Nufarm

Nufarm Limited 2005 Annual Report

strong brands = added value

key events

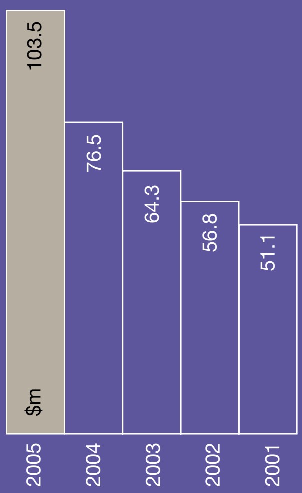
- Operating profit increases by 35% to $103.5 million
- Crop protection revenues up by 9%, operating profit by 17%
- Continued growth in major overseas markets
- New Brazil acquisition delivers significant profit contribution
- Divestment of non-core businesses complete

facts in brief

	12 months ended 31.7.05	12 months ended 31.7.04
Trading results	**$000**	**$000**
Operating profit after tax	103,474	76,563
Sales revenue	1,671,029	1,595,768
Total equity	616,645	560,494
Total assets	1,548,422	1,431,578
Ratios		
Earnings per ordinary share (weighted average, excluding non-recurring item)	61.2¢	47.3¢
Net debt to equity (gearing ratio)	78%	61%
Net tangible assets per ordinary share	$2.66	$2.17
Distribution to shareholders		
Annual dividend per ordinary share	26¢	23¢
People		
Staff employed	2,279	2,613

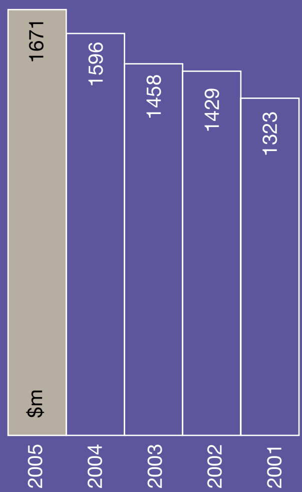
operating profit

+35.0%



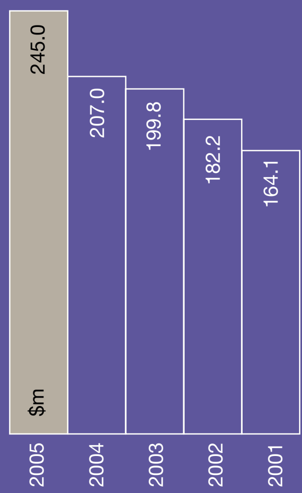
group sales

+5.0%



ebitda*

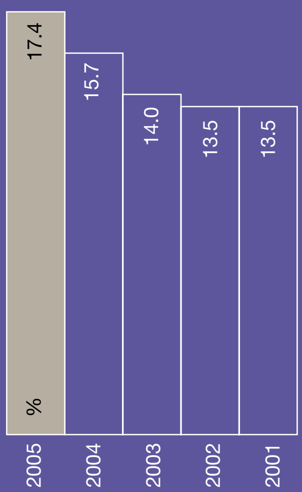
+18.0%



*Earnings before interest, tax, depreciation and amortisation

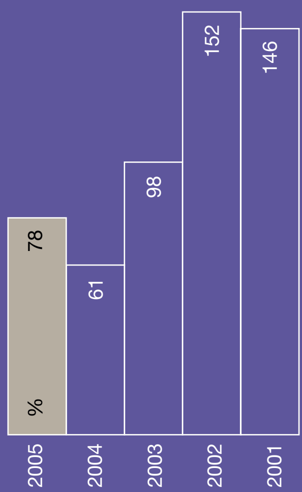
return on average funds employed

17.4%



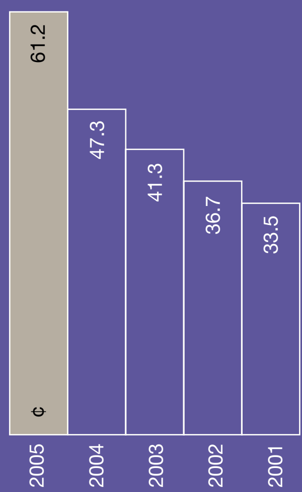
net debt to equity

78.0%



earnings per share

61.2¢



managing director's review

The 2005 profit is another record result for the company and reflects a year in which Nufarm made substantial progress towards establishing its position as a leading growth-oriented player in the global crop protection industry.

The company recorded a net profit of $104.3 million for the year ended 31 July 2005. After allowing for non-operating items, the tax-paid operating profit of $103.5 million represents an increase of 35 per cent on the previous year's net operating profit of $76.5m.

Total group sales were $1.67 billion, up almost five per cent on the 2004 year, with core business crop protection revenues increasing nine per cent year on year and representing 95 per cent of total revenues.

Nufarm's 49.9 per cent equity interest in Brazilian crop protection company, Agripec, generated a net contribution after goodwill amortisation and funding costs of $19.1 million. This contribution is equity accounted and Agripec sales are not included in Nufarm's revenue line.

The remainder of the company's crop protection business achieved higher sales and profits, with strong sales performances in the United States, Germany and France.

Despite challenging seasonal conditions and late winter rains, the Australian business performed strongly, although higher input costs and competitive pressures had an adverse impact on margins.

Southern Europe and Brazil were also affected by adverse seasonal conditions, with other markets experiencing average conditions for the reporting period.

Australasia accounted for 49 per cent of total sales, the Americas 28 per cent and Europe 23 per cent. A more detailed review of specific regional operations is included on pages 20 to 23 of this report.

Earnings per share were 61.2 cents, an increase of 29 per cent on last year's 47.3 cents.

Net debt to equity increased from 61 per cent at end July 2004 to 78 per cent at end July 2005. As forecast, the increased use of borrowings associated with the Agripec acquisition moved the gearing level to 75 per cent. The additional increase related to higher working capital, driven by the late season in Australia and a fungicide-stocking program in the US business associated with the transition to an alternative manufacturing source.

Cash flows from operations were $62.6 million, down from $202.7 million the year before. After allowing for the $69 million impact of increased securitisation in the 2004 period, the remainder of the difference is increased working capital utilisation, as discussed above.

Return on funds employed increased from 15.7 per cent to 17.4 per cent at the EBIT level and interest cover increased from 4.4 times to 4.6 times.

LV Estercide 600 marketed in Australia

Changes at Belvedere support a growing branded products business

Non-operating items

The company booked a net profit of $0.8 million from the combination of the sale of non-core businesses, costs associated with various restructuring initiatives and other non-operating items during the 2005 reporting period. These items are detailed in the notes to the accounts.

A $15.4 million profit was realised on the sale of several businesses. These divestments included the Nufarm Specialty Products business (based in the USA) and the SEAC pharmaceutical intermediates business (based in France).

There was an $11.2 million write down of certain manufacturing assets in the UK as part of ongoing efforts to ensure maximum value is achieved on the capital employed in the business. The transfer of synthesis activity from the Belvedere plant in the UK to the Botlek facility in Holland will make more efficient use of the company's manufacturing assets and allows new filling and packaging lines commissioned at Belvedere to better support a growing branded products business and provide more flexibility in managing the local supply chain.

There were also write-downs of intangible assets and other restructuring costs, mainly in France.

Final dividend

Directors have declared a fully franked final dividend of 17 cents per share (last year 15 cents per share), which will be paid on 11 November to the holders of all fully paid shares in the company as at the close of business on 21 October.

The resulting full year dividend payment of 26 cents per share is an increase of 3 cents (13 per cent) on the previous year.

For dividend payout calculations, the board has elected to use operating profit from controlled operations plus dividend returns from associated entities such as Agripec.

Subsequent events

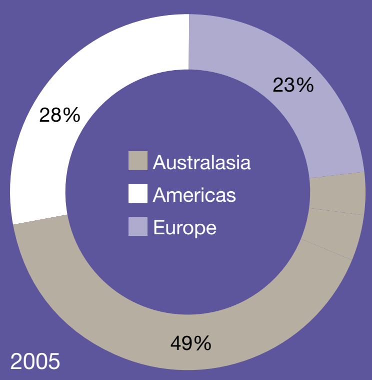
In August 2005 the company announced that it had sold its Australian turf/speciality business, Nuturf Pty Ltd, to Hong Kong-based C K Life Sciences International Holdings Inc for $7.2 million.

2005 financial year sales for Nuturf Pty Ltd were some $21 million and the business contributed net earnings of $1.1 million.

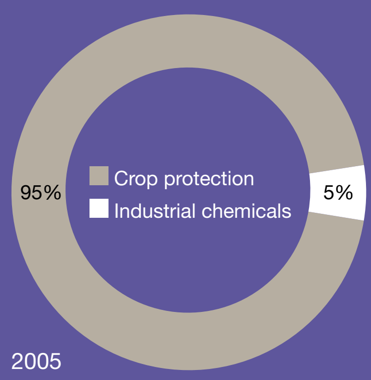
This small wholesale business was not addressing a market where Nufarm has core competencies and had not achieved sufficient scale to justify ongoing investment.

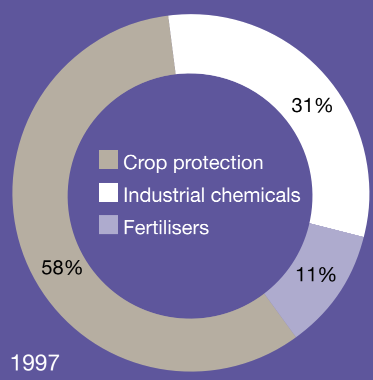
Nufarm group revenues by geography

$1.67 billion



Nufarm business split





The 2005 results reflect a focused and robust global business well positioned to achieve additional growth in both revenues and earnings.

Our people

Nufarm employees around the world have again made a very significant contribution to the strong results of the company in the 2005 financial year. Shareholders are fortunate that the company is served by such a committed and capable group of people, many of whom have been with Nufarm for a long time.

The growth and success of Nufarm has helped the company attract a higher caliber of management, particularly in our expanding overseas markets

As the organisation continues to grow and Nufarm establishes a presence in additional countries and regions, we must ensure that programs are in place to help develop and motivate employees as we bring together those different business cultures and welcome new people into the company.

Long-serving senior executive John Allen retired from the company at the end of the 2005 financial year. John, who was responsible for the global commercial operations, devoted more than 20 years to Nufarm. On behalf of all shareholders, I acknowledge his significant contribution to the business.

Outlook

The 2005 results reflect a focused and robust global business well positioned to achieve additional growth in both revenues and earnings.

Having established a strong operational presence in the major crop protection markets around the world, the company is now looking at accelerating the expansion of its product portfolio to take advantage of excellent growth opportunities in markets such as North and South America and Europe. The 2006 reporting period will see the introduction of a number of new products.

While the company faces strong competitive pressures in many of its key markets, it has developed medium to long-term strategies aimed at capturing business efficiencies and growing margins.

The outlook for the Agripec business over the key selling period in Brazil (September – December) is one of marginal sales growth in a flat to declining market. Agripec's growth will be driven by further market penetration and distributor/grower support.

The company aims to generate annual net earnings growth of approximately 10 per cent. Given average seasonal conditions in Nufarm's major markets, directors are very confident that this target can be achieved in 2006 and that the company is well positioned for strong, ongoing growth in the medium to long term.

Doug Rathbone
Managing Director

4 October 2005


Nufarm
MCPA 500

strong brands = added value

Chris Fazekas is global product manager of Nufarm's phenoxy herbicides group, which includes the products 2,4-D and MCPA. In this role, Chris works with the various regional Nufarm businesses on the marketing of the phenoxy herbicide product range and associated product development, customer relations, supply and strategy issues. Chris joined Nufarm in 1992.

One of Nufarm's major competitive strengths is our ability to position and manage brands. The key objective is to establish and broaden recognition of the core 'Nufarm' brand and the values associated with that brand – quality, flexibility, innovation, strong customer relationships and first class technical support.

Nufarm also uses branding to position and differentiate specific products. In this year's annual report, we are showcasing a cross section of our 2,4-D brands to demonstrate how Nufarm evaluates and exploits different product positioning opportunities in various markets around the world.

Nufarm's global product manager for phenoxy herbicides, Chris Fazekas, outlines the value of using good branding.

Is Nufarm's 2,4-D product essentially the same in each market around the world?

2,4-D is what we refer to as a chemical active or active ingredient. We use formulation skills to develop different forms or mixtures of the product to suit different needs or market opportunities.

This involves adding special adjuvants, presenting it in either a liquid or granule form or even mixing 2,4-D with another active ingredient so that the end product has broader applications and can, for example, control additional weeds.

What determines the particular formulation you will market in different countries?

We take a number of things into account. We might be looking to differentiate Nufarm's 2,4-D offering from other competitive products or we might have received feedback from the product's end users that a particular change will provide a specific benefit, such as easier handling and application or a better outcome in terms of weed control.

We also try to segment the market by having a variety of formulations available. This enables us to position premium brands that achieve stronger margins in certain markets.

What constitutes the 'brand' ?

The whole package. It's a combination of how we formulate the product, where we position it and what we call it. And, of course, it's the association these specific brands have with the core 'Nufarm' brand. In essence, it's all about meeting customers' needs.

Navajo marketed in Argentina

U 46 M Fluid 40 marketed in Spain

How are these brands marketed?

It varies from market to market. In Australia – where Nufarm has a clear leadership position – we use a combination of 'push' marketing by promoting the quality, technical support and benefits of the product to our distribution customers and 'pull' marketing by working closely with growers so that they specifically request Nufarm product.

Where Nufarm is a smaller player in some of our growth markets, such as the USA and Europe, we have concentrated on the 'push' approach – building excellent relationships with distributors and selling the benefits of stocking the Nufarm brands.

Is this approach proving to be effective?

Yes. Nufarm's 2,4-D products continue to win market share and Nufarm is now the world's leading supplier of branded 2,4-D.

Our ability to develop innovative formulations and to consistently deliver on quality and technical support is winning Nufarm business – and it's an approach we can continue to roll-out in new markets for the company, such as South America and Eastern Europe.

Our customers recognise and expect certain values and standards when they see the Nufarm brand. Our aim is to always meet those expectations – and exceed them whenever we can.

Bimaster marketed in Indonesia

U 46 D Fluid marketed in Brazil

2,4-D – a mainstay of crop protection

Nufarm is the world's leading supplier of branded phenoxy herbicides. The most commonly used phenoxy herbicide is a product called 2,4-D, used to control broad leaf weeds in a wide variety of crops. 2,4-D has been used for more than 50 years and is approved for use in more than 70 countries worldwide.

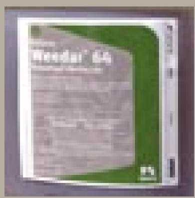
The herbicide, which is absorbed by plant leaves, stems and roots and moves through the plant to accumulate in growing tips, is a plant-growth regulator that targets enzymes in plant cells and disrupts their normal chemical processes.

Like all crop protection products, 2,4-D is subjected to stringent regulatory controls and approval processes. Regulatory bodies review the extensive data generated on health, safety and the environmental profile of the product before approving it for use in specific crops.

2,4-D is the most thoroughly researched herbicide in the world and, in August 2005, the United Stated Environmental Protection Authority (EPA) announced that it had completed a comprehensive 17-year assessment of 2,4-D to facilitate the re-registration of the product. This included a review of more than 300 studies on the safety of 2,4-D and concluded that the product does not pose a risk when users follow label instructions.

EPA's findings are consistent with decisions of other authorities such as the World Health Organization, Health Canada, and the European Commission.

Desormon marketed in Kazakhstan

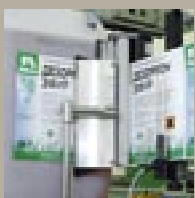


Weedar/Weedone (USA) As the first commercially branded phenoxy products in the United States, *Weedar* and *Weedone* pioneered the growth and development of the 2,4-D market. These current Nufarm brands have maintained their position as leaders through formulation innovation, label expansion and unfaltering performance in the field.

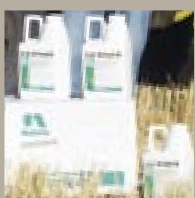
U 46 D Fluid (Brazil) In 2004, Nufarm acquired from BASF its global phenoxy herbicides brands. The *U 46* 2,4-D brand is a long-standing and recognised market leader in many parts of the world and has generated strong sales in Brazil. Nufarm has now transferred this brand to Agripec.

Bimaster (Indonesia) Nufarm successfully developed and introduced a combination 2,4-D and glyphosate formulation under the *Bimaster* brand in Indonesia. Plantation managers and growers were quick to recognise the benefits of this mixture product, including the innovative packaging, which promotes safe handling and easy storage.

Navajo (Argentina) *Navajo* is uniquely positioned in Argentina as the only dry formulation of 2,4-D amine. This odourless, high concentration provides faster knockdown of weeds. Packaging innovations associated with the product have promoted more convenient warehousing, transportation and disposal.



Desormon (Kazakhstan) Product stewardship is an important aspect of brand management. The *Desormon* brand is marketed in Kazakhstan, with formulation and packaging undertaken in Nufarm's Linz facility in Austria. This ensures consistent quality in production. *Desormon* has been aligned with an exclusive distribution arrangement in Kazakhstan and is winning market share against competitive products.

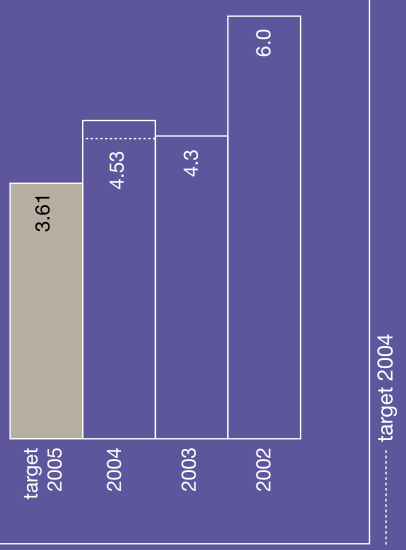


U 46 M Fluid 40 (Spain) Used to control broadleaf weeds in cereals, 'U 46' is again a market leader in this important segment in Spain. Under Nufarm's management, the brand has been positioned to leverage the company's recognised strengths in phenoxy herbicide synthesis and formulation.

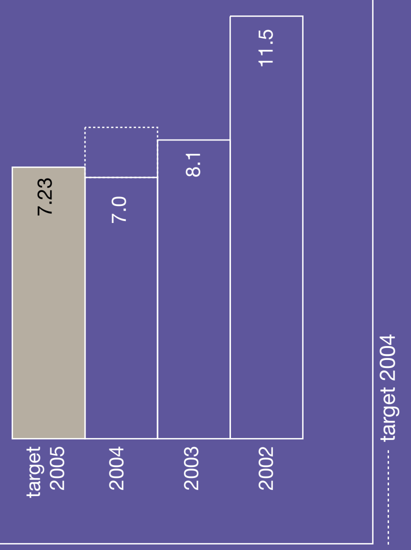
LV Estercide 600 (Australia) The 'LV Estercide 600' formulation provides farmers with the improved performance of an ester formulation along with a reduced risk of vapour drift. Low volatile ester formulations are used when environmental conditions favour vapour drift.

Weedar/Weedone marketed in the USA

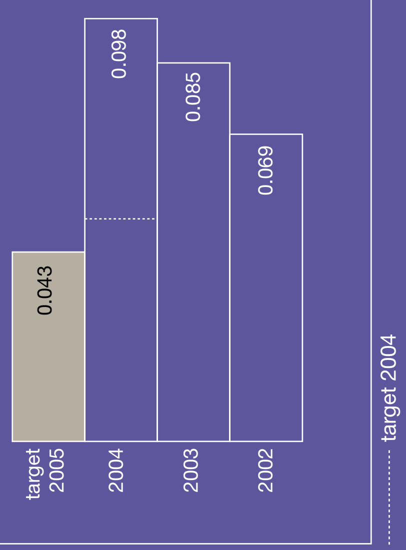
ltifr[1]



mtifr[2]



severity[3]

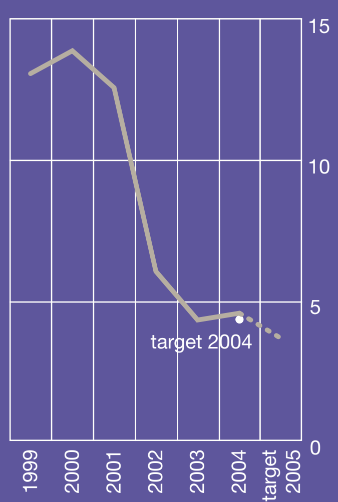


1 LTIFR or lost time injury frequency rate is the number of lost time injuries per million hours worked that need one or more day's absence from work.

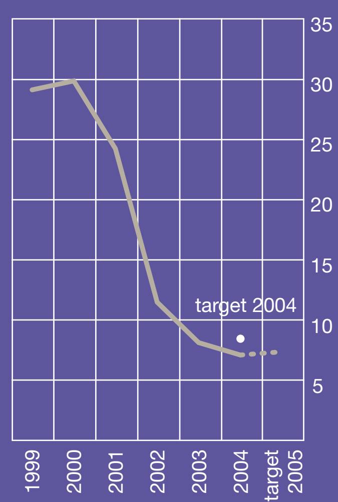
2 MTIFR or medical treatment injury rate is the number of lost time and medical treatment injuries per million hours worked.

3 Severity rate is the number of days lost per thousand hours worked.

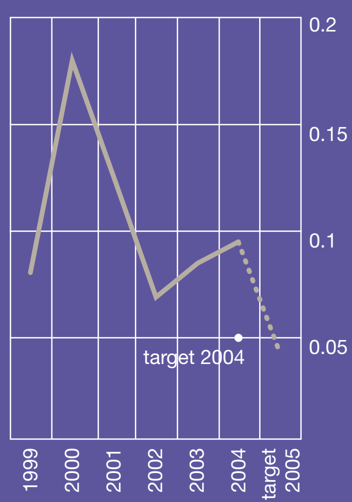
global ltifr trend



global mtifr trend



global severity trend



business review

HEALTH, SAFETY AND ENVIRONMENT

Nufarm aspires to carry out its business with no adverse effect on its people, the community and the environment, and to strive for sustainable development and continuous improvement. The company operates in accordance with its health, safety and environment management system.

