy has been developed to ensure the company attracts and retains the highly skilled people required to successfully manage and create shareholder value from a large diversified internationally based company.

Since 2000, the company has adopted a remuneration policy based on total target reward (TTR) which comprises two components:

- fixed reward (TEC) - cash and benefits that reflect local market conditions and individual contribution. The reward level is set relative to pertinent and prevailing executive employment market conditions for high calibre talent in the geographies where Nufarm operates. The company's policy position for TEC for Australian executives, is at the 50th percentile of the *Mercer Survey of Australian Major Corporates*, and
- an incentive program - the first part of the incentive program reflects performance of specific business objectives over 6 monthly periods and is paid in cash. The second part of the Incentive Programme is linked to meeting predetermined financial objectives for the full year and is delivered by way of shares under the Nufarm Executive Share Plan (2000). The exception is the Managing Director who is paid in cash because of the various substantial shareholding he currently controls in the company.

For the remaining Executives this payment is made in shares which ensure a longer term focus to achieve benefits consistent with the delivery of sustained growth of shareholder value. Shares issued under the Nufarm Executive Share Plan (2000) are subject to forfeiture and dealing restrictions.

Executives cannot deal in the shares for a period of between 3 and 10 years without Board approval. An independent trustee holds the shares on behalf of the executives.

Executives are not permitted to hedge any shares issued to them under the incentive program whilst they remain held in trust.

If the financial objectives are achieved and each part of the incentive program is paid at 100%, the TTR will meet the company's TTR policy position of the upper quartile of the *Mercer Survey of Australian Major Corporates*. Set out below are details of the maximum payment for each part of the incentive program where there has been above target achievement of the incentive program performance condition.

The performance condition for the incentive program is based on return on funds employed (ROFE) in the business. *Return* is calculated on the group's earnings before interest and taxation and adjusted for any non-operating items. *Funds employed* are represented by shareholders funds plus total interest bearing debt.

The company believes ROFE is an appropriate performance condition for the following reasons:

For many years the Board has measured the company's performance using "economic value added" methodology. It is believed that if the company can consistently add economic value (a satisfactory margin above the cost of capital) then this will be recognized in share value.

ROFE ensures management is focused on the efficient use of capital, and the measure remains effective regardless of the mix of equity and debt which may change from time to time.

The remuneration committee and the Board review the level of the performance condition on an annual basis.

Whilst it believes ROFE is an appropriate performance condition for the company's incentive program, the board also reviews the company's total shareholder return (TSR) with relevant comparator groups.

Each year, the board reviews and establishes the performance hurdles for each part of the incentive program. The hurdles reflect targets for specific objectives and increasing company value, consistent with the company's business and investment strategies.

Since migration of the company to Australia in January 2000, the ROFE hurdles (Target ROFE) for the first part of the incentive program have been progressively increased from 12% to the current 16.5%, and for the second part of the incentive, from 13.5% to 17.25%.

At the end of each financial year the board:

- assesses company performance against the ROFE hurdles to determine the percentage of any offer to be made under each part of the incentive program,
- reviews Target ROFE for each part of the incentive program for the following financial period.

For both parts of the Incentives, 25% of the Incentives will be payable on achievement of 90% of Target ROFE with a linear progression to 100% of the Incentives on achievement of Target ROFE and a maximum of 175% of the Incentives on achievement of 110% of Target ROFE.

If less than 90% of Target ROFE is achieved, no Incentives will be paid.

The following table shows the proportion of Incentives as a percentage of TTR.

| | % Target ROFE Achieved | | | | |
|--------------------------|------------------------|----|-----|-----|------|
| | <90 | 90 | 100 | 110 | >110 |
| Managing Director | 0 | 20 | 50 | 64 | 64 |
| Key Management Personnel | 0 | 14 | 40 | 54 | 54 |

Consequences of performance on shareholders wealth

The board believes the following table demonstrates

- the consequences of the company's performance on shareholder wealth, and
- the remuneration policy is generating the desired increase in shareholder wealth.