Each location has active committees working to continuously improve performance. Progress is monitored and a formal report on health, safety and environment matters is high on the agenda at each meeting of Nufarm Limited's board of directors.

Nufarm publishes its annual health, safety and environment report, which covers the company's overall progress in the calendar year. Most manufacturing locations also publish annual site specific information and these, together with the Health, Safety and Environment Report 2005, are available for download from www.nufarm.com.

The current report shows that while overall production volumes are relatively stable, Nufarm's use of energy and water are declining steadily, as are emissions to air. The company conducts just below 20,000 environmental tests each year and has been in compliance with all relevant environmental regulations within the reporting period.

Some of the health and safety data is reproduced here, showing the marked progress Nufarm has made in improving its rates for lost time injury frequency, severity and medical treatment injuries since 1999, as well as benchmarking data against Australian, French, UK and European chemical industries.

While our company principles, policies and targets are global, Nufarm also recognises that it operates in countries with differing cultures, history and attitudes and that not all its plants are at the same stage of development. Nufarm management in each country or region is responsible for its own activities and measures local success by establishing key performance indicators, setting targets and measuring performance against them.

Benchmarking against European and UK chemical industries, based on lost time injury being three day absence or greater. Severity data not available

LTIFR	2004	2003	2002	2001
Nufarm Americas	**0**	0	1.72	3.78
Nufarm Australia	**1.30**	3.36	2.46	2.73
Nufarm Europe	**9.23**	8.19	7.70	15.63
Nufarm New Zealand	**0**	2.43	1.59	0
Nufarm South East Asia	**0**	0	0	0
Nufarm Global	**3.59**	4.13	4.03	7.34
Europe CEFIC	**no data**	**no data**	**6.18**	**7.12**
UK CIA	**no data**	**2.5**	**3.1**	**3.1**

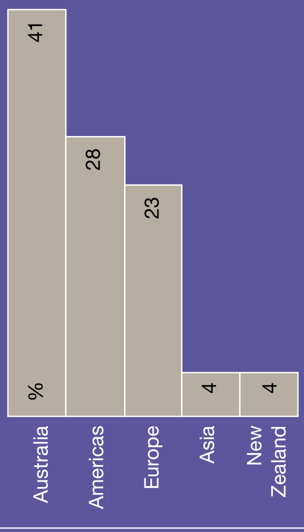
Benchmarking against Australian and French chemical industries, based on lost time injury being one day absence or greater.

LTIFR	2004	2003	2002	2001
Nufarm Americas	**0**	0	1.7	7.6
Nufarm Australia	**2.6**	3.4	3.3	4.6
Nufarm Europe	**10.9**	8.7	11.6	25.1
Nufarm New Zealand	**2.5**	2.4	3.2	1.5
Nufarm South East Asia	**0**	0	0	2.6
Nufarm Global	**4.5**	4.3	6.0	12.5
Australia PACIA	**no data**	**5.5**	**4.9**	**8.7**
France UIC	**no data**	**7.9**	**9.7**	**10.2**

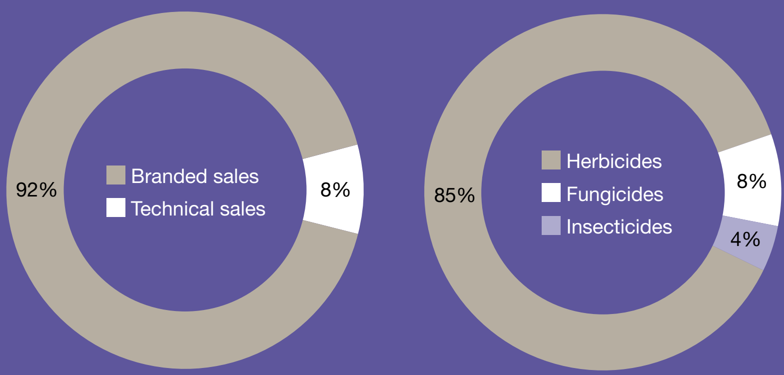
Severity	2004	2003	2002	2001
Nufarm Americas	**0**	0	0.052	0.072
Nufarm Australia	**0.010**	0.048	0.047	0.031
Nufarm Europe	**0.274**	0.190	0.112	0.246
Nufarm New Zealand	**0.002**	0.017	0.008	0.001
Nufarm South East Asia	**0**	0	0	0.123
Nufarm Global	**0.098**	0.084	0.069	0.125
Australia PACIA	**no data**	**0.055**	**0.060**	**0.099**
France UIC	**no data**	**0.380**	**0.370**	**0.360**

Management – at all levels – will continue to focus on our European operations until they meet the same high standards expected of the company across the board.

2005 Nufarm crop protection sales – regional split



Nufarm crop protection sales – category split



Growth strategy firmly in place

- 2005 crop protection global sales – $1,581 million
- 2005 crop protection global operating profit – $191.9 million
  (before tax, interest and head office charges)

- Building the platform
- Expanding the portfolio
- Driving margin improvement
- Establishing the brand
- People/management structures

The company achieved higher sales of branded products in all of its major markets.

CROP PROTECTION

Total crop protection sales increased by nine per cent to $1,581 million, with operating profit before tax, interest and head office charges up by 17 per cent at $191.9 million.

The overall crop protection gross margin fell from 41 per cent to 38 per cent, due principally to increased sales in lower margin markets, such as Argentina and some of the Asian countries, and to increased costs of some key inputs such as glyphosate technical active. The margin decline was offset by a reduction in business expenses as the company continued to focus on increased efficiencies. Taking into account one-off items and expenses associated with discontinued businesses, the cost base of the core ongoing business was reduced by some five per cent.

The company achieved higher sales of branded products in all of its major markets. This financial year covered a generally strong period for the global crop protection industry and Nufarm was – and remains – well placed to take advantage of positive industry trading conditions.

Nufarm's core products, including the phenoxy herbicides and glyphosate, continue to gain market share and provide a solid platform for the company's growth in various markets around the world. Additional resources were employed to strengthen the company's operational presence in key markets, and a number of new products were introduced as part of an ongoing program to broaden the product portfolio.

Australasia

The Australian season was generally characterised by a very good spring and early summer in late calendar year 2004, followed by a prolonged dry period (other than in Western Australia) and late-breaking rains in mid-June. This contributed to an excellent first half, slow sales throughout most of the second half and a record sales month in July.

Sales were slightly up year on year, assisted by an initial full 12 months contribution from the BASF product range (licensed to Nufarm in March of 2004,) and very good seasonal conditions in Western Australia. Total sales for the Australian businesses were $657 million.

While the Australian market remains very competitive and there were limited opportunities to pass through higher raw material costs, management succeeded in reducing total expenses.

Competition increased in the domestic glyphosate business and a dry autumn in the Eastern states provided limited sales opportunities during that period. Nufarm, however, was able to grow sales of its premium-branded products over the course of the financial year, with the total glyphosate market recording similar volumes to the previous 12-month period.

The Crop Care business benefited from an improved product mix and achieved strong sales of grass herbicides and early protection fungicides.

New Zealand sales ($69 million) were approximately the same as in the previous reporting period, reflecting a wet spring and dry autumn, which restricted farmer spending on pasture renewal programs.

Asian-based sales were up by almost 6 per cent to $55 million but the earnings contribution from these businesses was affected by changes to the regulatory system in Indonesia that have the effect of facilitating increased competition from Chinese sourced generics.

Americas

North American sales totaled $399 million for the period.

Nufarm's position in the USA – the world's largest crop protection market – continued to strengthen during the 2005 financial year. Sales were up some 15 per cent in local currency and this helped drive a stronger earnings contribution.

The company achieved higher shares in an expanded market for both phenoxy herbicides and glyphosate, as well as increased sales of other products, including the herbicide bromoxynil, which is manufactured by Nufarm in a joint venture with Bayer CropScience. An expanded product range helped secure additional opportunities and stronger support from key distribution customers.

While seasonal conditions were not ideal for the turf and specialty market, Nufarm sales grew strongly, driven by excellent results in the formulator (over-the-counter sales to consumers) and vegetation management segments.

The Nufarm brand continues to gain support in Canada, where a better product mix, improved pricing and attention to cost controls resulted in a stronger performance.

In South America, Nufarm invested in strengthening its operational presence in Argentina, Chile and a number of the Andean countries. Sales in Argentina were up by more than 50 per cent but the current low regulatory barriers make this a lower margin market and the company is adopting a long-term view on improved earnings opportunities.

Nufarm's branded sales business in Brazil was integrated into the Agripec business late in the reporting period. Sales of the former BASF phenoxy herbicide brands (transferred in Brazil in November 2004) helped drive a strong increase in sales and significant improvement in the performance of this business.


Nufarm
MCPA technical
750kg NETT

Agripec – Brazil

Nufarm completed a debt funded US$120 million acquisition of 49.9 per cent of Brazilian crop protection company, Agripec, in the first half of the reporting period. The terms relating to this acquisition allowed Nufarm to capture a full 12 months of contributions from this investment.

The equity accounted profit of $19.1 million is Nufarm's share of Agripec's net profit after tax and funding costs. This is below the contribution forecast at the half year ($22 to 24 million) and reflects deterioration in seasonal conditions and measures taken to ensure the collection of outstanding receivables.

Drought conditions developed in the major soybean-growing region of southern Brazil, leading to an estimated 10 to 15 per cent reduction in industry sales for the first half of calendar year 2005. The appreciation of the Real against the US dollar also had an impact on returns to farmers and contributed to higher levels of farmer debt. Like other crop protection suppliers, Agripec opted to retrieve or buy back product from those areas of the market where concerns existed about the collection of proceeds.

Europe

The key European markets of France, Germany and the UK experienced varied/average seasonal conditions. Drought conditions in Southern Europe had an impact on growth opportunities in Spain and Portugal.

The benefits of ongoing restructuring initiatives in France – aimed at transitioning Nufarm from a third-party sales business to a branded products business and reducing head office costs – continue to be reflected in an improved sales performance. A stronger position in the important cereals segment complemented higher sales into vines and horticulture with the former BASF herbicide brands being strong contributors. Nufarm also consolidated its position in the non-crop business in France, with an expanded product range generating improved margins. The French business recorded total sales of $103 million, an 18 per cent increase on 2004 sales.

Sales in Germany were $58 million and up by some 30 per cent year on year. The sales increase helped offset reduced margins on the company's proprietary *Ralon* herbicide, which faced increased competition from alternative products. Sales of fungicides were up strongly aided by an estimated 10 per cent expansion of Germany's cereal fungicides market. This business has developed excellent selling capabilities and strong technical support, contributing to improved access to the market.

Higher branded sales in the UK ($52 million) were driven by the introduction of new products, with improved pricing power helping to achieve a solid earnings contribution. This was in spite of a dry spring and a resulting reduction in weed germination and fungal disease. The company increased its market share in glyphosate.

Drought conditions in Spain saw industry sales contract by more than 15 per cent during the reporting period. Despite this, Nufarm managed to grow its business in Spain on both a sales (up three per cent to $38 million) and earnings contribution basis. Sales in the smaller adjoining market of Portugal – also badly affected by drought – were down on the previous year.

Sales in other European regional markets were stronger, driven by new product registrations and more effective sales and distribution arrangements. Austria, Poland, Hungary, and the Nordic countries all made positive contributions and Nufarm is well positioned to take advantage of additional opportunities in these and other European markets.

Industrial chemicals

Industrial and specialty chemicals generated revenues of $90.2 million, some $52 million (36 per cent) less than in the previous period. The division generated a segment profit of $9.5 million ($14.9m in 2004).

The lower sales were attributable to the divestment of two non-core businesses: the Nufarm Specialty Products business (sale effective 31 December 2004); and the SEAC pharmaceutical intermediates business (sale effective 1 February 2005).

These businesses were engaged in markets that did not exploit Nufarm's core strengths and the capital tied up in those businesses has been redeployed into our crop protection activities where it will generate additional long-term value for shareholders.

The company's 80 per cent owned chlor alkali plants in Western Australia recorded an improved earnings contribution on slightly higher sales. These plants use similar synthesis technology as in our phenoxy herbicide manufacturing.

management team

Doug Rathbone

Managing Director and Chief Executive

For background, see page 26

Brian Benson

Group General Manager Agriculture

Brian Benson joined Nufarm in 2000, bringing with him extensive experience in the crop protection industry in the areas of international marketing and strategy. He has degrees in agricultural science and business administration. Brian is responsible for Nufarm's regional sales operations and commercial strategy.

Rodney Heath

Group General Manager Corporate Services and Company Secretary

Rod Heath is a bachelor of law and joined the company in 1980, initially as legal officer, later becoming assistant company secretary. In 1989, Rod moved from New Zealand to Australia to become company secretary of Nufarm Australia Limited. In 2000, Rod was appointed company secretary of Nufarm Limited.

Kevin Martin

Chief Financial Officer

Kevin Martin is a chartered accountant with over 25 years of experience in the professional and commercial arena. After joining Nufarm in 1994, he was responsible initially for the financial control of the crop protection business. Since 2000, Kevin has been responsible for all financial, treasury and taxation matters for the group.

Dale Mellody

Group General Manager Global Marketing

Dale Mellody joined Nufarm as a territory manager in 1995 having completed his bachelor of agricultural science. Promoted to head office in 1997, he has had various roles in the global marketing group and has assisted with a number of company acquisitions. Dale was promoted to the senior management group in July 2005 and is now responsible for Nufarm's global marketing and product strategy development.

Nufarm has an experienced hands-on management team

Bob Ooms

Group General Manager Chemicals

Bob Ooms joined the company in 1999. An industrial chemist by training, he has more than 40 years experience in the chemical industry in a variety of positions, including many years in senior management. Bob is responsible for the company's industrial chemicals business and has executive management responsibility for global supply chain issues.

David Pullan

Group General Manager Operations

David Pullan joined the company in 1985. A mechanical engineer, David has extensive experience in chemical synthesis and manufacturing, having held a variety of operational and management positions in the oil and chemical industries. He is responsible for all of Nufarm's global manufacturing and production sites.

Robert Reis

Group General Manager Corporate Affairs

A former journalist, political adviser and lobbyist, Robert joined Nufarm in 1991 and is responsible for global issues management, investor relations, media, government and stakeholder relations. Robert also has executive management responsibility for human resources and organisational development.

John Allen

Group General Manager Crop Protection

(Retired 31 August 2005)

John Allen trained as an agronomist and then gained a post-graduate degree in marketing. He joined Nufarm in 1984 and has more than 30 years experience in the industry. John has held a variety of positions in the commercial side of the business, starting as a sales representative. Until his retirement, he was responsible for the commercial side of Nufarm's Crop Protection activities.

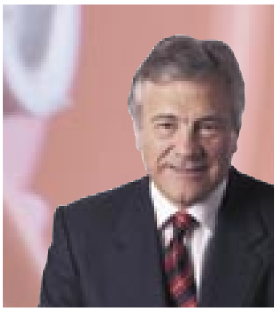
board of directors

Kerry Hoggard

Chairman

Kerry Hoggard, 64, joined the board in 1987. He has a financial background, beginning his career with the company in 1957 as office junior and rising through a number of accounting, financial and commercial promotions to be chief executive officer in 1987. On his retirement in October 1999, he was appointed chairman of the board.

Kerry is a member of the audit and remuneration committees.



Doug Rathbone

Managing Director and Chief Executive

Doug Rathbone, 59, joined the board in 1987. His background is chemical engineering and commerce and he has worked for Nufarm Australia Limited for 32 years. Doug was appointed managing director of Nufarm Australia in 1982 and managing director of Nufarm Limited in October 1999.

Doug Curlewis

GDW (Doug) Curlewis, 64, joined the board in January 2000. He has a master of business administration and was formerly managing director of National Consolidated Ltd. He is also a director of Pacifica Group Ltd, GUD Holdings Ltd, Graincorp Limited and Remunerator Australia Pty Ltd. In the past three years Doug has been a director of National Foods Ltd (six years) and Hamilton Island Ltd (five years).

Doug is chairman of the nomination committee and a member of the audit and remuneration committees.

Bruce Goodfellow

Dr WB (Bruce) Goodfellow, 53, joined the board representing the holders of the 'C' shares in 1991. Following the conversion of the 'C' shares into ordinary shares, he was elected a director in 1999. He has a doctorate in chemical engineering and experience in the chemical trading business and financial and commercial business management experience. He is a director of Sulkem Co Ltd, Refrigeration Engineering Co Ltd, SH Lock (NZ) Ltd and Cambridge Clothing Co. Ltd.

Bruce was a member of the scientific review committee until it was discontinued.

Garry Hounsell

GA (Garry) Hounsell, 50, joined the board in October 2004. He has a bachelor of business (accounting) and is a former senior partner with Ernst & Young and a former Australian country managing partner with Arthur Andersen. He has extensive experience across a range of areas, relating to management and corporate finance and has worked with some of Australia's leading companies in consulting and audit roles, with a particular emphasis in the manufacturing sector. He is also a director of Qantas Airways Limited and Orica Ltd.

Garry became chairman of the audit committee after the retirement of Graeme McGregor, having been a member of the audit committee since his appointment as a director of the company.

Don McGauchie

DG (Donald) McGauchie AO, 55, joined the board in 2003. He has a farming background and has been extensively involved in agricultural trade, policy and market reform. He is currently chairman of Telstra Limited; a member of the board of the Reserve Bank of Australia; chairman of Australian Wool Testing Authority Limited and a director of James Hardie Industries NV.

In the past three years Donald has been a director of Ridley Corporation (seven years), National Foods Ltd (five years), Woolstock Australia Limited (three years), Graincorp Limited (three years) and Rural Finance Corporation (two years).

Donald is a member of both the remuneration and nomination committees.

John Stocker

Dr JW (John) Stocker AO, 60, joined the board in 1998. He has a medical, scientific and management background and was formerly chief scientist of the Commonwealth of Australia. He is a principal of Foursight Associates Pty Ltd and chairman of Sigma Company Ltd. He is a director of Telstra Corporation Ltd, Cambridge Antibody Technology Group plc and Circadian Technologies Ltd.

John is a member of both the remuneration and nomination committees and previously chaired the scientific review committee until it was discontinued.

Dick Warburton

RFE (Dick) Warburton AO, 64, joined the board in 1993. He has a business management background and is chairman of Caltex Australia Ltd, and Tandou Ltd. He is a director of Tabcorp Holdings Ltd, Note Printing Australia Ltd and Citibank Pty Ltd. Dick is chairman of the board of Taxation and a past national president of the Australian Institute of Company Directors. In the past three years Dick has been a director of Reserve Bank of Australia (10 years), Southcorp Ltd (10 years), David Jones Ltd (eight years), Goldfields Ltd (six years), and Aurion Gold Ltd (one year).

Dick is chairman of the remuneration committee and a member of the nomination committee.

Graeme McGregor

Graeme McGregor AO, retired from the Nufarm Board in July 2005 after more than five years of service to the company and shareholders. Graeme made a significant contribution at board level, in particular in his role as chairman of the audit committee. The company acknowledges that contribution and wishes Graeme well in the future.

corporate governance statement

Introduction

Nufarm's approach to corporate governance has been to implement systems to protect the interests of all stakeholders.

Our recent history, including the relocation of the head office from New Zealand to Australia in 2000, has meant that our board processes have been under constant review in accordance with best Australian practice.

We have also taken into account the 'Principles of Good Corporate Governance and Best Practice Recommendations' ('the ASX principles') published in March 2003 by the Australian Stock Exchange Limited's Corporate Governance Council and the amendments to the Corporations Act 2001 known as CLERP 9.

In relation to both the ASX principles and CLERP 9 the company has practiced 'early adoption' in advance of actual compliance dates.

In accordance with the ASX principles we have posted copies of our corporate governance practices to the corporate governance section of our website at www.nufarm.com.

Compliance with ASX Principles

The ASX Listing Rules require us to include in our annual report a statement disclosing the extent to which we have adopted the 28 best practice recommendations during our reporting period and, where there is not compliance, to explain why not.

We believe that we comply with all the ASX principles save the following:

- Recommendation 2.2 recommends that the chairman should be an independent director.

  Our chairman is elected annually at the directors' meeting immediately following the annual general meeting (AGM).

  Kerry Hoggard is board chairman and will not be deemed an independent director in accordance with the tests set out in principle 2 of the ASX principles.

  This corporate governance report reaffirms the statements contained in our 2003 and 2004 governance reports that the board unanimously continues to support Kerry as chairman, believing this to be clearly in the best interest of all stakeholders.

  We believe:

  – Kerry's history with the company, including his detailed knowledge of the industry within which the company operates, and his extensive accounting, financial and commercial background, provide him with unique skills and experience which are invaluable to Nufarm; and

  – Kerry continues to apply judgment independent of management in all decision making and that he discharges his role with a strong commitment to considerations of governance and disclosure.

- Recommendation 9.4 recommends that companies seek shareholder approval of equity-based reward schemes for executives.

  We currently have one equity-based reward plan which was introduced in 2000, prior to the release of the ASX principles.

  The plan did not require shareholder approval under the Corporations Act or the Listing Rules and therefore was not put to shareholders for approval. However shareholders' approval was sought to offers of shares to the managing director under the plan in each of 2000, 2001 and 2002. The notices of annual meeting and the annual reports for those years set out in some detail the nature of the plan and in each instance the issue of shares to the managing director under the plan was approved.

Management and oversight of Nufarm

The board

The board is the governing body of the company and is responsible for overseeing the company's operations, ensuring that Nufarm's business is carried out in the best interests of all shareholders and with proper regard to the interests of all other stakeholders. The board charter has clearly defined policies detailing the board's individual and collective responsibilities and describing those responsibilities delegated to senior management.

The board has set specific limits to management's ability to incur expenditure, enter contracts or acquire or dispose of assets or businesses without full board approval.

The board's specific responsibility is to:

- ratify strategic plans for the company and its business units;
- review the company's accounts;
- approve and review operating budgets;
- approve major capital expenditure, acquisitions, divestments and corporate funding;
- oversee risk management and internal compliance; and
- control codes of conduct and legal compliance.

The board is also responsible for:

- the appointment and remuneration of the managing director;
- ratifying the appointment of the chief financial officer and the company secretary; and
- reviewing remuneration policy for senior executives and Nufarm's general remuneration policy framework.

Each year the board reviews board composition and terms of reference for the board, chairman, board committees and managing director.

The board has seven scheduled meetings each year. When necessary, additional meetings will be convened to deal with specific issues that require attention before the next scheduled meeting. Each year the board will meet to review the strategic plan, which sets the strategic direction of the company.

At 31 July 2005, the board had three committees: audit; remuneration; and nomination. All directors are entitled to attend any committee meeting.

Details of the attendances at meetings of board and committees are detailed on page 34 of this report.

The manner in which the company is managed is consistent with the recommendations of ASX Principle 1.

A summary of the board charter has been posted to the corporate governance section of the company's website.

Board of directors

Composition

The board has a majority of independent non-executive directors with an appropriate range of proficiencies, experience and skills to ensure that its responsibilities are discharged in a manner consistent with the best possible management of the company.

The company's constitution specifies that the number of directors may be not less than three, nor more than 11.

Following the retirement of Graeme McGregor on 31 July 2005 there are seven non-executive directors and one executive director. The board has currently determined that, apart from the incumbent managing director, no other company executive will be invited to join the board.

Independence

Directors are expected to bring independent views and judgment to the board. In determining the independence of directors, the board applies the tests set out in ASX Principle 2 and, in considering whether a director has a material relationship with the company that may compromise independence, the board considers all relevant circumstances. Having reviewed the ASX principles and the circumstances of individual directors, the board does not believe it necessary to define any specific materiality limits, other than defining a substantial shareholder as one who holds or is associated directly with a shareholder controlling in excess of five per cent of the company's equity.

Tenure

Having considered commentary on the relationship between length of service and independence, the board considers that the independence of directors, and justification for their positions in general, is determined by the manner in which they discharge their responsibilities and their contribution to the success of the company.

However, the board has determined that any director who has served as a non-executive director on the board for a continuous 10 year period should seek only one further re-election and then voluntarily retire before the date scheduled for any subsequent re-election. Any variation to this policy would involve exceptional circumstances and require the unanimous support of the full board.

Directors seeking to offer themselves for re-election at a company AGM are subject to a performance review by the nomination committee, which will then make a recommendation to the board as to whether the board should continue to support the nomination of the retiring directors.

At the date of this report, the board has determined that the status of directors is characterised as follows:

Independent non-executive directors

GDW Curlewis
GA Hounsell
GW McGregor (retired 31 July 2005)
DG McGauchie
Dr JW Stocker
RFE Warburton

Non-independent non-executive directors

KM Hoggard
Dr WB Goodfellow

Executive director

DJ Rathbone

Profiles of each board member are set out on pages 26–27 of this report, including their terms in office.

Access to independent advice

With the prior approval of the chairman, which may not be unreasonably withheld, or by resolution of the board, any director can appoint legal, financial or other professional consultants, at the expense of the company, to assist directors in discharging their responsibilities.

The board charter provides that non-executive directors may meet without management present.

Conflicts of interest

Board members are required to identify any conflict of interest they may have in dealing with the company's affairs and subsequently to refrain from participating in any discussion or voting on these matters. Directors and senior executives are required to disclose in writing any related party transactions.

Chairman of the board

The chairman is elected annually at the directors' meeting immediately following the company's AGM.

Our chairman, Kerry Hoggard, is not deemed an independent director in accordance with the tests set out in ASX Principle 2. The reasons why we unanimously support Kerry's appointment are set out earlier in this statement.

The board has stipulated that the same person will not exercise the role of the chairman and chief executive officer.

Save as to the independence of the chairman referred to above, the structure of the board is consistent with ASX Principle 2.

The nomination committee

The members of the nomination committee are Doug Curlewis, chairman (appointed effective 1 January 2005); Donald McGauchie, Dr John Stocker (appointed effective 1 January 2005) and Dick Warburton, and as such, comprises independent directors. Kerry Hoggard retired as a member of the committee effective 1 January 2005.

The committee has a formal charter setting out its membership requirements and responsibilities. These responsibilities include:

- the assessment of competencies of board members;
- review of board succession plans;
- evaluation of board performance; and
- recommendations for appointment of new directors when appropriate.

A copy of the nomination committee charter and a summary of the policy and procedure for appointment of directors has been posted to the corporate governance section of the company's website.

Ethical and responsible decision-making

Ethical standards

We require directors and employees to adopt standards of business conduct that are ethical and comply with all legislation. Where there are no legislative requirements, the company endeavours to ensure appropriate standards by policy statements as they relate to stakeholders in the business and by careful selection and promotion of employees.

The board endorses the principles of the *Code of Conduct for Directors,* issued by the Australian Institute of Company Directors.

Our formal code of conduct has been posted to the corporate governance section of the company's website.

Purchase and sale of company shares

We have had longstanding policies about the purchase and sale of company shares by directors and key executives.

The current share trading policy prohibits directors and management from dealing in the company's shares at any time the directors or employees are aware of unpublished, price-sensitive information.

Subject to this prohibition, directors and senior executives may buy or sell shares at any time except during the following periods:

- six weeks before the release of the company's half year results to the ASX, ending 24 hours after such release;
- six weeks before the release of the company's year end results to the ASX, ending 24 hours after such release; and
- two weeks before the company's AGM, ending 24 hours after the AGM.

Before any trading activity in company shares, directors and key executives must complete an application form, which contains a declaration confirming they have no relevant knowledge pertaining to the company that is not available to the public. On receipt of the application form the company secretary will discuss the application with the chairman to obtain approval to trade. No trading can be undertaken before the application receives the written approval of the company secretary.

A copy of the trading policy has been posted to the corporate governance section of the company's website.

The company's code of conduct and share trading policy is consistent with ASX Principle 3.

Safeguard integrity in financial reporting

Financial reports

The board procedures to safeguard the integrity of the company's financial reporting require the chief executive officer and the chief financial officer to state, in writing to the board, that:

- the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards, and
- the statement is founded on a sound system of risk management and internal compliance and control, which is operating effectively.

Audit committee

Members of the board audit committee are: Graeme McGregor, (chairman until his retirement on 31 July 2005); Garry Hounsell (chairman from 31 July 2005); Doug Curlewis; and Kerry Hoggard. The committee has a majority of independent non-executive directors and is chaired by an independent director.

Details of attendances at meetings of the audit committee are set out on page 34.

Graeme McGregor is a bachelor of economics and former chief financial officer and executive director of BHP Co Ltd. He is a past national president of CPA Australia and is a member of the financial reporting council. In that capacity, Graeme has been closely associated with best practice recommendations relating to the provision of audit services, including CLERP 9.

Garry Hounsell is a bachelor of business (accounting) and is a former senior partner with Ernst & Young and a former Australian country managing partner with Arthur Andersen. He has extensive experience across a range of areas, relating to management and corporate finance and has worked with some of Australia's leading companies in consulting and audit roles, with a particular emphasis in the manufacturing sector. He is also a director of Qantas Airways Limited and Orica Limited.

Kerry Hoggard has extensive accounting and financial experience. Kerry began his career with the company in 1957 and, after a number of accounting, financial and commercial promotions, became chief executive officer in 1987.

Doug Curlewis is a bachelor of arts and MBA and former managing director of National Consolidated Limited, chief executive (Europe) of ICI Paints and managing director of Dulux Australia. Doug is currently a director of GUD Holdings Limited, Graincorp Limited and Pacifica Group Ltd. Doug is chairman of The Pacifica Audit Committee.

The committee reviews the audit committee charter annually.

The charter sets out membership requirements for the committee, its responsibilities and provides that the committee shall annually assess the external auditor's actual or perceived independence by reviewing the services provided by the auditor. The charter identifies those services that the external auditor may provide, those that may not be supplied and those that require specific audit committee approval.

The committee has recommended that any former lead engagement partner of the firm involved in the company's external audit should not be invited to fill a vacancy on the board and the lead engagement audit partners will be required to rotate off the audit after a maximum five years involvement and it will be at least three years before that partner can again be involved in the company's audit.

A copy of the audit committee charter, which includes procedures for the selection and appointment of the external auditors, has been posted to the corporate governance section of the company's website.

The financial reporting system of the company is consistent with ASX Principle 4.

Disclosure

The company has a detailed written policy and procedure to ensure compliance with both the ASX Listing Rules and Corporations Act. This policy is reviewed regularly with the company's legal advisers, in line with contemporary best practice.

The company secretary prepares a schedule of compliance and disclosure matters for directors to consider at each board meeting.

A copy of the disclosure policy is posted to the corporate governance section of the company's website.

The company's disclosure policy is consistent with ASX Principle 5.

Rights of shareholders

Communication

We are committed to timely, open and effective communications with our shareholders and the general investment community.

Our communications policy is aimed at:

- ensuring that shareholders and the financial markets are provided with full and timely information about our activities;
- complying with our continuous disclosure obligations;
- ensuring equality of access to briefings, presentations and meetings for shareholders, analysts and media; and
- encouraging attendance and voting at shareholder meetings.

Information is communicated to shareholders:

- through the distribution of half year and annual reports, notices of annual general meeting, and a summary of annual general meeting proceedings including the chairman's and chief executive officer's addresses and voting results; and
- whenever there are other significant developments to report, by electronic means as well as by post.

Our formal communications policy is posted to the corporate governance section of the company's website.

External auditor

We require the external auditor to attend the company's AGM so shareholders may question the auditor about the conduct of the audit and the preparation and content of the auditor's report.

The company's policy in relation to the rights of shareholders is consistent with ASX Principle 6.

Identifying and managing risk

The board is committed to identifying, assessing, monitoring, and managing its major business risks at a level appropriate to its global business activities. To support and maintain this objective, the audit committee has established detailed policies on risk oversight and management by approving a global risk management charter that specifies the responsibilities of the general manager, global risk management (which includes responsibility for the internal audit function). This charter also provides comprehensive global authority to conduct internal audits, risk reviews, and systems-based analyses of the internal controls in major business systems operating within all significant company entities worldwide.

The general manager global risk management reports directly to the chief executive officer and provides a written report of his activities at each meeting of the audit committee. In doing so he has direct and continual access to the chairman and members of the audit committee.

In addition, the company has implemented a range of global systems, programs, and policies with the objective of risk identification and management, which include the following:

- a comprehensive occupational health, safety and environmental (HSE) program. The company publishes an annual HSE report on its performance across a range of environment, health and safety parameters, including specific targets for continuous improvement;
- a comprehensive annual insurance program including external risk management surveys;
- a board-approved treasury policy to manage exposure to foreign policy and exchange rate risks;
- guidelines and limits for approval of capital expenditure and investments;
- annual budgeting and monthly reporting systems for all business units which monitor performance against budget targets;
- a planning process involving the preparation of five year strategic plans;
- appropriate due diligence systems for acquisitions and divestments; and
- risk self-assessment surveys of all major business units worldwide.

corporate governance statement continued

Integrity of financial statements

The procedures to safeguard the integrity of financial statements are set out on page 30 of this statement.

A summary of the company's risk management policy and internal compliance system has been posted to the corporate governance section of the company's website.

The management of risk is consistent with ASX Principle 7

Board and management performance

The board

The performance of the board, individual directors and key executives is reviewed annually.

The board has adopted a process to facilitate its performance assessment. In 2003–2004 this process included the completion by directors of a detailed questionnaire, an individual interview of each director by an external consultant and discussion by the board. In the current period the performance evaluation was conducted by the chairman.

The board ensures that new directors are introduced to the company appropriately and acquainted with relevant industry knowledge, including visits to specific company operations and briefings by key executives.

All directors may obtain independent professional advice (refer page 29) and have direct access to the company secretary.

The manner in which the performance of the board is assessed is consistent with ASX Principle 8.

A summary of the process for performance evaluation has been posted to the corporate governance section of the company's website.

Remuneration

The board has procedures to ensure that the level and structure of remuneration for executives and directors is appropriate.

Remuneration of executives

The board's policy for determining the nature and amount of the remuneration of executives is set out in the remuneration report on page 35.

Under the company's executive and employee share plans the number of shares provided to employees and executives in the preceding five years will not exceed five per cent of the company's issued capital.

The company has an employment contract with the chief executive officer and this formalises the terms and conditions of appointment, including termination payments.

Remuneration committee

The members of the remuneration committee are Dick Warburton (chairman), Doug Curlewis (appointed effective 1 January 2005), Kerry Hoggard, Donald McGauchie and Dr John Stocker (appointed effective 1 January 2005) and as such is comprised of a majority of independent directors.

The committee's formal charter includes responsibility to review and recommend to the board the remuneration packages and policies applicable to key executives and directors.

The committee reports to the board on all matters and the board makes all decisions, except when power to act is delegated expressly to the committee.

A copy of the remuneration committee charter has been posted to the company's website.

Remuneration of non-executive directors

The board's policy with regard to non-executive directors' remuneration is set out in the remuneration report on pages 35 to 40.

Save as to compliance with recommendation 9.4, which is discussed on page 28, our remuneration policies are consistent with ASX Principle 9.

Interests of stakeholders

Code of conduct

Nufarm seeks to conduct its business in a manner which recognises and adheres to all relevant laws and regulations and meets high standards with respect to honesty and integrity.

In order to meet this commitment, we require all Nufarm directors, employees, contractors and consultants to be familiar with and uphold the company's code of conduct in all business dealings.

The company is politically impartial except when, because of a perceived major impact on the company, its business or any of its stakeholders, it is deemed to be obliged to make political statements.

Nufarm operates in accordance with the social and cultural beliefs appropriate in each country of operation.

Our formal code of conduct which has been posted to the corporate governance section of the company's website.

The manner in which the company recognises the interests of shareholders is consistent with ASX Principle 10.

directors' report

The board of directors of Nufarm Limited (Nufarm) submits its report for the period ended 31 July 2005.

Names of directors

The names of the directors of the company in office during the period are:

KM Hoggard (Chairman)
DJ Rathbone (Managing Director)
GDW Curlewis
Dr WB Goodfellow
GA Hounsell (appointed 1 October 2004)
DG McGauchie AO
GW McGregor AO (retired 31 July 2005)
Dr JW Stocker AO
RFE Warburton AO

Unless otherwise indicated, all directors held their position as a director throughout the entire period and up to the date of this report.

The company secretary is R Heath.

Details of the qualifications, experience and responsibilities and other directorships of the directors are set out on pages 26 and 27. Details of the qualifications and experience of the Company Secretary are set out on page 24.

Directors' interests in shares and capital notes

Relevant interests of the directors in the shares or capital notes of the company and related bodies corporate are:

	Nufarm Ltd	Fernz Corporation (NZ) Ltd
	Ordinary shares	Capital notes
KM Hoggard [1 2]	2,374,749	
DJ Rathbone [2]	29,912,610	
GDW Curlewis	40,787	
Dr WB Goodfellow [1 3]	1,466,446	2,270,000
G A Hounsell [1]	11,452	
DG McGauchie [1]	8,269	
GW McGregor [1]	33,879	
Dr JW Stocker [1]	28,464	
RFE Warburton [1]	63,431	

1 The shareholdings of KM Hoggard, Dr WB Goodfellow, GA Hounsell, DG McGauchie, GW McGregor, Dr JW Stocker and RFE Warburton include shares issued under the company's non-executive director share plan and held by ASX Perpetual Registrars Limited as trustee of the plan.

2 Messrs Hoggard and Rathbone also have a non-beneficial interest in 218,725 fully paid shares as trustees of the Nufarm Limited Share Plan.

3 The shareholding of Dr WB Goodfellow includes his relevant interest in:

(i) St Kentigern Trust Board (429,855 shares and 2,270,000 capital notes) – Dr Goodfellow is chairman of the trust board. Dr Goodfellow does not have a beneficial interest in these shares or capital notes;

(ii) three trusts of which he is a non-beneficial trustee (807,039 shares); and

(iii) Waikato Investment Company Limited (113,616 shares).

Directors' meetings

The number of directors' meetings and meetings of committees of directors held in the financial year and the number of meetings attended by each director are shown in the table of directors' meetings.

					Committees			
Director	Board		Audit		Remuneration		Nomination	
	A	B	A	B	A	B	A	B
KM Hoggard [1]	9	9	5	5	2	2	2	2
DJ Rathbone	9	9						
GDW Curlewis [2]	9	9	5	5				
Dr WB Goodfellow [5]	9	9		2				
GA Hounsell [3]	7	6	4	4				
DG McGauchie	9	9			2	1	2	1
GW McGregor	9	8	5	4				
Dr JW Stocker [4]	9	8						
RFE Warburton	9	9			2	2	2	2

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.

1 KM Hoggard retired as a member of the nomination committee effective 1 January 2005.

2 GDW Curlewis was appointed chairman of the nomination committee and a member of the remuneration committee effective 1 January 2005.

3 GA Hounsell became a member of the audit committee effective 1 October 2004.

4 Dr JW Stocker became a member of both the remuneration and nomination committees effective 1 January 2005.

5 All non-executive 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 also operates two chlor alkali plants in an 80 per cent owned joint venture and produces a small range of industrial chemicals, mostly by-products of the company's core crop protection manufacturing activity.

Nufarm employs 2,279 people at its various locations in Australasia, 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 2005 is $104.3 million. The comparable figure for the 12 months to 31 July 2004 was $76.2 million.

Dividends

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

	$000
The final dividend for 2003–2004 of 15 cents paid 12 November 2004	$25,293
The interim dividend for 2004–2005 of 9 cents paid 29 April 2005	$15,255
The final dividend for 2004–2005 of 17 cents as declared and recommended by the directors is payable 11 November 2005	$28,844

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 on pages 2 to 7 and the business review on pages 18 to 23.

State of affairs

The state of the company's affairs are set out in the managing director's review on pages 2 to 7 and the business review on pages 18 to 23.

Operations, financial position, business strategies and prospects

The directors believe that information on the company, which enables an informed assessment of its operations, financial position, strategies and prospects, is contained in the managing director's review and the business review.

Events after end of financial year

The company announced in August 2005 that it had sold its Australian turf/specialty business, Nuturf Pty Ltd, to Hong Kong based C K Life Sciences International Holdings Inc for $7.2 million.

2005 financial year sales for Nuturf Pty Ltd were some $21 million and the business contributed net earnings of $1.1 million. The directors believe that the business had not achieved sufficient scale in the Australian market to justify ongoing investment.

Future developments and results

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 on page 19.

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

The company publishes annually a health, safety and 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, performed certain other services in addition to its statutory duties.

Details of the audit fee and non-audit services are set out on page 84 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 is compatible with, and does 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 at page 41.

Remuneration report

Remuneration committee

The remuneration committee reviews and makes recommendations to the board on remuneration policies and packages applicable to group executives and directors and ensures that remuneration policies and packages retain and motivate high calibre executives and that remuneration policies demonstrate a clear relationship between key executive remuneration and company performance.

The remuneration levels of the managing director and other group executives are recommended by the remuneration committee and approved by the board, having taken advice from independent external advisors.

Remuneration policy

Group executive

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.

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 six monthly periods and is paid in cash. The second part of the incentive program is linked to meeting predetermined financial objectives for the full year and is delivered in a mixture of shares or shares and options. The exception is the current managing director who is paid in cash because of the very substantial shareholding he currently controls in the company. For the remaining group executives this payment is made in equity, which ensures a longer-term focus to achieve benefits consistent with the delivery of sustained growth of shareholder value.

If the financial objectives are achieved and each part of the incentive program is paid at 100 per cent, 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 recognised 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 choice 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 per cent to 14 per cent and, for the second part of the incentive, from 13.5 per cent to 14.75 per cent for the 2005 financial year.

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; and
- reviews Target ROFE for each part of the incentive program for the following financial period.

For both parts of the incentives, 25 per cent of the incentives will be payable on achievement of 90 per cent of Target ROFE with a linear progression to 100 per cent of the incentives on achievement of Target ROFE and a maximum of 175 per cent of the incentives on achievement of 110 per cent of Target ROFE. If less than 90 per cent 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
Group executive	0	14	40	54	54

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.

	Operating EBIT $000	ROFE achieved %	EPS	Dividend rate cents per share	Share price 31 July $	Total shareholder return* %
2001	113,765	13.5	33.1	18	2.85	(4)
2002	123,621	13.5	36.7	18	3.35	32
2003	131,977	14.0	41.3	20	4.39	21
2004	142,235	15.7	47.1	23	6.09	54
2005	174,638	17.4	61.7	26	10.15	63

*Source: Goldman Sachs JB Were.

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

The board's policy with regard to non-executive directors' 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 2003 annual general meeting, shareholders approved an aggregate of $900,000 per year (excluding superannuation costs).

Set out below are details of the annual fees payable at 31 July 2005.

Chairman[1]	$ 240,000
Director board fee	$ 95,000
Chairman audit committee	$ 15,000
Chairman other board committees	$ 10,000
Member audit committee	$ 5,000
Member other board committees [2]	$ 2,500

1 The chairman, KM Hoggard, receives no fees as a member 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 directors' 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 specified directors and specified executives

Details of the nature and amount of each element of the emoluments of each director of Nufarm Limited and each of the five officers of the company and the consolidated entity receiving the highest emoluments are set out in the following tables.