In considering the consolidated entity's performance and benefits for shareholders wealth, the remuneration committee and the board have regard to the following indices in respect of the current financial year and the previous four financial years.

| | OPERATING EBIT* | ROFE Achieved* | EPS* | Dividend Rate | Dividends paid | Change in share price** | Share Price 31 July | Total Shareholder Return*** |
|------|--------------------|-------------------|-----------------|------------------|-------------------|-------------------------------|---------------------------|-----------------------------------|
| | \$M | % | cents per share | | \$000 | \$ | | % |
| 2003 | 131.9 | 14.0 | 41.3 | 20 | 27,976 | 0.99 | 4.39 | 21 |
| 2004 | 142.2 | 15.7 | 47.1 | 23 | 33,656 | 1.72 | 6.09 | 54 |
| 2005 | 196.6 | 19.8 | 60.5 | 26 | 40,548 | 4.08 | 10.15 | 63 |
| 2006 | 211.2 | 17.8 | 60.3 | 27 | 45,879 | (1.37) | 8.80 | (2.3) |
| 2007 | 219.6 | 16.6 | 59.2 | 31 | 53,145 | 4.31 | 13.10 | 40 |

* Numbers for 2005, 2006 and 2007 calculated in accordance with AIFRS. Numbers for 2003 and 2004 calculated in accordance with previous AGAAP.

** This column reflects the change in share price from 1 August to 31 July in the relevant financial year.

*** Source: Goldman Sachs JB Were – Total Shareholder Return as at 30 June.

Service Contracts

The company has an employment contract with the Managing Director. This contract formalises the terms and conditions of employment. The contract is for an indefinite term.

The company may terminate the contract upon 12 months notice, in which case a termination payment equivalent to 24 months total employment cost (base salary plus value of benefits such as motor vehicle and superannuation and any fringe benefits tax in relation to those benefits) will be paid. The company may terminate the contract immediately for serious misconduct.

Non Executive Directors (NED)

The board's policy with regard to NED remuneration is to position Board remuneration at the market median with comparable sized listed entities.

The board determines the fees payable to non-executive directors within the aggregate amount approved from time to time by shareholders. At the company's 2006 AGM, shareholders approved an aggregate of \$1,200,000 per year (excluding superannuation costs).

Set out below are details of the annual fees payable at 31 July 2007 (excluding superannuation costs)

| | |
|--|------------|
| Chairman ¹ | \$ 240,000 |
| Deputy Chairman ¹ | \$140,000 |
| Director board fee | \$ 95,000 |
| Chairman audit committee | \$ 25,000 |
| Chairman other board committees | \$ 10,000 |
| Member audit committee | \$ 5,000 |
| Member other board committees ² | \$ 2,500 |

¹ The chairman, KM Hoggard and the Deputy Chairman, Mr GDW Curlewis, receive no fees as members of any committee.

² There is some common membership on the Remuneration Committee and Nomination Committee. Only one fee is paid where a director is a member of both committees.

The board has created a non-executive share plan whereby a director can elect to commit a proportion of director fees to acquire company shares. The number of shares available in the plan will be calculated quarterly, using the weighted average of the price at which shares were traded on the ASX in the five days up to and including the day when shares are allocated to a director. Shares in the plan will not vest until the earlier of three years or retirement. Other than in this respect, non-executive director remuneration is paid in cash. No element of remuneration is performance related, i.e. Linked to short term or long term incentives.

On 31 October 2003, directors unanimously resolved to discontinue the directors retirement benefit plan, and benefits accrued under the plan were calculated and, at the option of the relevant director, converted into shares, or paid to the director's superannuation fund.