	Primary			Post employment	Equity [1]	Other	Total
	Salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	$	Retirement benefit plan[2] $	$
Specified directors							
KM Hoggard							
2005	182,400	–	–	22,800	45,600	–	250,800
2004	155,200	–	–	16,560	28,800	155,550	356,110
DJ Rathbone							
2005	890,011	1,322,500	58,834	12,860	–	–	2,284,205
2004	832,769	953,140	69,995	12,075	–	–	1,867,979
GDW Curlewis							
2005	82,233	–	–	27,858	–	–	110,091
2004	63,200	–	–	17,460	–	50,360	131,020
Dr WB Goodfellow							
2005	71,400	–	–	8,925	17,850	–	98,175
2004	58,825	–	–	6,266	10,800	150,588	226,479
GA Hounsell							
2005	67,166	–	–	8,141	14,250	–	89,557
2004	–	–	–	–	–	–	–
DG McGauchie							
2005	77,500	–	–	9,175	14,250	–	100,925
2004	45,763	–	–	4,119	–	–	49,882
GW McGregor							
2005	91,150	–	–	10,425	13,100	–	114,675
2004	73,200	–	–	7,560	10,800	48,190	139,750
Dr JW Stocker							
2005	77,025	–	–	9,487	17,850	–	104,362
2004	68,200	–	–	7,110	10,800	68,500	154,610
RFE Warburton							
2005	81,400	–	–	9,925	17,850	–	109,175
2004	68,200	–	–	7,110	10,800	150,500	236,610
Sir Dryden Spring[3]							
2005	–	–	–	–	–	–	–
2004	25,177	–	–	2,266	–	149,792	177,235
Total remuneration: specified directors							
2005	1,620,285	1,322,500	58,834	119,596	140,750	–	3,261,965
2004	1,390,534	953,140	69,995	80,526	72,000	773,480	3,339,675

1 In 2003 the company created a non-executive directors share plan, which enables directors to elect to sacrifice 20 per cent of base director fees for the acquisition of company shares. The value of such shares is disclosed as equity.

2 On 31 October 2003, directors resolved to discontinue its retirement benefit plan. Accrued benefits under the plan were calculated and paid to directors as set out below:

	Base fee	Super-annuation	Equity	Total
KM Hoggard	73,109	–	82,441	155,550
GDW Curlewis	–	50,360	–	50,360
Dr WB Goodfellow	–	–	150,588	150,588
GW McGregor	–	–	48,190	48,190
Dr JW Stocker	–	–	68,500	68,500
RFE Warburton	–	–	150,500	150,500

3 Upon his retirement as a director on 11 December 2003, Sir Dryden Spring was paid a retirement benefit of $149,792. This was the amount accrued under the retirement benefit plan, which was discontinued on 31 October 2003.

		Primary		Post employment	Equity [1]	Other	Total
	Salary and fees $	Cash bonus $	Non-monetary $	Superannuation $	$	$	$
Specified executives							
DA Pullan							
Group General Manager Operations							
2005	374,990	294,576	27,930	73,649	159,000		930,145
2004	351,219	159,000	46,331	65,373	151,200	–	773,123
JA Allen							
Group General Manager Crop Protection							
2005	280,446	294,291	16,715	169,078	158,833		919,363
2004	318,394	92,832	21,758	102,000	150,000	–	684,984
RF Ooms							
Group General Manager Chemicals							
2005	369,943	277,076	8,109	70,973	149,000		875,101
2004	349,717	149,000	11,716	63,574	141,736	–	715,743
KP Martin							
Chief Financial Officer							
2005	380,852	277,076	12,767	38,702	149,000		858,397
2004	346,140	146,468	25,327	38,318	141,736	–	697,989
B Benson							
Group General Manager Agriculture							
2005	320,462	227,500	19,435	38,702	120,000		726,099
2004	311,865	119,999	15,529	38,676	109,989	–	596,058
Total remuneration: specified executives							
2005	1,726,693	1,370,519	84,956	391,104	735,833		4,309,105
2004	1,677,335	667,299	120,661	307,941	694,661	–	3,467,897

1 Shares issued under the incentive programme referred to on page 36.

Remuneration options: granted and vested during the year

During the year there were no options granted to directors or executives. Details of options vested and exercised by specified executives are set out in Note 31 on page 79 of the financial statements. The value of options exercised by specified directors and specified executives are set out in the following table.

	Options exercised in the period	Dollar value of options exercised in the period
Specified directors		
DJ Rathbone	566,443	1,529,396
Specified executives		
B Benson	98,345	265,531
DA Pullan	153,091	413,346
JA Allen	153,091	413,346
KP Martin	143,406	387,196
RF Ooms	143,406	387,196
Total	**1,257,782**	**3,396,011**

Shares issued as a result of the exercise of options

Details of shares issued as a result of the exercise of options during the financial year are as follows:

(a) 1,437,692 shares issued to group executives at an exercise price of $2.70, which includes 1,257,782 shares issue to specified executives as set out in Note 31 of page 79 of the financial statements; and

(b) 61,336 shares issued to participants in the UK Savings Related Share Options Scheme (1997) at an exercise price of $3.66.

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.

Rounding of amounts

The parent entity is a company of the kind specified in Australian Securities and Investment Commission Class Order 98/0100. In accordance with that class order, amounts in the financial statements and the directors' report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

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

KM Hoggard
Director

DJ Rathbone
Director

Melbourne
4 October 2005

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporation 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 2005 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

4 October 2005

international financial reporting standards

Companies listed on the Australian Stock Exchange will formally adopt International Financial Reporting Standards (IFRS) for reporting periods commencing on or after 1 January 2005. All Australian entities preparing financial reports under the Corporations Act 2001 must comply with the Australian equivalents to IFRS.

Nufarm will adopt the Australian equivalent of International Financial Reporting Standards (AIFRS) for the year ending 31 July 2006.

The change is aimed at introducing a greater degree of harmony in the reporting of company financials in different countries. In particular, the implementation of the new standards will change the accounting treatment of intangible assets, stock options and superannuation.

While the change will not have an impact on the underlying performance or cashflows of the company, it will have an effect on the value of certain assets on the balance sheet and on the reported profit.

The implications of the change are addressed in note 37 (pages 86 to 89) to the financial statements.

For the purpose of providing a comparative 2005 profit estimate under the new standards, the company has reviewed its accounts and made a best estimate of the quantitative impact of the changes as at the time the 31 July 2005 financial report was prepared.

The actual effects of the transition to AIFRS may differ to these estimates due to potential amendments; interpretations and emerging accepted practice.

The major estimated impacts can be summarised as follows:

$ million	AGAAP $000	AIFRS $000
Total equity at July 2005	616.6	617.0
Operating profit after tax 2005	103.5	121.4
Reported net profit 2005 (inc. non operating items)	104.3	124.8

The major differential in the 2005 profit is attributable to a greatly reduced amortisation of intangible assets and goodwill, which amounts to some $18.4 million in additional reported profit under the new standards.

statement of financial performance

12 MONTHS ENDED 31 JULY 2005

	Notes	Consolidated 31.7.2005 $000	Consolidated 31.7.2004 $000	Parent 31.7.2005 $000	Parent 31.7.2004 $000
Revenue from ordinary activities		1,671,029	1,595,768	64,664	70,085
Cost of sales		(1,019,105)	(908,956)	(32,972)	(35,173)
Gross profit		651,924	686,812	31,692	34,912
Interest income	2	1,501	1,265	20,748	20,645
Other revenue	2	106,570	37,828	47,052	40,871
		759,995	725,905	99,492	96,428
Expenses					
Depreciation and amortisation	2	(61,199)	(64,807)	(2,140)	(2,444)
Borrowing costs	2	(40,011)	(33,603)	(22,542)	(21,451)
Operating expenses	2	(545,222)	(521,013)	(22,077)	(22,696)
Total expenses		(646,432)	(619,423)	(46,759)	(46,591)
		113,563	106,482	52,733	49,837
Share of net profits of associates	9	25,617	3,415	–	–
Profit from ordinary activities before income tax expense		139,180	109,897	52,733	49,837
Income tax expense relating to ordinary activities	6(a)	(33,333)	(31,621)	(2,664)	(3,691)
Net profit		105,847	78,276	50,069	46,146
Net profit attributable to outside equity interest	23	(1,550)	(2,074)	–	–
Net profit attributable to members of the parent entity		**104,297**	**76,202**	50,069	46,146
Non-profit related changes in equity					
Net exchange differences arising on translation of opening net investment in foreign operations, net of related hedges	20(a)	(11,983)	(6,749)	(77)	–
Share issue costs		–	(450)	–	(450)
Capital profit reserve decrease		–	(6)	–	–
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity		(11,983)	(7,205)	(77)	(450)
Total changes in equity other than those resulting from transactions with owners as owners		92,314	68,997	49,992	45,696
Earnings per share					
Statutory earnings per share	3				
Basic earnings per share (cents per share)		61.7	47.1		
Diluted earnings per share (cents per share)		61.7	46.7		
Operating earnings per share	3				
after excluding the non-operating profit detailed in note 5.					
Basic operating earnings per share (cents per share)		61.2	47.3		
Diluted operating earnings per share (cents per share)		61.2	46.9		

The accompanying notes form an integral part of these financial statements

statement of financial position

AT 31 JULY 2005

	Notes	Consolidated 31.7.2005 $000	Consolidated 31.7.2004 $000	Parent 31.7.2005 $000	Parent 31.7.2004 $000
Current assets					
Cash assets		56,233	56,826	4,265	654
Receivables	7	225,268	232,518	212,830	197,963
Inventories	8	423,946	432,139	15,924	15,610
Tax assets	6(b)	8,138	6,858	–	1,583
Prepayments		12,780	7,951	307	388
Total current assets		726,365	736,292	233,326	216,198
Non-current assets					
Receivables	7	66,409	38,535	207,390	208,435
Equity accounted investments	9	210,420	24,953	–	–
Other financial assets	10	1,943	3,713	253,355	253,553
Property, plant and equipment	11	313,535	376,632	20,733	19,310
Deferred tax assets	6(b)	44,836	34,302	22,648	21,374
Intangible assets	12	164,605	196,021	–	–
Other	13	20,309	21,130	–	–
Total non-current assets		822,057	695,286	504,126	502,672
TOTAL ASSETS		1,548,422	1,431,578	737,452	718,870
Current liabilities					
Payables	14	333,183	397,939	67,162	71,045
Interest bearing liabilities	15	260,404	112,411	24,762	19,645
Tax liabilities		12,349	15,401	3,226	–
Provisions	16	19,947	25,111	521	544
Total current liabilities		625,883	550,862	95,671	91,234
Non-current liabilities					
Interest bearing liabilities	15	280,155	287,180	211,655	212,969
Deferred tax liabilities	6(c)	14,420	22,673	1,731	2,018
Provisions	16	11,319	10,369	55	50
Total non-current liabilities		305,894	320,222	213,441	215,037
TOTAL LIABILITIES		931,777	871,084	309,112	306,271
NET ASSETS		616,645	560,494	428,340	412,599
Equity					
Contributed equity	19	216,827	210,530	216,827	210,530
Reserves	20	5,871	17,854	39,997	40,074
Retained profits	21	388,150	324,401	171,516	161,995
Equity attributable to members of the parent entity		610,848	552,785	428,340	412,599
Outside equity interest	23	5,797	7,709	–	–
TOTAL EQUITY	24	616,645	560,494	428,340	412,599

The accompanying notes form an integral part of these financial statements

statement of cash flows

12 MONTHS ENDED 31 JULY 2005

	Notes	Consolidated 31.7.2005 $000	Consolidated 31.7.2004 $000	Parent 31.7.2005 $000	Parent 31.7.2004 $000
Inflows/(outflows)					
Cash flows from operating activities					
Receipts from customers		1,836,426	1,747,974	84,506	87,956
Dividends received		2,964	3,099	40,713	34,699
Interest received		2,680	1,182	14,802	16,271
Payments to suppliers and employees		(1,684,532)	(1,471,392)	(72,677)	(68,807)
Borrowing costs paid		(40,011)	(33,603)	(15,417)	(15,834)
Income tax paid		(54,915)	(44,586)	(1,634)	(5,509)
Net operating cash flows	25(b)	62,612	202,674	50,293	48,776
Cash flows from investing activities					
Proceeds from sale of non-current assets		772	18,399	238	154
Proceeds from sale of businesses	25(c)	75,066	6,692	247	724
Payments for plant and equipment		(58,505)	(46,693)	(3,848)	(1,626)
Payments for investments		(162,469)	(6,399)	–	(6,341)
Payments for major project development expenditure, trademarks and technology rights		(5,482)	(4,617)	–	–
Proceeds from foreign currency investment hedges (net)		–	4,894	–	–
Purchase of businesses, net of cash acquired	25(d)	(22,056)	(86,309)	–	–
Net investing cash flows		(172,674)	(114,033)	(3,363)	(7,089)
Cash flows from financing activities					
Proceeds from issue of shares		226	57,759	226	57,759
Proceeds from call on partly paid shares		44	93	44	93
Proceeds from borrowings (net)		212,141	–	–	–
Advances to controlled entities (net)		–	–	(8,278)	(69,257)
Repayment of short term debt (net)		–	(41,089)	–	–
Repayment of borrowings (net)		–	(68,626)	–	–
Repayment of finance lease principal		(1,578)	(1,080)	–	–
Dividends paid		(41,044)	(34,457)	(40,548)	(33,656)
Net financing cash flows		169,789	(87,400)	(48,556)	(45,061)
Net increase (decrease) in cash held		59,727	1,241	(1,626)	(3,374)
Cash at the beginning of the period		(15,472)	(15,880)	(18,991)	(15,456)
Exchange rate fluctuations on foreign cash balances		1,580	(833)	120	(161)
Cash at the end of the period	25(a)	45,835	(15,472)	(20,497)	(18,991)

The accompanying notes form an integral part of these financial statements

Basis of accounting

The financial statements have been prepared as general-purpose financial reports, which comply with the requirements of the Corporations Act 2001, Australian Accounting Standards and Urgent Issues Group Consensus Views and other authoritative pronouncements. The financial statements have also been prepared on an historical cost basis.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

Principles of consolidation.

The consolidated financial statements include the financial statements of the parent entity, Nufarm Limited, and its controlled entities, referred to collectively throughout these financial statements as the 'Consolidated Entity'.

All inter-entity balances and transactions have been eliminated. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

Financial statements of foreign controlled entities presented in accordance with overseas accounting principles are, for consolidation purposes, adjusted to comply with group policy and generally accepted accounting principles in Australia.

Foreign currency transactions

Foreign currency items are translated to Australian currency on the following bases:

- transactions are converted at exchange rates approximating those in effect at the date of each transaction;
- amounts payable and receivable are translated at the exchange rates at the close of business at balance date. Revaluation gains and losses are brought to account as they occur;
- the financial statements of all foreign operations are translated using the current rate method, as they are considered self-sustaining.

Exchange differences relating to monetary items are included in the Statement of Financial Performance, as exchange gains or losses, in the period when the exchange rates change, except where:

- the exchange difference relates to hedging part of the net investment in a self-sustaining foreign operation, in which case the exchange difference is transferred to the foreign currency translation reserve on consolidation;
- the exchange difference relates to a transaction intended to hedge the purchase or sale of goods or services, in which case the exchange difference is included in the measurement of the purchase or sale.

The practice of hedging net investments in self-sustaining foreign operations was discontinued in June 2004.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Sale of goods, net of rebates, returns, discounts and other allowances occurs when economic control of the goods has passed to the buyer. Interest income is recognised when the entity acquires control of the right to receive the interest payment. Dividend income is recognised when the entity acquires control of the right to receive the dividend payment.

Taxes

- Income tax

  Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a deferred tax asset or deferred tax liability.

The benefits arising from estimated carry forward tax losses are recorded as a deferred tax asset where realisation of such benefits is considered to be virtually certain.

- Indirect taxes (GST and VAT)

  Revenues, expenses and assets are recognised net of the amount of GST or VAT except:

- where the indirect tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the indirect tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of indirect tax included.

The net amount of indirect tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the indirect taxes component of cash flows arising from investing and financing activities are classified as operating cash flows.

- Tax consolidation

The parent company is the head entity in the tax-consolidated group comprising all Australian wholly owned subsidiaries set out in note 26. The head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intra-group transactions).

The tax-consolidated group has entered into a tax funding agreement that requires wholly owned subsidiaries to make contributions to the head entity for current tax assets and liabilities and movements in deferred tax balances arising from external transactions during the year.

Under the tax funding agreement, the contributions are calculated on a 'stand-alone basis'. This means the contributions are equivalent to the tax balances generated by external transactions entered into by the wholly owned subsidiaries. The contributions are payable as set out in the agreement and they reflect the timing of the head entity's obligations to make payments for tax liabilities to the relevant tax authorities.

Cash and cash equivalents

Cash on hand, in banks and short-term deposits are stated at nominal values.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments on call, net of outstanding bank overdrafts.

Receivables
Trade receivables are recognised and carried at original invoice amount less provisions for rebates and any other uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are charged against profit as incurred. Receivables from related parties are recognised and carried at the invoiced amount.

Inventories
Inventories are valued at the lower of cost and net realisable value. Raw material cost is direct acquisition cost and is assigned on a first-in, first-out basis. For manufactured inventories, full absorption costing is used, taking into account raw material costs, direct manufacturing costs and all factory overheads, including depreciation.

Due allowance is also provided for obsolete and slow moving inventories.

In the Statement of Financial Performance, the cost of sales is shown as a direct cost. Overhead expenses are included in the operating expenses on a gross basis in the financial performance disclosures note.

Recoverable amounts of non-current assets
The book value of all non-current assets is reviewed at least annually. To the extent that it exceeds the recoverable amount, the difference is charged against profit in the Statement of Financial Performance. In determining the recoverable amount, the expected net cash flows have been discounted to their present value using a market determined, risk adjusted, discount rate of 9.0 per cent.

Equity accounted investments
Interests in associated entities are included in non-current equity investments and brought to account using the equity method. Under this method the investment in associates is initially recognised at its cost of acquisition. Its carrying value is subsequently adjusted for increases or decreases in the investor's share of post-acquisition results and reserves of the associate. The investment in associated entities is decreased by the amount of dividends received or receivable.

Joint ventures
Interests in joint venture operations are brought to account by including in the respective financial statement categories:

- the consolidated entity's share in each of the individual assets employed in the joint venture;
- liabilities incurred by the consolidated entity in relation to the joint venture including the consolidated entity's share of any liabilities for which the consolidated entity is jointly and/or severally liable;
- the consolidated entity's share of revenues and expenses of the joint venture.

Interests in joint venture entities are carried at either the lower of the equity-accounted amount or the recoverable amount in the consolidated financial report.

Other financial assets
Interests in non-subsidiary, non-associated corporations are included in other financial assets at the lower of cost or recoverable amount.

Leased assets
Assets acquired under finance leases are capitalised and amortised over the life of the relevant lease or, where ownership is likely to be obtained on expiration of the lease, over the expected useful life of the asset. Lease payments are allocated between interest expense and reduction in the lease liability.

Operating lease assets are not capitalised. Rental payments are charged against profit in the period in which they are incurred.

Property, plant and equipment
Land and buildings are carried at cost.

Property, plant and equipment, excluding freehold land, are depreciated over their useful economic lives using the straight-line methods as follows:

	Life
buildings	15–20
years leasehold improvements	5 years
owned plant and equipment	3–20 years
leased plant and equipment	term of the lease

These depreciation rates are the same as the rates used in the previous year.

Goodwill on acquisition
On acquisition of a controlled entity, the difference between the purchase consideration plus related expenses, and the fair value of identifiable net assets acquired, is initially brought to account as goodwill on acquisition.

Acquired goodwill is amortised on a straight-line basis over the period in which the benefits are expected to arise, which can be up to 15 years. The unamortised balance of goodwill is reviewed at each balance date, and is charged against profit to the extent that applicable future benefits are no longer probable.

Patents and trademarks
Costs associated with patents and trademarks, which provide a benefit for more than one financial year, are deferred and amortised over the period of expected benefits, which can be up to 15 years. The unamortised balance is reviewed each balance date, and is charged against profit to the extent that future benefits are no longer probable.

Other non-current assets
Deferred expenditure is included in other non current assets. This expenditure is primarily of two categories:

- Product development costs

  Product development costs are charged against profit as incurred, except where they relate to the development of significant new products, formulations or registrations. Such development costs are deferred to subsequent periods to the extent that future benefits are expected, beyond any reasonable doubt, to equal or exceed those costs and any future costs necessary to give rise to the benefits.

  Such deferred costs are amortised over future accounting periods not exceeding five years. This is done in order to match the costs with related benefits on the basis of expected future sales, commencing with the initial commercialisation of the product.

  The written down value is reviewed at each balance date and, to the extent that it exceeds the recoverable amount, the difference is charged against profit.

- Borrowing costs
  Borrowing costs are charged against profit as incurred, except where:

  (i) they relate to the financing of major projects under construction, in which case they are capitalised to property, plant and equipment up to the date of commissioning; or

  (ii) they relate to large structured finance transactions, in which case the costs are accounted for in deferred expenditure and amortised over the period of the structured finance, not exceeding five years.

Payables

Liabilities for trade payables and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed to the consolidated entity. Payables to related parties are also carried at cost.

Interest bearing liabilities

All loans are recorded at the principal amount, or in the case of the capital notes, at the face value of the note. Borrowing costs, including interest, are charged against profit as they accrue.

Provisions

- Provision for employee benefits
  Provision is made in the financial statements for benefits accruing to employees in relation to annual leave and long service leave. No provision is made for non-vesting sick leave as the anticipated pattern of future sick leave taken indicates that accumulated non-vesting leave will never be paid.

All on-costs are included in the determination of provisions. Vested sick leave, annual leave, the current portion of long service leave and workers' compensation provisions are measured at their nominal amounts, based on remuneration rates that are expected to be paid when the liability is settled.

The non-current portion of the long service leave provision is measured at the present value of estimated future cash flows.

In respect of defined benefit superannuation plans, all contributions are expensed when made.

Other provisions include amounts for royalties, indirect taxes, real estate taxes, social costs and other miscellaneous provisions. Provisions for restructuring or termination benefits are only recognised when a detailed plan has been approved and the restructuring or termination has either commenced or been publicly announced, or firm contracts related to the restructuring or termination benefits have been entered into.

Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received. Ordinary share capital bears no special terms or conditions affecting the income or capital entitlements of the shareholders.

Earnings per share

Basic earnings per share is calculated as net profit attributable to members, divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members, divided by the weighted average number of ordinary shares, and the number of ordinary shares that may be issued upon the future exercising of options that have been granted.

Employee share and option ownership schemes

All employees are entitled to participate in share and option ownership schemes after a qualifying period. The remuneration costs associated with the new share plans (see note 32) are expensed as incurred.

Derivative financial instruments

The company uses financial instruments with 'off balance sheet' risks to reduce exposure to fluctuations in foreign exchange and interest rates.

- Forward foreign exchange contracts, foreign currency swaps and option contracts are arranged to hedge major foreign currency sales and purchases, foreign currency loans and the translation of foreign currency earnings and investments.
- Interest rate swap agreements, options and forward rate agreements (FRAs) are arranged to hedge against adverse movements in interest rates on both long term and short term loans.
- Cross currency interest rate swap agreements hedge the foreign currency, interest rate and cash flow exposures between the capital notes issued in New Zealand and the group funding to several jurisdictions to which the funds were advanced. Under the terms of the swap agreement, the company agrees with the counterparty banks to exchange the difference between the fixed interest rates of various currencies of advances made and to exchange the principal at an agreed rate of foreign currency conversion. Amounts receivable under the cross currency interest rate swap agreement are netted against interest expense as they accrue.

Financial instruments are used to hedge specific underlying positions only and are accounted for using the same basis as the underlying position.

Counter-parties to financial instruments are major international financial institutions with excellent credit ratings. The company does not request security to support financial instruments entered into. Possible losses arising from non-performance by these counter-parties are adequately provided for.

For interest rate swap agreements entered into in connection with the management of interest rate exposure, the differential to be paid or received quarterly is accrued as interest rates change, and is recognised as a component of interest income or expense over the pricing period. Premiums paid for interest rate options and net settlement on maturity of forward rate agreements, futures and options are amortised over the period of the underlying liability hedged by the instrument.

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

2 Financial performance disclosures

Profit from ordinary activities is after crediting the following revenues

	Notes	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Interest income					
Interest					
Wholly owned controlled entities		–	–	13,623	14,544
Other unrelated parties		1,501	1,265	7,125	6,101
Total interest income		1,501	1,265	20,748	20,645
Other revenue					
Dividends from wholly owned controlled entities		–	–	40,592	34,699
Management fees from controlled entities		–	–	4,463	4,125
Sundry income		10,573	5,138	1,512	1,893
Gross proceeds from sale of businesses (refer note 25)		95,225	11,672	247	–
Gross proceeds from sale of non-current assets		772	21,018	238	154
Total other revenue		106,570	37,828	47,052	40,871

Profit from ordinary activities is after charging the following expenses

	Notes	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Depreciation and amortisation					
Amortisation of					
Goodwill		(7,890)	(10,173)	–	–
Technology rights and trademarks		(11,054)	(6,692)	–	–
Plant and equipment under lease		(245)	(274)	–	–
Deferred expenditure		(3,911)	(3,884)	–	–
Depreciation of Buildings and improvements		(3,265)	(3,771)	(387)	(364)
Plant and equipment		(34,834)	(40,013)	(1,753)	(2,080)
Total depreciation and amortisation		(61,199)	(64,807)	(2,140)	(2,444)
Borrowing costs					
Interest paid or payable to					
Wholly owned controlled entities		–	–	(22,542)	(21,451)
Other unrelated parties		(36,461)	(29,766)	–	–
Costs of securitisation program		(3,422)	(3,593)	–	–
Finance lease charges		(128)	(244)	–	–
Total borrowing costs		(40,011)	(33,603)	(22,542)	(21,451)

2 Financial performance disclosures continued

	Notes	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Operating expenses					
Staff expenses		(203,611)	(223,032)	(9,723)	(8,788)
Sales and distribution expenses		(70,476)	(88,775)	(4,033)	(5,229)
Carrying cost of disposed businesses		(66,946)	(10,321)	(4)	–
Plant related expenses		(56,473)	(61,992)	(1,754)	(1,900)
Other operating expenses		(33,863)	(34,722)	(2,767)	(2,681)
Occupancy expenses		(25,871)	(24,984)	(776)	(929)
Insurance		(20,184)	(22,872)	(1,146)	(1,181)
Write-down of non-current assets (refer note 5)		(19,059)	–	–	–
Travel		(16,576)	(16,701)	(647)	(702)
Research and development costs		(15,812)	(14,132)	(1,014)	(1,038)
Operating lease expenses		(10,062)	(9,992)	(8)	–
Other costs associated with disposal of non-current assets		(5,219)	(3,566)	–	–
Provision for doubtful debts expense		(709)	(4,060)	–	–
Carrying cost of disposed non-current assets		(361)	(5,864)	(205)	(248)
Total operating expenses		(545,222)	(521,013)	(22,077)	(22,696)
Operating expenses include					
Net foreign exchange gains (losses) from					
Hedges on foreign currency earnings for year		–	1,419	–	–
Unhedged receivables and payables		5,394	884	330	(444)
Customer bad debts written off		(92)	(724)	1	32
Net charge to provision for stock obsolescence		(270)	961	(105)	(80)
Donations		(263)	(92)	–	–
Other disclosures					
Gain (loss) on disposal of non-current assets		411	11,588	33	(94)
Gain (loss) on sale of businesses (see note 36)		23,060	1,351	243	–
Superannuation contributions – defined benefit fund		(3,169)	(2,913)	–	–
Redundancy Costs (see note 5)		(2,761)	(10,750)	–	–

3 Earnings per share

	Consolidated 2005 $000	Consolidated 2004 $000
Net profit	105,847	78,276
Net profit attributable to outside equity interest	(1,550)	(2,074)
Earnings used in the calculations of basic and diluted earnings per share	104,297	76,202
Add/subtract non-operating profit/(loss) (refer note 5)	823	(361)
Earnings excluding non-operating items used in the calculations of operating earnings per share	103,474	76,563

3 Earnings per share continued

	Number of Shares 2005	Number of Shares 2004
Weighted average number of ordinary shares used in calculation of basic earnings per share	169,043,745	161,842,546
Weighted average number of share options used in calculation of diluted earnings per share	–	1,437,692
Weighted average number of ordinary shares used in calculation of diluted earnings per share	169,043,745	163,280,238

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.

	2005	2004
Basic earnings per share (cents per share)	61.7	47.1
Diluted earnings per share (cents per share)	61.7	46.7
Operating earnings per share		
Basic earnings per share excluding non-operating items (cents per share)	61.2	47.3
Diluted earnings per share excluding non-operating items (cents per share)	61.2	46.9

4 Segments

2005	Crop protection $000	Industrial chemicals $000	Corporate $000	Eliminations $000	Consolidated $000
Business segments					
Revenue					
Sales to outside customers	1,580,789	90,240	–	–	1,671,029
Inter segment sales	1,216	2,979	–	(4,195)	–
Sales revenue	1,582,005	93,219	–	(4,195)	1,671,029
Other revenue	31,271	73,138	2,161	–	106,570
Total segment revenue	1,613,276	166,357	2,161	(4,195)	1,777,599
Unallocated revenue					1,501
Total consolidated revenue					1,779,100
Results					
Segment result – operating	191,915	9,453	(1,854)	–	199,514
Segment result – non operating	(13,100)	17,072	(920)	–	3,052
Segment result – total	178,815	26,525	(2,774)	–	202,566
Unallocated expenses					(63,386)
Profit from ordinary activities before taxation					139,180
Income tax expense					(33,333)
Net profit					105,847
Assets					
Segment assets	1,307,283	71,616	14,723	–	1,393,622
Unallocated assets					154,800
Total assets					1,548,422
Liabilities					
Segment liabilities	335,366	18,425	5,567	–	359,358
Unallocated liabilities					572,419
Total liabilities					931,777
Other segment information					
Equity accounted investments included in segment assets	209,399	1,021	–	–	210,420
Acquisition of property, plant and equipment, intangible assets and other non-current assets	227,097	7,645	30	–	234,772
Depreciation	31,946	5,879	274	–	38,099
Amortisation	21,467	308	1,325	–	23,100
Other non-cash expenses	7,789	1,340	805	–	9,934

The operating result shown in this note is operating profit before tax, interest and corporate cost allocations.

4 Segments continued

	Australasia $000	Europe $000	Americas $000	Consolidated $000
		2005		
Geographic segments				
Revenue				
Sales to outside customers	822,159	389,680	459,190	1,671,029
Other revenue	17,120	49,438	40,012	106,570
Total segment revenue	839,279	439,118	499,202	1,777,599
Assets				
Segment assets	625,588	504,454	418,380	1,548,422
Other segment information				
Acquisition of property, plant and equipment, intangible assets and other non-current assets	44,277	24,190	166,305	234,772

	Crop protection $000	Industrial chemicals $000	Corporate $000	Eliminations $000	Consolidated $000
			2004		
Business segments					
Revenue					
Sales to outside customers	1,452,861	142,445	462	–	1,595,768
Inter segment sales	2,026	3,045	–	(5,071)	–
Sales revenue	1,454,887	145,490	462	(5,071)	1,595,768
Other revenue	25,634	1,367	10,827	–	37,828
Total segment revenue	1,480,521	146,857	11,289	(5,071)	1,633,596
Unallocated revenue					1,265
Total consolidated revenue					1,634,861
Results					
Segment result – operating	163,468	14,936	(7,092)	–	171,312
Segment result – non operating	(1,546)	339	(190)	–	(1,397)
Segment result – total	161,922	15,275	(7,282)	–	169,915
Unallocated expenses					(60,018)
Profit from ordinary activities before taxation					109,897
Income tax expense					(31,621)
Net profit					78,276
Assets					
Segment assets	1,121,169	158,079	21,927	–	1,301,175
Unallocated assets					130,403
Total assets					1,431,578
Liabilities					
Segment liabilities	385,472	37,482	5,354	–	428,308
Unallocated liabilities					442,776
Total liabilities					871,084
Other segment information					
Equity accounted investments included in segment assets	24,000	953	–	–	24,953
Acquisition of property, plant and equipment, intangible assets and other non-current assets	122,223	15,898	318	–	138,439
Depreciation	34,732	8,844	208	–	43,784
Amortisation	18,851	488	1,684	–	21,023
Other non-cash expenses	9,918	1,930	4,070	–	15,918

4 Segments continued

Geographic segments

	Australasia $000	Europe $000	Americas $000	Consolidated $000
		2004		
Revenue				
Sales to outside customers	762,437	392,981	440,350	1,595,768
Other revenue	15,866	21,719	243	37,828
Total segment revenue	778,303	414,700	440,593	1,633,596
Assets				
Segment assets	582,723	610,338	238,517	1,431,578
Other segment information				
Acquisition of property, plant and equipment, intangible assets and other non-current assets	31,938	85,502	20,999	138,439

The consolidated entity's operating companies are largely organised and managed according to the nature of the products and services they provide, with each business segment offering different products and serving different markets.

- The crop protection segment manufactures and distributes a range of herbicides, fungicides, insecticides and other products that are sold into the agricultural, turf and specialty markets.
- The industrial chemicals segment manufactures and distributes a range of industrial, fine and performance chemicals, which draw on Nufarm's core strengths in chemical synthesis and formulation.
- The other segment includes other minor businesses and investments, which are separately managed from the above segments. Geographically the group operates globally with operations in many countries and sales being made in over 100 countries, which are split into three segments. Australasia covers Australia, New Zealand and Asia. The Americas covers North, South and Latin America. Europe covers United Kingdom, continental Europe and Africa. The geographic sales reflect the domicile of the company's customers. All inter segment sales are at market prices. The operating result shown in this note is operating profit before tax, interest and corporate cost allocations.

Segment accounting policies are consistent with the consolidated entity's policies described in note 1.

5 Non-operating income and expenses

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Gain on sale of businesses (refer note 36)	23,060	2,008	243	–
Gain on sale of building – France	–	14,801	–	–
Write down of UK fixed assets and remediation costs	(15,967)	–	–	–
Write down of intangibles	(2,709)	(2,930)	–	–
Restructuring costs – Europe	(2,761)	(11,540)	–	–
Plant closure costs – France	–	(3,736)	–	–
Net proceeds from insurance claim	1,429	–	–	–
Non-operating profit (loss) before tax	3,052	(1,397)	243	–
Tax thereon	(2,229)	(1,036)	–	–
Non-operating profit (loss) after tax	823	(361)	243	–

The UK asset write down ($14.6 million pre-tax), has assumed a zero recoverable amount for the assets.

6 Taxation

a) Income tax expense

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Reconciliation to income tax expense provided in the financial statements				
Profit from ordinary activities	139,180	109,897	52,733	49,837
Prima facie tax thereon at 30%	41,754	32,969	15,820	14,951
Tax effect of permanent and other differences				
Depreciation and amortisation not deductible	1,808	1,668	11	–
Other items not deductible	2,325	3,802	–	454
Exempt dividends received	(674)	–	(12,178)	(10,410)
Share of results of associates (net of tax)	(7,599)	(1,025)	–	–
Non-assessable gain on assets disposed	(1,388)	–	(80)	–
Other non assessible income	(257)	(5)	(110)	–
Research and development allowances	(198)	(138)	–	–
Amounts over-provided in prior years	9	(2,085)	(1,069)	(1,575)
Unrecognised tax losses utilised	(3,018)	(3,767)	–	–
Unrecognised capital allowances utilised	(2,413)	–	–	–
Income tax expense related to current and deferred tax transactions of wholly-owned subsidiaries in the tax-consolidated group	–	–	25,029	7,637
Recovery of income tax expense under a tax funding agreement	–	–	(25,029)	(7,637)
Restatement of deferred tax balances due to income tax rate changes	(10)	(815)	–	–
Effect of different rates of tax on overseas income	2,994	1,017	270	271
Income tax expense relating to ordinary activities	33,333	31,621	2,664	3,691

b) Tax assets

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Attributable to carry forward tax losses that have accumulated in several tax jurisdictions. These losses will be utilised against future profits in those jurisdictions.	32,600	25,607	1,265	3,791
Tax losses offset against current tax liabilities and deferred tax liabilities	(8,323)	(9,718)	–	–
	24,277	15,889	1,265	3,791
Attributable to timing differences				
Depreciation	15,092	10,713	855	835
Provision for employee entitlements	5,525	4,936	190	196
Provision for doubtful debts	1,198	1,342	–	27
Provision for stock obsolescence	792	548	155	121
Balances of tax consolidation group entities transferred to parent entity	–	–	20,218	18,022
Other	6,090	7,732	(35)	(35)
	52,974	41,160	22,648	22,957
Current portion	8,138	6,858	–	1,583
Non-current portion	44,836	34,302	22,648	21,374

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
6 Taxation continued				
b) Tax assets continued				
Income tax losses				
Deferred tax benefits arising from tax losses of a controlled entity have not been recognised as realisation of the benefit is not considered virtually certain.	7,156	12,128	–	–
The potential tax losses will only be utilised if: (a) the relevant company derives future assessable income of a nature and amount sufficient to enable the benefit to be realised; (b) the relevant company continues to comply with the conditions for deductibility imposed by the law; and (c) no changes in tax legislation adversely affect the relevant company in realising the benefit.				
c) Deferred tax				
Attributable to timing differences				
Depreciation and amortisation	20,111	31,010	–	–
Prepayments and deferred expenses	378	(70)	–	–
Balances of tax consolidation group entities transferred to parent entity	–	–	1,731	2,018
Other	2,254	1,451	–	–
Tax asset offset	(8,323)	(9,718)	–	–
Total deferred tax	14,420	22,673	1,731	2,018
7 Receivables				
Trade debtors and other receivables are non-interest bearing and are generally for less than 90 day terms				
Trade debtors	130,680	146,438	9,180	8,670
Provision for doubtful debts	(2,423)	(3,237)	–	(82)
	128,257	143,201	9,180	8,588
Other amounts owing by wholly owned controlled entities				
Current	–	–	202,974	188,750
Non current	–	–	161,798	174,255
Hedge receivables	45,592	32,417	45,592	34,180
Other receivables owing by associated entities	49,868	56,202	–	–
Other	42,903	31,551	676	625
Proceeds receivable from sale of businesses and non-current assets	28,262	10,895	–	–
Provision for non-collectibility of sale proceeds	(3,205)	(3,213)	–	–
Total receivables	291,677	271,053	420,220	406,398
Current portion	225,268	232,518	212,830	197,963
Non-current portion	66,409	38,535	207,390	208,435

8 Inventories

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Raw materials	105,062	111,851	3,464	2,332
Work in progress	6,492	11,906	708	728
Finished goods	318,005	314,706	12,220	12,916
	429,559	438,463	16,392	15,976
Provision for obsolescence of finished goods	(5,613)	(6,324)	(468)	(366)
Total inventories	423,946	432,139	15,924	15,610

9 Equity accounted investments

	Cost $000	Retained earnings $000	Carrying value $000
		2005	
Aggregate carrying amount of associates			
Balance at the beginning of the year	9,190	15,763	24,953
Exchange adjustment	2,348	809	3,157
Share of net profit	–	25,617	25,617
New investment	162,469	–	162,469
Elimination of profit in transaction with associate	(2,812)	–	(2,812)
Dividends received	–	(2,964)	(2,964)
Balance at the end of the year	171,195	39,225	210,420
		2004	
Balance at the beginning of the year	2,916	15,365	18,281
Exchange adjustment	(67)	452	385
Share of net profit	–	3,415	3,415
New investment	6,341	–	6,341
Dividends received	–	(3,469)	(3,469)
Balance at the end of the year	9,190	15,763	24,953

	Consolidated 2005 $000	Consolidated 2004 $000
Share of associates profits		
Operating profits before income tax	34,362	5,075
Income tax expense	(8,745)	(1,660)
Share of net profits of associates	25,617	3,415
Share of profit by major associate		
Agripec Quimica e Farmaceutica SA	22,611	–
Bayer CropScience Nufarm Ltd	2,001	3,001
Excel Crop Care Ltd	997	–
Others	8	414
Share of net profits of associates	25,617	3,415

9 Equity accounted investments continued

Financial summary of material associates

	Consolidated 2005 $000	Consolidated 2004 $000
Agripec Quimica e Farmaceutica SA		
During the year the group acquired 49.9% of Agripec Quimica e Farmaceutica SA, a crop protection company based in Brazil. Acquisition cost of this investment was $161 million. Agripec's contribution to profit for the period is as follows:		
Group's share of profit from ordinary activities before tax	37,524	–
Notional goodwill amortisation	(7,814)	–
Income tax on ordinary activities	(7,099)	–
Profit share of associate in equity income	22,611	–
Financing expense (after tax)	(3,519)	–
Profit share of associate in net profit after tax	19,092	–
Total assets	136,533	–
Total liabilities	64,608	–
Bayer CropScience Nufarm Limited		
Total assets	18,644	27,814
Total liabilities	3,967	10,289
Share of profits of associate	2,001	3,001
Agchem Receivables Corp		
Total assets	20,266	21,270
Total liabilities	20,147	21,178
Share of profits of associate	29	35

Details of material interests in associated entities are as follows:

	Balance date of associate	Ownership and voting interest 2005	Ownership and voting interest 2004	Carrying amount 2005 $000	Carrying amount 2004 $000
Agripec Quimica e Farmaceutica SA Brazilian crop protection company	31.12.2004	49.9%	0%	185,906	–
Bayer CropScience Nufarm Limited (formerly Aventis Nufarm Limited) UK agricultural chemical manufacturer	31.12.2004	25%	25%	14,509	17,158
Excel Crop Care Ltd Indian agricultural chemical manufacturer	31.3.2005	14%	14%	7,140	6,341
Nugrain Pty Ltd Plant breeding and seed commercialisation company	31.7.2005	50%	40%	1,348	–

Associated entities have the following commitments. Nufarm's share of capital commitments is $533,100 (2004: $nil) and share of finance lease commitments is $nil (2004: $nil). A contingent liability exists in Agripec relating to income tax. Nufarm's share of the contingent liability is $954,000.