Remuneration of Directors and Executives

Details of the nature and amount of each major element of remuneration in respect of key management personnel, which includes each director of the Company and each of the five named Company executives and relevant group executives who receive the highest remuneration are:

| In AUD | | Short-term | | | Total | Post- | Share-based | Other Long | Total |
|--|------|---------------|---------------------|-----------------------|----------------|----------------|-------------|------------|-----------|
| | | Salary & fees | Cash bonus (vested) | Non-monetary benefits | | employment | payments | Term | |
| \$ | \$ | \$ | \$ | \$ | Superannuation | Equity Settled | \$ | \$ | |
| Directors | | | | | | | | | |
| Non-executive | | | | | | | | | |
| KM Hoggard (Chairperson) | 2007 | 192,000 | - | - | 192,000 | 24,000 | 48,000 | - | 264,000 |
| | 2006 | 192,000 | - | - | 192,000 | 24,000 | 48,000 | - | 264,000 |
| GDW Curlewis | 2007 | 112,000 | - | - | 112,000 | 42,000 | - | - | 154,000 |
| | 2006 | 101,500 | - | - | 101,500 | 36,000 | - | - | 137,500 |
| Dr WB Goodfellow | 2007 | 76,000 | - | - | 76,000 | 9,500 | 19,000 | - | 104,500 |
| | 2006 | 76,000 | - | - | 76,000 | 9,500 | 19,000 | - | 104,500 |
| GA Hounsell | 2007 | 94,333 | - | - | 94,333 | 11,333 | 19,000 | - | 124,666 |
| | 2006 | 91,000 | - | - | 91,000 | 11,000 | 19,000 | - | 121,000 |
| DG McGauchie | 2007 | 78,500 | - | - | 78,500 | 9,750 | 19,000 | - | 107,250 |
| | 2006 | 78,500 | - | - | 78,500 | 9,750 | 19,000 | - | 107,250 |
| Dr JW Stocker | 2007 | - | - | - | - | 88,250 | 19,000 | - | 107,250 |
| | 2006 | 39,250 | - | - | 39,250 | 49,000 | 19,000 | - | 107,250 |
| RFE Warburton | 2007 | 21,500 | - | - | 21,500 | 75,000 | 19,000 | - | 115,500 |
| | 2006 | 86,000 | - | - | 86,000 | 10,500 | 19,000 | - | 115,500 |
| Executive Director | | | | | | | | | |
| DJ Rathbone (Managing Director) | 2007 | 1,015,250 | 992,920 | 33,077 | 2,041,247 | 14,709 | - | 65,311 | 2,121,267 |
| | 2006 | 950,797 | 1,598,540 | 35,880 | 2,585,217 | 13,804 | - | 59,625 | 2,658,646 |
| Executive Officers | | | | | | | | | |
| DA Pullan (Group General Manager Operations) | 2007 | 435,450 | 70,439 | 39,552 | 545,441 | 85,960 | 219,451 | 19,530 | 870,382 |
| | 2006 | 410,156 | 258,710 | 38,414 | 707,280 | 80,970 | 294,585 | 22,478 | 1,105,313 |
| RF Ooms (Group General Manager Chemicals) | 2007 | 416,483 | 66,396 | 10,704 | 493,583 | 67,919 | 206,414 | 14,790 | 782,706 |
| | 2006 | 393,103 | 241,840 | 32,067 | 667,010 | 76,992 | 277,084 | 13,104 | 1,034,190 |
| KP Martin (Chief Financial Officer) | 2007 | 398,928 | 66,067 | 14,750 | 479,745 | 74,530 | 206,414 | 9,568 | 770,257 |
| | 2006 | 389,262 | 240,392 | 22,501 | 652,155 | 63,325 | 277,084 | 15,899 | 1,008,463 |
| B Benson (Group General Manager Marketing) | 2007 | 406,158 | 63,710 | 16,998 | 486,866 | 40,852 | 196,780 | 25,344 | 749,842 |
| | 2006 | 337,265 | 211,977 | 11,467 | 560,709 | 39,405 | 227,497 | 7,537 | 835,148 |
| RG Reis (Group General Manager Corporate Affairs) | 2007 | 300,405 | 45,979 | 39,931 | 386,315 | 39,102 | 139,386 | 16,842 | 581,645 |
| | 2006 | 272,367 | 164,317 | 49,230 | 485,914 | 36,554 | 185,500 | 10,796 | 718,764 |
| | 2007 | 209,086 | 34,610 | 24,396 | 268,092 | 41,151 | 109,869 | 8,357 | 427,469 |
| R Heath (Company Secretary) | 2006 | 202,470 | 129,520 | 28,639 | 360,629 | 39,854 | 151,665 | 7,928 | 560,076 |
| DA Mellody (Group General Manager Global Marketing) | 2007 | 246,350 | 37,529 | 21,026 | 304,905 | 23,557 | 110,689 | 10,482 | 449,633 |
| | 2006 | 198,642 | 130,488 | 17,437 | 346,567 | 10,577 | 28,578 | 15,891 | 401,613 |
| Total compensation: key management personnel (consolidated) | | | | | | | | | |
| | 2007 | 4,002,443 | 1,377,650 | 200,434 | 5,580,527 | 647,613 | 1,332,003 | 170,224 | 7,730,367 |
| | 2006 | 3,818,312 | 2,975,784 | 235,635 | 7,029,731 | 511,231 | 1,584,993 | 153,257 | 9,279,212 |
| Total compensation: key management personnel (company) | | | | | | | | | |
| | 2007 | 574,333 | - | - | 574,333 | 259,833 | 143,000 | - | 977,166 |
| | 2006 | 664,250 | - | - | 664,250 | 149,750 | 143,000 | - | 957,000 |