10 Other financial assets

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Investment in controlled entities				
Balance at the beginning of the year	–	–	247,212	245,210
Reinstatement to parent entity	–	–	–	2,002
Balance at the end of the year	–	–	247,212	247,212
Investment in other companies (at cost)				
Balance at the beginning of the year	1,073	1,083	6,341	6,341
Exchange adjustment	(60)	(10)	(77)	–
Pre-acquisition dividend	–	–	(121)	–
Balance at the end of the year	1,013	1,073	6,143	6,341
The investment above consists of three 50% joint ventures with FMC Corporation in Poland, Slovakia and the Czech Republic for the distribution of crop protection products.				
Other loans including loans to the staff share purchase schemes (refer note 32).				
Balance at the beginning of the year	2,640	5,089	–	–
Exchange adjustment	(46)	(44)	–	–
New investments during the year	15	58	–	–
Disposals	(481)	–	–	–
Loans repaid during the year	(1,198)	(2,463)	–	–
Balance at the end of the year	930	2,640	–	–
Total other financial assets	1,943	3,713	253,355	253,553

11 Property, plant and equipment

	Consolidated Freehold land and improvements $000	Buildings $000	Plant and machinery $000	Leased plant and machinery $000	Capital work in progess $000	Total $000
			2005			
Cost						
Balance at the beginning of the year	35,038	140,319	574,370	5,206	19,213	774,146
Exchange adjustment	(1,881)	(6,506)	(24,517)	(333)	(838)	(34,075)
Additions	557	1,033	11,098	261	45,556	58,505
Additions through acquisition of entities	–	–	621	–	–	621
Disposals	(2,377)	(6,553)	(47,990)	(34)	(8)	(56,962)
Disposals through sale of entities	(3,819)	(16,548)	(66,595)	–	–	(86,962)
Transfers	5,049	12,120	28,507	(22)	(40,339)	5,315
Balance at the end of the year	32,567	123,865	475,494	5,078	23,584	660,588
Accumulated depreciation						
Balance at the beginning of the year	(1,598)	(49,573)	(344,054)	(2,289)	–	(397,514)
Exchange adjustment	169	2,923	15,164	146	–	18,402
Depreciated during the year	(170)	(3,095)	(34,834)	(245)	–	(38,344)
Disposals	–	4,738	31,679	20	–	36,437
Disposals through sale of entities	316	7,959	31,006	–	–	39,281
Transfers	–	(7,542)	2,225	2	–	(5,315)
Balance at the end of the year	(1,283)	(44,590)	(298,814)	(2,366)	–	(347,053)
Total property, plant and equipment, net	31,284	79,275	176,680	2,712	23,584	313,535
			2004			
Cost						
Balance at the beginning of the year	35,153	143,715	556,312	5,404	26,088	766,672
Exchange adjustment	(270)	(3,042)	(3,952)	(64)	(127)	(7,455)
Additions	182	1,926	11,907	15	32,663	46,693
Disposals	(803)	(16,823)	(9,900)	(81)	–	(27,607)
Disposals through sale of entities	–	(127)	(4,030)	–	–	(4,157)
Transfers	776	14,670	24,033	(68)	(39,411)	–
Balance at the end of the year	35,038	140,319	574,370	5,206	19,213	774,146
Accumulated depreciation						
Balance at the beginning of the year	(1,381)	(61,503)	(319,436)	(2,086)	–	(384,406)
Exchange adjustment	(23)	1,044	2,161	26	–	3,208
Depreciated during the year	(194)	(3,771)	(39,819)	(274)	–	(44,058)
Disposals	–	14,626	9,282	–	–	23,908
Disposals through sale of entities	–	31	3,803	–	–	3,834
Transfers	–	–	(45)	45	–	–
Balance at the end of the year	(1,598)	(49,573)	(344,054)	(2,289)	–	(397,514)
Total property, plant and equipment, net	33,440	90,746	230,316	2,917	19,213	376,632

Jones Lang LaSalle valued the land and buildings portfolio on an existing use valuation at $127.4 million at 31 July 2004.

Assets pledged as security for finance leases $4.1 million (2004: $2.9 million).

11 Property, plant and equipment continued

Parent

	Freehold land and improvements $000	Buildings $000	Plant and machinery $000	Capital work in progess $000	Total $000
2005					
Cost					
Balance at the beginning of the year	1,828	13,367	12,183	142	27,520
Exchange adjustment	(12)	(84)	(74)	(1)	(171)
Additions	–	33	893	2,922	3,848
Disposals	–	–	(478)	–	(478)
Disposals through sale of entities	–	–	(8)	–	(8)
Transfers	–	–	10	(10)	–
Balance at the end of the year	1,816	13,316	12,526	3,053	30,711
Accumulated depreciation					
Balance at the beginning of the year	(31)	(1,781)	(6,398)	–	(8,210)
Exchange adjustment	–	15	80	–	95
Depreciated during the year	(28)	(359)	(1,753)	–	(2,140)
Disposals	–	–	273	–	273
Disposals through sale of entities	–	–	4	–	4
Balance at the end of the year	(59)	(2,125)	(7,794)	–	(9,978)
Total property, plant and equipment, net	1,757	11,191	4,732	3,053	20,733
2004					
Cost					
Balance at the beginning of the year	1,809	12,870	11,175	200	26,054
Exchange adjustment	19	134	116	2	271
Additions		363	1,263	–	1,626
Disposals	–	–	(431)	–	(431)
Transfers	–	–	60	(60)	–
Balance at the end of the year	1,828	13,367	12,183	142	27,520
Accumulated depreciation					
Balance at the beginning of the year	(13)	(1,420)	(4,455)	–	(5,888)
Exchange adjustment	–	(15)	(46)	–	(61)
Depreciated during the year	(18)	(346)	(2,080)	–	(2,444)
Disposals	–	–	183	–	183
Balance at the end of the year	(31)	(1,781)	(6,398)	–	(8,210)
Total property, plant and equipment, net	1,797	11,586	5,785	142	19,310

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
12 Intangible assets				
Goodwill				
Balance at the beginning of the year	85,406	103,835	–	–
Exchange adjustment	(4,952)	(3,873)	–	–
Acquired during the year	5,448	–	–	–
Disposals during the year	(1,443)	(4,383)	–	–
Transferred to intellectual property	(14,944)	–	–	–
Amortised during the year	(7,890)	(10,173)	–	–
Balance at the end of the period	61,625	85,406	–	–
Intellectual property				
Balance at the beginning of the year	110,615	37,023	–	–
Exchange adjustment	(5,910)	(163)	–	–
Acquired during the year	3,717	80,490	–	–
Disposals during the year	(8,576)	(43)	–	–
Transferred from goodwill	14,944	–	–	–
Transferred to deferred costs	(756)	–	–	–
Amortised during the year	(11,054)	(6,692)	–	–
Balance at the end of the year	102,980	110,615	–	–
Major projects development expenditure				
Balance at the beginning of the year	–	3,693	–	–
Expenditure capitalised during the year	–	240	–	
Disposals during the year	–	(3,933)	–	–
Balance at the end of the year	–	–	–	–
Total intangible assets	164,605	196,021	–	–
13 Other non-current assets				
Deferred product development expenditure				
Balance at the beginning of the year	18,248	16,285	–	–
Exchange adjustment	(714)	(283)	–	–
Expenditure capitalised during the year	5,482	4,539	–	–
Transferred from intangibles	756	–	–	–
Disposals during the year	(1,854)	(38)	–	–
Written-off during the year	(575)	–	–	–
Amortised during the year	(2,601)	(2,255)	–	–
Balance at the end of the year	18,742	18,248	–	–
Borrowing costs				
Balance at the beginning of the year	2,882	4,396	–	–
Exchange adjustment	(5)	37	–	–
Expenditure capitalised during the year	–	78	–	–
Amortised during the year	(1,310)	(1,629)	–	–
Balance at the end of the year	1,567	2,882	–	–
Total other non-current assets	20,309	21,130	–	–

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000

14 Payables

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Trade creditors and other accruals are non–interest bearing and are generally for less than 90 day terms				
Trade creditors and accruals – unsecured	331,896	396,262	7,816	9,866
Amounts owing to wholly owned controlled entities	–	–	59,346	61,179
Associated entities	1,287	1,677	–	–
Total payables	333,183	397,939	67,162	71,045

15 Interest bearing liabilities

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Capital notes Face value NZD 225,000,000 (2004: NZD 225,000,000) Long term unsecured subordinated fixed interest debt security with an election date of 15 October 2006. On the election date, noteholders may elect to retain their capital notes for a further five year period on the terms and conditions, which will be advised, or to convert some or all of their capital notes to ordinary shares in Nufarm Limited at 97.5% of the then current price of ordinary shares. Immediately prior to the election date, the group may at its option purchase some or all of the capital notes for cash at their principal amount plus any accrued interest.	202,338	203,620	–	–
Bank loans – unsecured	336,405	189,627	24,762	19,645
Other loans – unsecured	188	2,355	–	–
Subordinated loans from wholly owned controlled entities	–	–	211,655	212,969
Finance lease liabilities – secured	1,628	3,989	–	–
	540,559	399,591	236,417	232,614
Less current portion				
Bank loans – unsecured	259,889	111,099	24,762	19,645
Other loans – unsecured	9	23	–	–
Finance lease liabilities – secured	506	1,289	–	–
Total current interest bearing liabilities	260,404	112,411	24,762	19,645
Total non-current interest bearing liabilities	280,155	287,180	211,655	212,969
Repayment of borrowings (excluding finance leases)				
Period ending 31 July, 2006	259,898	78,528	24,762	19,645
Period ending 31 July, 2007	216,308	203,620	211,655	212,969
Period ending 31 July, 2008	62,546	–	–	–
No specified repayment date	179	2,332	–	–

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

	%	%	%	%
Average interest rates				
Capital notes coupon	8.6	8.6	–	–
Bank loans	4.8	3.5	–	–
Other loans	3.2	3.1	–	–
Subordinated loans from wholly owned controlled entities	–	–	9.2	9.2
Finance lease liabilities – secured	5.8	7.7	–	–

All unsecured bank borrowings 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 26) are in excess of their related borrowings. Finance lease liabilities are secured over relevant leased plant.

16 Provisions

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Employee entitlements	25,969	26,352	576	594
Restructuring	3,014	7,025	–	–
Other	2,283	2,103	–	–
	31,266	35,480	576	594
Less current portion				
Employee entitlements	15,196	15,983	521	544
Restructuring	3,014	7,025	–	–
Other	1,737	2,103	–	–
Total current provisions	19,947	25,111	521	544
Total non-current provisions	11,319	10,369	55	50
Other provisions				
Balance at the beginning of the year	2,103	3,148	–	107
Exchange adjustment	(123)	(9)	–	(1)
Additional provision	2,076	1,843	–	–
Amounts utilised during the year	(1,773)	(2,879)	–	(106)
Balance at the end of the year	2,283	2,103	–	–
Provision for redundancy and restructuring costs				
Balance at the beginning of the year	7,025	–	–	–
Exchange adjustment	(368)	–	–	–
Additional provision	3,346	11,789	–	–
Amounts utilised during the year	(6,989)	(4,764)	–	–
Balance at the end of the year	3,014	7,025	–	–
Employee benefits				
The present values of employee entitlements not expected to be settled within twelve months of reporting date have been calculated using the following weighted averages:				
Assumed rate of increase in wage and salary rates	4%	4%	–	–
Discount rate	4%	4%	–	–
Settlement term (years)	5	5	–	–
Number of employees at year end	2,279	2,613	–	–

	Consolidated		Parent	
	2005 $000	2004 $000	2005 $000	2004 $000
17 Contingent liabilities				
The parent entity has entered into a deed of cross guarantee (refer note 26) in accordance with a class order issued by the Australian Securities and Investments Commission. The parent entity and all the Australian controlled entities, which are a party to the deed, have guaranteed the repayment of all current and future creditors in the event any of these companies are wound up.				
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 the repayment of all liabilities in the event that any of these companies are wound up.				
Guarantee facility for Eastern European joint ventures with FMC Corporation.	7,827	5,379	–	–
Receivables sold to financiers for which there is either partial or full recourse to the company in the event that the debt is not collected from the customer. (Receivables sold that have come due for payment since year end have been collected by the financiers.)	16,241	5,490	–	–
The parent entity has guaranteed with the noteholders the issuers' obligations under the capital notes.	–	–	202,338	203,620
Environmental claim warranty Environmental guarantee given to the purchaser of land and buildings at Genneviliers for EUR 8.5 million. The guarantee will end 18 months after the expiry of the business tenancy contract. The directors do not believe that any material costs will be incurred as a result of this guarantee.	13,578	14,552	–	–
Guarantee upon sale of a business limited to EUR 4.57 million on account of possible remediation costs for soil and groundwater contamination. This guarantee decreases from 2004 progressively to nil in 2011. The directors do not believe that any material costs will be incurred as a result of this guarantee.	7,300	9,142	–	–
Nufarm Limited has been named as one of 15 parties in proceedings filed by the New Zealand Commerce Commission (NZCC) relating to alleged business practices in the timber treatment industry. The company is cooperating with this investigation and currently does not believe a material potential liability attaches to this issue. The company divested its timber treatment business in 2001.	–	–	–	–
	44,946	34,563	202,338	203,620

18 Commitments

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Capital expenditure				
Estimated cost of capital work covering buildings and plant authorised by the board of directors and contracted for but not yet provided for in the financial statements, together with capital work required to meet regulatory consents. All commitments are expected to be completed within 12 months.	17,027	17,224	922	–
Investments				
The company owns 70% of the Australian and Malaysian chemical formulating businesses of Mastra Holdings, which are controlled entities. The company has a commitment to acquire the remaining shares by December 2007. The cost	min 3,553	min 3,845		
will be between USD 2.7 million and USD 4.5 million.	max 5,921	max 6,408	–	–
Leases				
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. Lease commitments for non-cancellable operating leases are payable as follows:				
Not later than one year	7,538	7,195	355	330
Later than one year but not later than two years	6,660	6,306	192	301
Later than two years but not later than five years	10,146	11,073	120	280
Later than five years	5,365	6,936	–	–
	29,709	31,510	667	911
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:				
Not later than one year	535	1,392	–	–
Later than one year but not later than two years	616	1,736	–	–
Later than two years but not later than five years	571	1,180	–	–
Later than five years	–	–	–	–
	1,722	4,308	–	–
Less future finance charges	(94)	(319)	–	–
	1,628	3,989	–	–

19 Contributed equity

	Number of shares	2005 $000	2004 $000
Ordinary shares issued and fully paid			
Balance at the beginning of the year	167,735,767	210,528	149,216
Issue of shares	1,702,782	5,571	60,662
Partly paid shares fully paid up during the year	233,325	728	650
Balance at the end of the year	169,671,874	216,827	210,528
Ordinary shares issued and partly paid to 1.0 cent			
Balance at the beginning of the year	233,325	2	3
Partly paid shares fully paid up during the year	(233,325)	(2)	(1)
Balance at the end of the year	–	–	2
Total contributed equity	169,671,874	216,827	210,530

Issues totaling 203,754 fully paid ordinary shares at an average price of $7.19 per share were made to the Nufarm executive share plan (2000), the trustee of the employee global share plan and the trustee of the non-executive directors share plan. 1,437,692 shares were issued to group executives at an exercise price of $2.70 per share under the executive share plan. 61,336 shares were issued to participants in the UK Savings Related Share Options Scheme (1997) at an exercise prce of $3.66.

On 21 January 2004, 7,692,308 ordinary shares were placed with institutional investors at $5.20 per share. On 25 February 2004, 3,501,712 ordinary shares were placed with existing shareholders at $5.20 per share. Other issues, totaling 564,979 fully paid ordinary shares at an average price of $5.14 per share, were made in accordance with the Nufarm executive share plan (2000) and the employee global share plan.

20 Reserves

	Consolidated		Parent	
	2005 $000	2004 $000	2005 $000	2004 $000
a) Foreign currency translation				
This reserve records exchange differences arising from the translation of the financial statements of self-sustaining foreign operations together with the net result of hedging the foreign currency exposures arising from the net investment in those foreign operations.				
Balance at the beginning of the year	(16,339)	(9,590)	–	–
Exchange fluctuation on opening net investment in overseas controlled entities	(11,983)	(5,478)	(77)	–
Hedging of net investment in overseas controlled entities	–	(1,271)	–	–
Balance at the end of the year	(28,322)	(16,339)	(77)	–
b) Asset revaluation				
This reserve records increments in the value of land and buildings that were revalued prior to 1992 when the company implemented a policy of recording assets at cost unless there is a permanent diminution in carrying values.				
Balance at the beginning of the year	348	1,409	–	–
Transferred to retained profits	–	(1,061)	–	–
Balance at the end of the year	348	348	–	–
c) Capital profits reserve				
This reserve is used to accumulate realised capital profits				
Balance at the beginning of the year	33,845	33,852	40,074	40,074
Adjustment	–	(7)	–	–
Balance at the end of the year	33,845	33,845	40,074	40,074
Total reserves	5,871	17,854	39,997	40,074

21 Retained profits

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Balance at the beginning of the year	324,401	280,793	161,995	149,505
Net profit attributable to members of the parent entity	104,297	76,202	50,069	46,146
Aggregate amounts transferred from reserves	–	1,062	–	–
Dividends paid	(40,548)	(33,656)	(40,548)	(33,656)
Balance at the end of the year	388,150	324,401	171,516	161,995

22 Dividends

Dividends recognised in the current year by the company are:

	Cents per share	Total amount $000	Franked/ unfranked	Payment date
		2005		
Final 2004 ordinary	15.0	25,293	Franked	15-Nov-04
Interim 2005 ordinary	9.0	15,255	Franked	29-Apr-05
Total amount		40,548		
		2004		
Final 2003 ordinary	13.0	20,470	Franked	7-Nov-03
Interim 2004 ordinary	8.0	13,186	Franked	28-Apr-04
Total amount		33,656		

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

Subsequent events

On 29 September 2005, the directors declared a final dividend of 17 cents per share, fully franked, payable 11 November 2005.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 31 July 2005 and will be recognised in subsequent financial reports.

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Franking credit balance				
The amount of franking credits available for the subsequent financial year are:				
Franking account balance as at the end of the year at 30% (2004: 30%)	19,647	17,436	19,647	17,436
Franking credits that will arise from the payment of income tax payable as at the end of the year	5,881	(2,048)	5,881	(2,048)
Balance at the end of the year	25,528	15,388	25,528	15,388

23 Outside equity interests

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Balance at the beginning of the year	7,709	6,638	–	–
Exchange adjustment	(559)	(557)	–	–
Investments in which a minority interest was acquired	(2,407)	356	–	–
Share of operating profit	1,550	2,074	–	–
Dividends paid	(496)	(802)	–	–
Balance at the end of the year	5,797	7,709	–	–

	Consolidated		Parent	
	2005 $000	2004 $000	2005 $000	2004 $000
24 Equity				
Balance at the beginning of the year	560,494	462,321	412,599	338,798
Total changes in equity recognised in the statement of financial performance	92,314	68,997	49,992	45,696
Transactions with owners as owners				
Contributed equity	6,297	61,761	6,297	61,761
Dividends	(40,548)	(33,656)	(40,548)	(33,656)
Movement in outside equity interest	(1,912)	1,071	–	–
Balance at the end of the year	616,645	560,494	428,340	412,599

25 Statement of cash flows

a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and deposits at call, net of outstanding overdrafts.

The statements of cash flows are reconciled to respective items in the statement of financial position as follows:

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Cash assets	56,233	56,826	4,265	654
Bank overdrafts	(10,398)	(72,298)	(24,762)	(19,645)
	45,835	(15,472)	(20,497)	(18,991)

b) Reconciliation of net profit (loss) after income tax to net operating cash flows

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Net profit (loss) after income tax	105,847	78,276	50,069	46,146
Dividend from associated company	2,964	3,099	–	–
Non-cash items:				
Amortisation	22,855	20,749	–	–
Depreciation	38,344	44,058	2,140	2,444
Losses on disposal of fixed assets	(393)	(100)	(33)	95
Write-down in non current assets	19,059	–	–	–
Share of profits of associates net of tax	(25,617)	(3,415)	–	–
Movement in provisions for:				
Deferred tax	(8,253)	(2,674)	(286)	2,018
Tax assets	(11,815)	119	5,241	(9,357)
Deferred product development expenses	–	72	–	–
Exchange rate change on foreign controlled entities provisions	432	(49)	(21)	83
	34,612	58,760	7,041	(4,717)
Movements in working capital items:				
(Increase)/decrease in receivables	(11,543)	63,228	(643)	2,361
(Increase)/decrease in inventories	(7,433)	(72,683)	(313)	(155)
Increase/(decrease) in payables	(42,227)	88,007	(2,232)	(1,471)
Increase/(decrease) in income tax payable	(3,053)	(10,830)	(1,706)	5,437
Exchange rate change on foreign controlled entities working capital items	(16,555)	(5,183)	(93)	169
Group tax setoff	–	–	–	–
Movements in intercompany balances relating to cash transactions	–	–	(1,830)	1,006
	(80,811)	62,539	(6,817)	7,347
Net operating cash flows	62,612	202,674	50,293	48,776

25 Statement of cash flows continued

c) Businesses sold

Businesses sold during 2005 include the Nufarm Specialty Products business, SEAC, Pacific Raw Materials and the Nufarm Brazil business.

Businesses sold during 2004 include the Florigene group, Agrow, MCFI, Pharma Pacific intangibles and the Wettasoil trademark.

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Net assets disposed of were				
Receivables	11,677	882	–	–
Inventory	15,626	397	–	–
Property, plant and equipment	47,681	323	4	–
Intangibles	7,309	6,936	–	–
Cash assets	164	642	–	–
Tax assets	–	1,978	–	–
Payables	(8,181)	(1,724)	–	–
Borrowings	(7,517)	–	–	–
Other	187	887	–	–
Cash gain on disposal	23,060	1,351	243	–
Consideration	90,006	11,672	247	–
Cost of disposal	5,219	–	–	–
Total consideration	95,225	11,672	247	–
Cash deferred	(25,057)	(5,062)	–	–
Amounts settled for businesses sold in prior years	5,062	724		724
Cash consideration received	75,230	7,334	247	724
Cash included in assets sold	(164)	(642)	–	–
Net cash effect	75,066	6,692	247	724

d) Businesses acquired

The 2005 acquisitions include the Ag-Seed Research business and the 30% minority shareholding in Nufarm Indonesia.

The 2004 acquisitions include the BASF global phenoxy herbicide business, various cereal fungicides in Germany, Australian distribution rights to BASF products and antibiotics product rights from Syngenta for the USA.

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
The aggregate amounts of net assets acquired were				
Inventory	–	18,661	–	–
Property, plant and equipment	621	–	–	–
Intangibles	9,132	80,488	–	–
Payables	11,896	–	–	–
Outside equity interests	2,407	–	–	–
Total consideration	24,056	99,149	–	–
Cash deferred	(2,000)	(12,840)	–	–
Cash consideration paid	22,056	86,309	–	–
Cash included in net assets acquired	–	–	–	–
Net cash effect	22,056	86,309	–	–

The deferred cash settlement represents the value of the remaining consideration payable.

25 Statement of cash flows continued

e) Non cash financing and investing activities

During the financial year plant and equipment with an aggregate value of $261,000 (2004: $15,000) was acquired by means of finance leases.

During the financial year 1,702,782 ordinary shares were issued under the executive share plan, the global share plan and the non-executive directors share plan. The deemed fair value of the shares, $5,571,249 (2004: $2,902,636) was expensed in the statement of financial performance.

26 Controlled entities

The consolidated financial statements at 31 July 2005 include the following controlled entities. All controlled entities have the same financial year end as the parent entity.