Remuneration options: Granted and vested during the year

During the year there were no options granted to directors or executives nor were any options vested and exercised by the specified executives.

Shares issued as a result of the exercise of options

There were no shares issued as a result of the exercise of options during the year.

Unissued shares under option

There are no unissued shares under option.

Indemnities and insurance for directors and officers

The company has entered into insurance contracts, which indemnify directors and officers of the company, and its controlled entities against liabilities. In accordance with normal commercial practices, under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of premiums paid are confidential.

An indemnity agreement has been entered into between the company and each of the directors named earlier in this report. Under the agreement, the company has agreed to indemnify the directors against any claim or for any expenses or costs, which may arise as a result of the performance of their duties as directors. There are no monetary limits to the extent of this indemnity.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out as the final page, and forms part of, the directors' report for the financial year ended 31 July 2007.

Rounding of amounts

The Company is of a kind referred to in Australian Securities and Investment Commission Class Order 98/100 dated 10 July 1998 and in accordance with that class order, amounts in the financial statements and the directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report has been made in accordance with a resolution of directors.



KM Hoggard
Director



DJ Rathbone
Director

Melbourne
26 September 2007



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Nufarm Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 July 2007 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG
KPMG


Paul J McDonald
Partner

Melbourne

26 September 2007

Directors' declaration

- 1 In the opinion of the directors of Nufarm Limited (the company):
 - (a) the financial statements and notes, including the remuneration disclosures that are contained in the remuneration report in the directors' report, are in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's and the group's financial position as at 31 July 2007 and of their performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (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 2(a);
 - (c) the remuneration disclosures contained in the remuneration report in the directors' report comply with Australian Accounting Standard 124 *Related Party Disclosures*; and
 - (d) there are reasonable grounds to believe that 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 group entities identified in note 38 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the deed of cross guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.
- 3 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 31 July 2007.

Signed in accordance with a resolution of the directors:

Dated at Melbourne this 26th day of September 2007



KM Hoggard
Director



DJ Rathbone
Director



Independent auditor's report to the members of Nufarm Limited

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Nufarm Limited (the "Company"), which comprises the balance sheets as at 31 July 2007, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 43 and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" on pages 4 to 10 of the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards but that the financial report of the Company does not comply.

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

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. These Auditing 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. Our responsibility is also to express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error.



In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report 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 and the remuneration disclosures contained in the directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Nufarm Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 31 July 2007 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained on pages 4 to 10 of the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG
KPMG


Paul J McDonald
Partner

Melbourne

26 September 2007