	Notes	Place of incorporation	Percentage of shares held 2005	2004
Abel Lemon and Company Pty Ltd	(a)	Australia	100	100
Agcare Biotech Pty Ltd		Australia	70	70
Agryl Holdings Limited	(a),(b)	Australia	100	100
Ag-seed Research Pty Ltd	(a)	Australia	100	–
Artfern Pty Ltd	(a)	Australia	100	100
Australis Services Pty Ltd	(a)	Australia	100	100
Bioclip NZ Pty Limited (Sold)		New Zealand	–	100
Camper Vertriebs (Liquidated)		Germany	–	100
Captec (NZ) Limited	(b)	New Zealand	100	100
Captec Pty Ltd	(a)	Australia	100	100
CFPI GmbH		Germany	100	100
Chemicca Limited	(a)	Australia	100	100
Chemturf Pty Ltd	(a)	Australia	100	100
Chloral Investment Trust		Australia	80	80
Chloral Unit Trust No1		Australia	80	80
Chloral Unit Trust No2		Australia	80	80
Clama s.a.s (formerly Societe Civile Mobiliere Clama)		France	100	100
CNG Holdings BV		Netherlands	100	100
Compagnie d'Applications Chimiques a l'Industrie s.a.s (formerly Compagnie D'Applications Chimiques a L'Industrie)		France	100	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
Danestoke Pty Ltd		Australia	100	80
Electronic Agriculture Limited	(a)	Australia	100	100
Fchem (Aust) Limited	(a),(b)	Australia	100	100
Fchem Limited	(b)	New Zealand	100	100
Fernz Canada Limited	(b)	Canada	100	100
Fernz Corporation (NZ) Limited	(b)	New Zealand	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
Health & Science Limited	(b)	New Zealand	100	100
Inpar s.a.s (formerly Societe Civile Inpar)	(b)	France	100	100
Interferon Limited	(a)	Australia	100	100
Interferon NZ Limited	(b)	New Zealand	100	100

26 Controlled entities continued

	Notes	Place of incorporation	Percentage of shares held 2005	2004
Laboratoire Europeen de Biotechnologie s.a.s (formerly Laboratoire Europeen de Biotechnologie)		France	100	100
Ladino NV (liquidated)		N. Antilles	–	100
Le Moulin des Ecluses s.a (formerly Societe d'Etudes et Applications Chimiques)	(b)	France	100	100
Les Ecluses de la Garenne s.a.s (formerly Societe des Ecluses de la Garenne)		France	100	100
Manaus Holdings Sdn Bhd	(b)	Malaysia	100	100
Marman (Nufarm) Inc		USA	70	70
Marman de Guatemala Sociedad Anomima		Guatemala	70	70
Marman de Mexico Sociedad Anomima De Capital Variable		Mexico	70	70
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	(a)	Australia	100	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 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 Chile Limitada		Chile	100	100
Nufarm Columbia Ltda		Columbia	100	100
Nufarm Coogee Pty Ltd		Australia	80	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	(a)	Australia	100	100
Nufarm Espana SA	(b)	Spain	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 (formerly Nufarm SC)	(b)	France	100	100
Nufarm Inagro Manufacturing Sdn Bhd (liquidated)		Malaysia	–	100
Nufarm Inc.	(b)	USA	100	100

26 Controlled entities continued

	Notes	Place of incorporation	Percentage of shares held 2005	2004
Nufarm Insurance Pte Ltd		Singapore	100	100
Nufarm Investments Cooperatie WA	(b)	Netherlands	100	100
Nufarm Ireland Limited		Ireland	100	100
Nufarm KK		Japan	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
Nufarm Portugal LDA	(b)	Portugal	100	100
Nufarm s.a.s (formerly Nufarm SA)	(b)	France	100	100
Nufarm SA		Argentina	100	100
Nufarm Specialty Products Inc	(b)	USA	100	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
Nuturf Pty Ltd	(a),(b)	Australia	100	100
Opti-Crop Systems Pty Ltd	(b)	Australia	75	75
Pacific Raw Materials Australia Pty Ltd	(a)	Australia	100	100
Pacific Raw Materials Limited		New Zealand	100	100
Pharma Pacific Pty Ltd	(a)	Australia	100	100
PT Nufarm Indonesia		Indonesia	100	70
Rockmere Pty Ltd	(a)	Australia	100	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 dated 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 26th October 1996 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.

27 Closed group

The class order closed group consists of Nufarm Limited and wholly-owned Australian entities as designated with an (a) in note 26.

	Consolidated 31.7.2005 $000	Consolidated 31.7.2004 $000
Statement of financial performance		
Profit from ordinary activities before income tax expense	104,738	57,057
Income tax expense relating to ordinary activities	(28,039)	(17,993)
Net profit attributable to members of the closed group	76,699	39,064
Retained profits at the beginning of the period	198,683	186,726
Include new members to the closed group	–	6,549
Dividends paid	(40,548)	(33,656)
Retained profits at the end of the period	234,834	198,683
Statement of financial position		
Current assets		
Cash assets	5,997	2,328
Receivables	296,807	325,208
Inventories	196,854	193,412
Tax assets	–	3,841
Prepayments	5,215	2,819
Total current assets	504,873	527,608
Non-current assets		
Receivables	45,592	34,180
Property, plant and equipment	150,918	138,261
Related company investments	266,929	258,256
Other financial assets	125,727	7,294
Intangible assets	12,649	15,095
Deferred tax assets	22,161	22,366
Other	3,602	2,073
Total non-current assets	627,578	477,525
TOTAL ASSETS	1,132,451	1,005,133
Current liabilities		
Payables	476,131	471,784
Interest bearing liabilities	84,286	33,586
ax liabilities	4,898	–
Provisions	7,985	7,472
Total current liabilities	573,300	512,842
Non-current liabilities		
Interest bearing liabilities	31,000	10,000
Deferred tax liabilities	1,732	2,018
Provisions	7,659	6,840
Total non-current liabilities	40,391	18,858
TOTAL LIABILITIES	613,691	531,700
NET ASSETS	518,760	473,433
Equity		
Contributed equity	224,027	217,730
Reserves	59,899	57,020
Retained profits	234,834	198,683
TOTAL EQUITY	518,760	473,433

28 Interests in joint venture operations

	2005 $000	2004 $000
The company has an 80% interest in the Nufarm-Coogee Joint Venture representing its two chlor alkali plants in Western Australia.		
Assets employed		
Cash	936	1,668
Receivables	2,338	2,275
Inventory	772	825
Prepayments	135	150
Property, plant and equipment	13,285	14,518
Total assets employed	17,466	19,436
Capital expenditure commitments	219	829
Group's share of joint venture operations profit:		
Profit from ordinary activities before tax	10,070	8,692
Income tax on ordinary activities	(3,177)	(2,608)
Net profit after tax	6,893	6,084

29 Financing arrangements

The consolidated entity has access to the following facilities with a number of financial institutions and vendors of acquired businesses.

	Consolidated		Parent	
	Accessible $000	Drawn down $000	Accessible $000	Drawn down $000
2005				
Bank loan facilities	857,685	336,405	–	24,762
Other facilities	188	188	–	–
Subordinated debt facility	202,338	202,338	–	–
On-balance sheet financing facilities	1,060,211	538,931	–	24,762
Off-balance sheet receivables securitisation-type facilities	161,579	133,130	–	–
Total financing facilities	1,221,790	672,061	–	24,762
2004				
Bank loan facilities	647,804	189,627	–	19,645
Other facilities	3,997	2,355	–	–
Subordinated debt facility	203,620	203,620	–	–
On-balance sheet financing facilities	855,421	395,602	–	19,645
Off-balance sheet receivables securitisation-type facilities	162,410	138,661	–	–
Total financing facilities	1,017,831	534,263	–	19,645

Receivables securitisation

Receivables from Nufarm Australia Limited, Crop Care Australasia Pty Ltd, Nufarm Americas Inc and Nufarm Agriculture Inc are sold to an unrelated third party, in which the consolidated entity has no ownership interest. The consolidated entity does not have the capacity to control the unrelated third party and accordingly does not consolidate the entity.

At 31 July 2005, $133.1 million of receivables sold to the third party remain uncollected (2004: $138.7 million).

30 Financial instruments

a) Objectives for holding derivative financial instruments

The consolidated entity uses derivative financial instruments to manage specifically identified interest rate and foreign currency risks. The consolidated entity does not trade derivatives. The group is primarily exposed to the risk of movements in the value of the Australian dollar relative to certain foreign currencies, including the US dollar, the Euro and the British Pound, and the movement in interest rates. The consolidated entity hedges a portion of its anticipated sales and purchases. A comprehensive board-approved treasury policy sets limits for management to hedge such exposures.

b) Credit risk exposure

The consolidated entity's exposures to on balance sheet risk are as indicated by the carrying amounts of its financial assets as indicated in the statement of financial position. It does not have a significant exposure to any individual counterparty, as transactions are undertaken with a large number of customers in various markets. In relation to derivative financial instruments, whether recognised or unrecognised, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. Total derivatives are disclosed in note 30(d).

c) Foreign exchange

The following table summarises by currency the Australian dollar value of all forward foreign exchange agreements and foreign exchange options. Foreign currency amounts are translated at rates current at the reporting date.

Currency	Average exchange rate		2005		2004	
	2005	2004	Buy $000	Sell $000	Buy $000	Sell $000
US dollars						
Less than 12 months	0.7656	0.7046	114,701	14,111	73,040	5,174
Over 12 to 60 months	0.7600	0.7022	–	26,314	–	28,481
Canadian dollars						
Less than 12 months	0.9385	0.9234	19	20,234	–	992
Over 12 to 60 months	0.9360	0.9336	–	8,547	–	8,569
Euros						
Less than 12 months	0.5998	0.5811	8,895	673	26,694	15,408
Over 12 to 60 months	0.6260	0.5841	–	103,843	–	111,282
British pounds						
Less than 12 months	0.4141	0.3919	3,031	–	666	–
Over 12 to 60 months	0.4330	0.3858	–	23,094	–	25,923
Others						
Less than 12 months	–	–	1,767	149	4,278	1,097
			128,413	196,965	104,678	196,926

30 Financial instruments continued

d) Net fair value of financial assets and liabilities

The carrying amounts of financial assets and financial liabilities (including derivatives) are considered to equate to their fair values, except as disclosed in the table below. Net fair values are determined using market rates that existed at the end of the year for similar instruments with similar maturities.

	Consolidated			
	Carrying Amount 2005	Net fair value 2005	Carrying Amount 2004	Net fair value 2004
	$000	$000	$000	$000
Financial liabilities				
Capital notes – one to five years	202,338	201,681	203,620	203,156
Derivatives				
Forward exchange contracts are being used to hedge the following foreign currency exposures.				
Receivables – less than one year	35,167	35,230	7,262	7,242
Receivables – more than one year	–	–	–	–
Payables – less than one year	71,834	71,360	101,150	100,816
Forward exchange contracts, currency options and cross currency interest rate swaps are being used to hedge the following foreign currency exposures.				
Foreign investments and advances – less than one year	56,579	56,865	15,408	15,408
– one to five years	161,798	170,551	174,255	187,600
Interest rate swaps are being used to hedge the following interest rate exposures				
Payable maturities – less than one year	147,508	147,495	–	–
– one to five years	20,000	19,784	178,481	177,253

30 Financial instruments continued

e) Interest rate risk exposures

The following table summarises interest rate risk for the consolidated entity. Interest rate swaps had an average effective interest rate of 4.2% (2004: 4.2%).

	Floating interest rate $000	Fixed Interest maturing in < 1 year $000	Fixed Interest maturing in 1 to 5 years $000	Non-interest bearing $000	Total $000
			2005		
Financial assets					
Cash on deposit	40,468	–	–	–	40,468
Financial liabilities					
Capital notes	–	–	202,338	–	202,338
Bank loans	336,405	–	–	–	336,405
Other loans	188	–	–	–	188
Finance leases	–	506	1,122	–	1,628
Interest rate swaps	(167,508)	147,508	20,000		–
Employee benefits	25,969	–		–	25,969
	195,054	148,014	223,460	–	566,528
			2004		
Financial assets					
Cash on deposit	31,534	–	–	–	31,534
Financial liabilities					
Capital notes	–	–	203,620	–	203,620
Bank loans	189,627	–	–	–	189,627
Other loans	2,355	–	–	–	2,355
Finance leases	–	1,289	2,700	–	3,989
Interest rate swaps	(178,481)		178,481		–
Employee benefits	26,352	–	–	–	26,352
	39,853	1,289	384,801	–	425,943

The weighted average interest rate for cash on deposit was 3.2% (2004: 2.6%). All other assets and liabilities are non-interest bearing.

f) Hedges of anticipated future transactions

The following table summarises unrealised gains and losses on forward exchange contracts entered as hedges of future anticipated sales and purchases.

	2005 $000 Gains	2005 $000 Losses	2004 $000 Gains	2004 $000 Losses
Expected recognition period				
Less than one year	65	126	35	1
More than one year	–	–	–	–

31 Director and executive disclosures

a) Details of specified directors and specified executives

(I) Specified directors	
KM Hoggard	Chairman
DJ Rathbone	Managing director and chief executive
GDW Curlewis	
Dr WB Goodfellow	
GA Hounsell	(appointed 1 October 2004)
DG Mc Gauchie	
GW McGregor	(retired 31 July 2005)
Dr JW Stocker	
RFE Warburton	
(ii) Specified executives	
B Benson	Group general manager agriculture
DA Pullan	Group general manager operations
JA Allen	Group general manager crop protection
KP Martin	Chief financial officer
RF Ooms	Group general manager chemicals

b) Remuneration of specified directors and specified executives

Disclosures of remuneration policies, service contracts and details of remuneration are included in the remuneration report in the Director's Report.

e) Loans to specified directors and specified executives

There were no loans to directors and specified executives at 31 July 2005.

31 Director and executive disclosures continued

d) Shareholdings of specified directors and specified executives

Shares held in Nufarm Ltd		Balance at 1 Aug 2004	Granted as remuneration	Exercise of options	Net change other	Balance at 31July 2005
Specified directors						
KM Hoggard	1 2	5,869,837	4,912	–	(3,500,000)	2,374,749
DJ Rathbone	2	30,696,167	–	566,443	(1,350,000)	29,912,610
GDW Curlewis		24,787	–	–	16,000	40,787
Dr WB Goodfellow	1 3	1,464,528	1,918	–	–	1,466,446
GA Hounsell	1	–	1,452	–	10,000	11,452
DG Mc Gauchie	1	3,817	1,452	–	3,000	8,269
GW McGregor	1	32,418	1,461	–	–	33,879
Dr JW Stocker	1	26,546	1,918	–	–	28,464
RFE Warburton	1	61,513	1,918	–	–	63,431
Specified executives						
JA Allen		196,317	22,094	153,091	(145,936)	225,566
B Benson		83,374	16,692	98,345	(46,266)	152,145
KP Martin		229,338	20,726	143,406	(38,000)	355,470
RF Ooms		155,485	20,726	143,406	–	319,617
DA Pullan		186,095	22,117	153,091	(131,880)	229,423
Total		39,030,222	117,386	1,257,782	(5,183,082)	35,222,308

All equity transactions with specified directors and executives 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, McGregor, 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 three years or retirement.

2 Messrs Hoggard and Rathbone also have a beneficial interest in 218,725 fully paid shares as trustees of the Nufarm Limited Share Plan.

3 The shareholding of Dr WB Goodfellow includes his relevant interest in:
(i) St Kentigern Trust Board (429,855 shares) – Dr Goodfellow, whilst Chairman of the Trust Board, has no beneficial interest in the shares;
(ii) three trusts of which he is a non-beneficial trustee (807,039) shares; and
(iii) Waikato Investment Company Limited (113,616 shares).
St Kentigern Trust Board also hold 2,270,000 capital notes issued by Fernz Corporation (NZ) Ltd, a related body corporate.

e) Remuneration options: granted and vested during the year

	Balance at beginning of period 1 Aug 2004	Granted as remuneration	Options exercised	Balance at end of period 31 July 2005	$ value of options exercised in the period
Specified directors					
DJ Rathbone	566,443	–	566,443	–	$1,529,396
Specified executives					
B Benson	98,345	–	98,345	–	$265,531
DA Pullan	153,091	–	153,091	–	$413,346
JA Allen	153,091	–	153,091	–	$413,346
KP Martin	143,406	–	143,406	–	$387,196
RF Ooms	143,406	–	143,406	–	$387,196
Total	1,257,782	–	1,257,782	–	$3,396,011

Details of shares issued as a result of the exercise of options during the financial year are as follows:

a) 1,437,692 shares issued to group executives at an exercise price of $2.70, which includes 1,257,782 shares issued to specified directors and executives as detailed above; and

b) 61,336 shares issued to participants in the UK Savings Related Share Option Scheme (1997) at an exercise price of $3.66.

There are no unissued shares under option.

32 Employee share purchase schemes

The Nufarm Limited Staff Share Purchase Scheme No.2 (1990) enabled the issue of partly paid ordinary shares to all staff who had completed two years service with the company, issued at a 10 % discount on market price at the date of the offer. The shares have been issued partly paid with one cent per share paid on acceptance and the balance payable over four calls, which are made at the end of the second, third, fourth and fifth years. Once the call is paid to the company, one quarter of the total shares allocated will vest directly to the employee as fully paid shares. Partly paid shares do not rank for dividends until fully paid and voting rights are exercised by the trustees in proportion to the amount paid up on the shares, while the shares remain partly paid. At 31 July 2005, all partly paid shares had been fully paid and therefore, the trustee is holding no partly paid shares. The comparative partly paid share for 2004 were 218,600 ordinary shares paid to one cent per share, with $684,218 remaining uncalled.

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 $149,748 at 31 July 2005 (2004: $2,027,657). Each executive is entitled to exercise voting rights attached to the shares allocated. At 31 July 2005 the trustees of the Executive Share Purchase Scheme (1984) held 100,000 (2004: 522,000) ordinary shares, all of which were allocated. There are six remaining participants (2004: 72 participants) in the scheme.

A UK Savings Related Share Options Scheme (1997) enabled the issue of ordinary share options to eligible staff in the United Kingdom who had completed two years service with the company. The scheme has two parts. Firstly, it is an agreement between the employee and a savings institution to save a fixed amount every month for five years. At the end of the period, the savings institution adds a tax free interest bonus to the employee's savings. Secondly, the scheme provides the employee with an option to buy Nufarm's shares from the proceeds of the amount with the savings institution. The share options are issued at a 10 % discount on market price at the date of offer. Share options do not rank for dividends or carry voting rights. No employee chose to exercise his/her option under the first offer and the options granted under that offer have now expired. At 31 July 2005, all share options outstanding at 31 July 2004 (77,514) had been exercised or had expired. The shares exercised (61,336) were at a price of $3.66 per share.

The above plans have been replaced by the plans below.

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 2005 there were 60 participants (2004: 65 participants) in the scheme and 1,492,327 shares (2004: 1,572,401) were allocated and held by the trustee on behalf of the participants. A further 1,437,692 (2004: 1,437,692) options had been granted under the plan, all of which were exercised during the year at an exercise price of $2.70 per share. The cost of issuing shares is expensed in the year of issue and the cost of granting options is expensed in the year they are exercised.

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 the 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 contrinution. An independent trustee holds the shares on behalf of the participants. There are 769 participants at 31 July 2005 (2004: 761 participants). The cost of issuing shares is expensed in the year of issue.

The power of appointment and removal of the trustees for the share purchase schemes is vested in the company. All equity transactions with specified directors and executives 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.

32 Employee share purchase schemes continued

Summary of share movements in the global share plan

	Number of shares 2005
Balance at the beginning of the period	275,169
Matching shares allocated – current period	41,213
Matching shares allocated – prior period adjustment	(15,713)
Loyalty shares allocated	85,521
Shares held by trustee	58,176
Balance at the end of the period	444,366

The average issue price of the 444,366 shares to date is $5.88 per share.

Executive share option plan	Number of options 2005	Weighted average exercise price 2005	Number of options 2004	Weighted average exercise price 2004
Balance at the beginning of the period	1,515,206	2.72	1,528,279	2.72
Granted	–	–	–	–
Exercised	(1,499,028)	2.72	–	–
Expired	(16,178)	3.66	(13,073)	3.56
Balance at the end of the period	–	–	1,515,206	2.72

Number of options	Grant date	Exercise date	Expiry date	Weighted average exercise price
		2005		
All outstanding options were exercised during 2005.	–	–	–	–
		2004		
77,514	31.01.2000	28.02.2005	1.3.2005	3.56
871,249	26.10.2001	26.10.2004	26.10.2011	2.70
566,443	3.12.2001	13.12.2004	13.12.2011	2.70

33 Superannuation commitments

The company operates a defined benefit pension scheme in the United Kingdom, where the benefits are based on estimates of final pensionable pay. Under this scheme, contributions to the scheme are charged to the statement of financial performance so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by the scheme's qualified actuaries on the basis of regular contributions. The pensions costs are determined with the advice of independent qualified actuaries using the projected unit method.

Details of superannuation funds as extracted from their most recent financial report	2005 $000	2004 $000
Accrued benefits	32,120	34,528
Net market value of plan assets	21,365	20,391
Deficit	10,755	14,137
Vested benefits	30,145	33,076

The above amounts were measured at 31 July 2005.

The company operates a defined benefit pension scheme in the Netherlands, where the benefits are based on pensionable salary. Under this scheme, contributions to the scheme are charged to the statement of financial performance so as to spread the cost of pensions over employees' working lives with the company. The first full actuarial valuation of the scheme was completed as at 31 July 2004.

Liabilities have been calculated using the projected unit method with the advice of independent qualified actuaries.

Details of superannuation funds as extracted from their most recent financial report	2005 $000	2004 $000
Accrued benefits	15,594	12,816
Net market value of plan assets	10,171	8,375
Deficit	5,423	4,441
Vested benefits	10,928	8,591

In France, a payments system exists whereby the employees receive a payment upon retirement based on their final salary and years of service with their final employer. This system has some similarity to a defined benefit superannuation scheme.

At July 2005, an actuarial assessment of the future potential liability was EUR 6.4 million (AUD$10.2 million). The liability at July 2004 was EUR 5.9 million (AUD$10.1 million).

34 Related party disclosures

a) Transactions with related parties in the wholly-owned group

In addition to those transactions disclosed in note 2, the parent entity entered into the following transactions during the year with related parties in the wholly-owned group:

- loans were advanced and repayments received on short term intercompany accounts
- proceeds of the capital notes issue have been on-lent through the parent entity to fund group investments and working capital
- market rates have been charged for these fixed term subordinated loans
- management fees were received from several wholly-owned controlled entities

These transactions were undertaken on commercial terms and conditions.

There were transactions with directors of the entity or their director-related entities which are considered trivial, domestic in nature, and were at market values. Therefore, the transactions have been excluded from the detailed related party disclosures.

		Consolidated 2005 $000	Consolidated 2004 $000
b) Transactions with other related parties			
Bayer CropScience Nufarm Limited	sales to	10,723	11,200
	purchases from	11,181	11,182
Agchem Receivables Corp	loan payable	50,348	52,769
	loan receivable	1,450	1,371
	interest paid	1,523	1,215
SRFA LLC	sales to	1,821	2,388
	loan payable	658	1,424
	interest payable	28	–
Agripec Quimica e Farmaceutica SA	receivable	19,035	–
	sales to	8,569	–

c) Ultimate controlling entity

The ultimate controlling entity of the consolidated entity is Nufarm Limited (ABN 37 091 323 312).

35 Auditors' remuneration

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Audit services				
KPMG Australia (2004: Ernst & Young Australia)				
Audit and review of financial reports	321	394	49	58
Review of IFRS disclosures	25	–	–	–
Overseas KPMG firms (2004: Overseas Ernst & Young firms)				
Audit and review of financial reports	601	705	–	–
	947	1,099	49	58
Other auditors				
Audit and review of financial reports	148	148	–	–
	1,095	1,247	49	58
Other services				
KPMG Australia (2004: Ernst & Young Australia)				
IFRS conversion advice	25	43	–	–
Tax compliance services	–	315	–	–
Tax – assistance	–	178	–	–
Tax consolidation advice	–	176	–	–
Accounting advice	20	–	–	–
Overseas KPMG firms (2004: Overseas Ernst & Young firms)				
Tax compliance services	–	208	–	–
Corporate structure advice	–	120	–	–
Due diligence services	31	–	–	–
Other assurance services	–	21	–	–
	76	1,061	–	–

36 Discontinuing operation

Businesses sold during 2005 include the Nufarm Specialty Products business (Dec 2004), the SEAC business (Feb 2005), Pacific Raw Materials business in New Zealand (July 2005) and the Nufarm Brazil business (July 2005).

Businesses sold during 2004 include the Florigene group (Oct 2003), Agrow (Mar 2004), MCFI (Aug 2003), Pharma Pacific (July 2004) and the Wettasoil trademark (July 2004). The Florigene business is included in the other product segment and Agrow and MCFI are in the Crop Protection segment.

	Consolidated 2005 $000	Consolidated 2004 $000
Financial performance information		
Revenues from ordinary activitie	45,173	2,917
Expenses	40,388	3,475
Profit from ordinary activities before income tax expense	4,785	(558)
Income tax expense relating to ordinary activities	1,301	(71)
Net profit	3,484	(487)
Asset and liability disposals		
Total assets	84,816	12,045
Total liabilities	17,870	1,724
Net assets	66,946	10,321
Proceeds from divestment of business	95,225	11,672
Carrying value of assets sold in divestment	(66,946)	(10,321)
Amortisation of intellectual property	–	–
Other costs of divestment	(5,219)	–
Profit on divestment	23,060	1,351
Related income tax	8,791	–
Profit on divestment (net of income tax expense)	14,269	1,351
Cash flows		
Operating	(8,669)	(411)
Investing	(4,042)	(23)
Financing	4,602	(1,310)
Net cash flows	(8,109)	(1,744)

37 Impact of adopting AASB equivalents to IASB standards

Nufarm Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS), which will be applicable for the financial year ending 31 July 2006. In 2004, the company allocated internal resources and engaged external resources to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. As a result, Nufarm appointed an AIFRS manager to address each of the areas in order of priority. The AIFRS manager has reviewed each of the key areas and discussed their impact with management, external auditors and the audit committee. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 August 2004, Nufarm's transition date to AIFRS. This forms the basis of accounting under AIFRS in the future and is required when Nufarm prepares its first fully AIFRS compliant financial report for the year ending 31 July 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and the best estimate of the quantitative impact of the changes on total equity as at the date of transition and 31 July 2005 and on net profit for the year ended 31 July 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 31 July financial report based on AIFRS that are expected to be in place when completing the first AIFRS financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to:

(a) ongoing work being undertaken by the AIFRS manager; (b) potential amendments to AIFRS and interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG interpretations. This note provides a summary of AIFRS impacts and further disclosure will be provided in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

		Consolidated		Parent	
	Notes	31.7.2005 $000	31.7.2004 $000	31.7.2005 $000	31.7.2004 $000
Total equity under AGAAP		616,645	560,494	428,340	412,599
Adjustments to retained earnings (net of tax)					
Recognition of defined benefit pension deficit	(i)	(17,945)	(19,569)	–	–
Impairment of assets including goodwill	(ii)	–	(2,844)	–	(732)
Reversal of goodwill amortisation	(iii)	5,736	–	–	–
Increase in equity investment – Agripec	(iii)	7,753	–	–	–
Recognition of share-based payment expense	(iv)	654	373	654	373
Reversal of foreign currency translation reserve	(v)	16,339	16,339	–	–
Reversal of asset revaluation reserve	(vi)	(348)	(348)	–	–
Recognition of net deferred tax asset	(vii)	(517)	(511)	–	–
Reversal of intangible amortisation	(viii)	4,619	–	–	–
Recognition of minority interest	(ix)	(178)	(143)	–	–
		16,113	(6,703)	654	(359)
Adjustments to other reserves (net of tax)					
Reversal of foreign currency translation reserve	(v)	(16,339)	(16,339)	–	–
Reversal of asset revaluation reserve	(vi)	348	348	–	–
Foreign currency translation impact of above entries		280	–	–	–
		(15,711)	(15,991)	–	–
Total equity under AIFRS		617,047	537,800	428,994	412,240
Total assets under AIFRS		1,715,204	1,578,830	738,106	718,511
Total liabilities under AIFRS		(1,098,157)	(1,041,030)	(309,112)	(306,271)
Total net assets under AIFRS		617,047	537,800	428,994	412,240

37 Impact of adopting AASB equivalents to IASB standards continued

(i) Under AASB 119 Employee Benefits, the group would recognise the net deficit in its employer sponsored defined benefit pension funds as a liability. Under Australian GAAP, defined benefit plans are accounted for on a cash basis, with no defined benefit obligation or plan assets recognised in the balance sheet. At the date of transition, an amount of $27.7 million ($19.6 million after-tax) would be recognised as a liability of the consolidated entity with a consequential decrease in retained earnings. For the financial year ended 31 July 2005, the adjustment in the consolidated entity to recognise the reduction in the pension liability for the year is expected to be $1.4 million, which is mainly the result of currency gains during the year.

There was an increase in employer cost in the income statement of $0.1 million and actuarial losses direct to retained earnings of $0.1 million.

(ii) AASB 136 Impairment of Assets prescribes requirements for assessing whether an asset is impaired and the accounting treatment for the recognition and measurement of impairment losses. For assets other than goodwill and intangibles with an indefinite useful life, AASB 136 requires that, at each reporting date, the entity assesses whether there are any indicators that an asset may be impaired. Where there is an indication of impairment and for goodwill and intangibles with an indefinite life, the asset's recoverable amount must be calculated. Recoverable amount is the higher of the fair value less costs to sell and value in use. Fair value less costs to sell is best evidenced by a price in a binding sale agreement but maybe based on best estimates of the amount the entity could obtain in disposing of the asset at the reporting date. Value in use is based on management's best estimate of the future cash flows the entity expects to derive from continued use of the asset in its current condition. The future cash flows would be based on the individual asset or the cash generating unit level. Where an asset's recoverable amount is less than that asset's carrying amount, an impairment loss will be taken to the income statement to reduce the carrying amount to recoverable amount. All assets, including goodwill and intangibles with an indefinite useful life, have been tested for impairment, based on their value in use, at transition date and at year-end. For the consolidated entity, at transition an impairment loss of $3.7 million has been taken against intangibles and recognised as a reduction in retained earnings due to the more rigorous impairment test under AIFRS.

(iii) Under AASB 3 Business Combinations, goodwill would not be permitted to be amortised but instead is subject to impairment testing on an annual basis and on the occurrence of triggers which may indicate a potential impairment. Currently, the group amortises goodwill over its useful life but not exceeding 15 years. The group has not elected to apply AASB 3 retrospectively and hence, prior year amortisation would not be written-back as at the date of transition and the fair value of assets and liabilities acquired before transition have not been restated.

(iv) Under AASB 2 Share Based Payments, the company would recognise the fair value of shares or options granted to employees as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share-based payment costs are generally not recognised under AGAAP. At transition date, the consolidated entity did not have any options granted to employees that fall under the scope of the standard. However, the entity does have an employee share program whereby matching and loyalty shares are granted to employees over five years after a one year qualifying period. Under AIFRS, the expense of the matching and loyalty shares is recognised over the respective vesting period, rather than as the matching and loyalty shares are issued.

(v) The AASB 1 election to reset existing foreign currency translation reserve balance to nil is expected to be adopted. The balance of foreign currency translation reserve at transition of $16.3 million has been offset to retained earnings.

(vi) Property, plant and equipment will be measured at cost under AIFRS. However, as permitted by the election available under AASB 1, at transition date certain items of property, plant and equipment are expected to be recognised at deemed cost, being a revalued amount prior to transition date that approximates the fair value as at the date of transition. Any asset revaluation reserve balance relating to these assets will be derecognised at transition date and adjusted against retained earnings.

(vii) On transition to AIFRS the balance sheet method of tax effect accounting will be adopted, rather than the liability method applied currently under Australian GAAP. Under the balance sheet approach, income tax in the profit and loss statement for the year comprises current and deferred taxes. Current tax is the expected tax payable on the taxable income for the year. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. A deferred tax asset will be recognised only to the extent that future taxable profits are probable. The expected impact on the consolidated entity at 1 August 2004 of the change in basis and the transition adjustments on the net deferred tax balances is an increase of $0.5 million and an adjustment to retained earnings of $0.5 million.

(viii) Intangible assets acquired will be stated at cost less accumulated amortisation and impairment losses. On transition other intangible assets have been reviewed to ensure they are capable of recognition under AASB 138 Intangible Assets and tested for impairment. Amortisation will be recognised on a straight-line basis over the estimated useful lives of the intangible assets, unless such lives are indefinite. Intangible assets with an indefinite useful life will not be subject to amortisation but tested for impairment annually. The group is expected to have intangibles with indefinite useful lives such as registrations, trade marks and brand names, which were previously amortised under AGAAP.

37 Impact of adopting AASB equivalents to IASB standards continued

(ix) Under AIFRS expenditure on research activities will be expensed as incurred whereas under current AGAAP certain research costs are included within development projects and therefore capitalised. Under AIFRS, expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete the development. Capitalised development expenditure will be stated at cost less accumulated amortisation and impairment losses. At transition and at year-end, the group did not have any capitalised research expenditure and has not identified significant development expenditure not already capitalised under AGAAP.
(x) Under AIFRS, securitisation receivables and payables are expected to be brought back onto the balance sheet as AIFRS considers the probability of risks and benefits in determining control, not just the possibility. This will apply to the group in the 31 July 2005 reporting year. At transition, the impact of this change will be to increase receivables by $138.7 million and increase payables by $138.7 million. At 31 July 2005 both receivables and payables will increase by $133.1 million.
(xi) Under the AIFRS consolidation standard AASB127, the securitisation receivable entity is consolidated on the balance sheet. Previously, it had been equity accounted. This will apply for both the transitional balance sheet and the 31 July reporting year. The impact for the reporting period is an increase on total assets of $1.0 million, an increase in total liabilities of $1.2 million and a reduction in equity by $0.2 million.
(xii) Management have applied the exemption provided in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, which permits entities not to apply the requirements of AASB 132 Financial Instruments: Presentation and Disclosures and AASB 139 Financial Instruments: Recognition and Measurement for the financial year ended 31 July 2005. The standards will be applied from 1 August 2005. The AIFRS project manager is in the process of determining the impact that adopting the standards would have on the financial statements of the group. The expected impact of adopting AASB 132 and AASB 139 is that all derivatives will be recognised at fair value on the balance sheet and cash flow hedge accounting can only be considered where effectiveness test are met on a prospective and retrospective basis. Ineffectiveness outside the prescribe range precludes the used of hedge accounting and may result in amounts recognised in the income statement which had not previously been recognised.

(xiii) Under AASB 138 Intangible Assets, computer software that is not integral to the operation of a manufacturing faciity should be classified as an intangible asset rather than property, plant and equipment. At transition, $2.8 million of software has been reclassified to intangibles from property, plant and equipment. At year-end, $3.1 million has been reclassified.

(b) Reconciliation of net profit under AGAAP to that under AIFRS

	Notes	Consolidated 31.7.2005 $000	Parent 31.7.2005 $000
Net profit as reported under AGAAP		104,297	50,069
Movement in defined benefit pension deficit	(i)	(53)	–
Amortisation of goodwill	(ii)	5,770	–
Equity income – Agripec	(ii)	7,814	–
Amortisation of intangibles	(iii)	4,804	–
Share-based payment expense	(iv)	(656)	(656)
Reversal of impairment losses recognised in AGAAP	(v)	2,844	–
Adjustment to income tax expense	(vi)	(33)	–
Net profit under AIFRS		124,787	49,413
Less non-operating profit		3,407	–
Operating net profit under AIFRS		121,380	49,413

37 Impact of adopting AASB equivalents to IASB standards continued

(i) The defined benefit pension deficit for the group, which would be recognised under AASB 119 as at 31 July 2005, has decreased from 1 August 2004. However, an increase in employer costs of $0.1 million resulted in a decrease in AIFRS profit for the year. Refer also to note 37 (a) (i) above.

(ii) Under AASB 3 Business Combinations, goodwill is not permitted to be amortised but instead is subject to annual impairment testing. Currently, the group amortises goodwill over its useful life but not exceeding 20 years. Under the new policy, amortisation would no longer be charged but goodwill would be written down to the extent it is impaired. This results in an increase in AIFRS profit of $5.8 miilion for the year. See also note 37 (a)(iii) above. The notional goodwill on the Agripec equity investment is no longer amortised resulting in an increase in equity income of $7.8 million for the year.

(iii) Under AASB 138 Intangible Assets, intangible assets with indefinite lives will no longer be amortised but instead is subject to annual impairment testing. Currently, the group amortises intangibles over their useful lives but not exceeding 15 years. Under the new policy, intangibles with an indefinite life would be written down to the extent they are impaired. Intangibles with a finite life will continue to be amortised on a straight-line basis over their useful lives. This results in an increase to AIFRS profit of $4.8 million for the year. See also note 37 (a)(viii) above.

(iv) Under AASB 2 Share-based Payments, the company would recognise the fair value of share entitlements granted to employees as remuneration as an expense on a pro-rata basis in the income statement over the vesting period. Share-based payments are generally not recognised under AGAAP. This would result in a decrease in profit from AGAAP to AIFRS.

(v) Under AASB 136 Impairment of Assets, the group's assets, including goodwill and intangible assets with indefinite lives, would be tested for impairment as part of the cash generating unit to which they belong. Any impairment losses are recognised in the income statement.

(vi) The adjustment to income tax expense relates to the above AIFRS adjustments as well as to the reversal of the deferred tax liability, which would be recognised as at the transition date under AIFRS in relation to revalued assets.

(vii) Under AIFRS, revenue from the disposal of assets is recognised on a net basis as revenue or expense, rather than separately recognising the consideration received as revenue. Therefore, other revenue will no longer include the proceeds from sale of assets (2005: $95.2 million) but will be disclosed as a net gain on the sale of assets ($23.1 million).

(c) Restated AIFRS Statement of Cash Flows for the year ended 31 July 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

38 Subsequent events

The company announced in August 2005 that it had sold its Australian turf/specialty business, Nuturf Pty Ltd, to Hong Kong based C K Life Sciences International Holdings inc. for $7.2 million. 2005 financial year sales for Nuturf Pty Ltd were some $21 million and the business contributed net earnings of $1.1 million. This small wholesale business had not achieved sufficient scale in the Australian market to justify ongoing investment.

director's declaration

1. In the opinion of the directors of Nufarm Limited:

(a) the financial statements and associated notes including the remuneration disclosures that are contained in the attached Remuneration Report in the Directors' Report are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the company and consolidated entity as at 31 July 2005 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

(ii) complying with Accounting Standards in Australia, including AASB 1046 Director and Executive Disclosures by Disclosing Entities and the Corporations Regulations 2001; and

(b) 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 controlled entities identified in note 26 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 companyand those controlled 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 2005.

Signed in accordance with a resolution of directors:

KM Hoggard
Director

DJ Rathbone
Director

Melbourne
4 October 2005

KPMG

Independent audit report to members of Nufarm Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes 1 to 38 to the financial statements, the disclosures made as required by Australian Accounting Standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities* on pages 35 to 39 of the "Remuneration report" in the Directors' report as permitted by the *Corporations Regulations 2001* ("remuneration disclosures"), and the directors' declaration for both Nufarm Limited (the "Company") and the Consolidated Entity (the "Nufarm Group"), for the year ended 31 July 2005. The Nufarm Group comprises both the Company and the entities it controlled during that year.

The Remuneration report also contains at page 37 a table showing a summary of shareholder returns for the period 2001 to 2005 not required by Accounting Standard AASB 1046 which is not subject to our audit.

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

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Nufarm Group's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*.

KPMG

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

Audit opinion

In our opinion, the financial report, including the remuneration disclosures on pages 35 to 39 of the Remuneration report in the Directors' report of Nufarm Limited is in accordance with:

a) the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Company's and Nufarm Group's financial position as at 31 July 2005 and of their performance for the financial year ended on that date; and;

   ii. complying with Accounting Standards in Australia, including AASB 1046 *Director and Executive Disclosures by Disclosing Entities*, and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia.

KPMG

KPMG

Paul J McDonald

Paul J McDonald
Partner

Melbourne
4 October 2005

trend statement

SUPPLEMENTARY INFORMATION

	2005 $000	2004 $000	2003 $000	2002 $000	2001 $000	2000 $000
Operating results						
Sales revenue	1,671,029	1,595,768	1,458,811	1,429,275	1,323,232	1,213,042
Operating profit after tax and minority interests	103,474	76,563	64,269	56,834	51,138	51,984
Non-recurring item after tax	823	(361)	12,824	–	(55,664)	4,206
Profit attributable to members of the parent entity	104,297	76,202	77,093	56,834	(4,526)	56,190
Dividends paid and provided	40,548	33,656	10,894	27,952	27,808	26,818
Retained profits	63,749	42,546	66,199	28,882	(32,334)	29,372
Total equity						
Contributed equity	216,827	210,530	149,219	147,333	145,593	145,066
Retained profits and reserves	399,818	349,964	313,102	243,706	207,208	243,446
	616,645	560,494	462,321	391,039	352,801	388,512
Represented by						
Current assets	726,365	736,292	711,456	710,976	618,179	560,170
Current liabilities	625,883	550,862	506,925	590,050	454,309	420,088
Net current assets	100,482	185,430	204,531	120,926	163,870	140,082
Non-current assets	822,057	695,286	646,358	615,246	573,702	578,766
	922,539	880,716	850,889	736,172	737,572	718,848
Non-current liabilities	103,556	116,602	187,045	152,248	246,323	197,524
Capital notes	202,338	203,620	201,523	192,885	138,448	132,812
	305,894	320,222	388,568	345,133	384,771	330,33
Net assets	616,645	560,494	462,321	391,039	352,801	388,512
Statistics						
Operating earnings after tax to average equity attributable to members of the parent entity	17.8%	15.6%	15.3%	15.4%	13.8%	14.0%
Dividend rate per share	26.0c	23.0c	20.0c	18.0c	18.0c	17.2c
Net tangible asset backing per share	$2.66	$2.17	$2.05	$1.57	$1.42	$1.62

shareholder and statutory information

Details of shareholders, shareholdings and top 20 shareholders

Listed securities 4 October 2005	Number of holders	Number of securities	Percentage held by top 20
Fully paid ordinary shares	10203	169,671,874	67.46

Twenty largest shareholders

	Ordinary shares as at 4.10.05	Percentage of issued capital as at 4.10.05
Falls Creek No 2 Pty Ltd	25,680,987	15.14
J P Morgan Nominees Australia Limited	18,069,172	10.65
Amalgamated Dairies Limited	15,110,737	8.91
ANZ Nominees Limited (Cash Income A/C)	12,325,881	7.26
National Nominees Limited	7,161,529	4.22
Westpac Custodian Nominees Limited	5,840,999	3.44
Cogent Nominees Pty Limited	3,744,492	2.21
Citicorp Nominees Pty Limited	3,602,540	2.12
Challenge Investment Company Limited	2,982,868	1.76
Grantali Pty Ltd	2,887,403	1.70
AMP Life Limited	2,512,124	1.48
The Avalon Investment Trust Limited	2,491,448	1.47
Lawrence Holdings Limited	2,243,750	1.32
Australian Foundation Investment Company Limited	1,910,785	1.13
ASX Perpetual Registrars Ltd	1,761,454	1.04
Citicorp Nominees Pty Limited (CFS Future Leaders Fund A/C)	1,494,177	0.88
CPU Share Plans Pty Ltd	1,382,352	0.81
Suncorp Custodian Services Pty Limited (AET)	1,337,297	0.79
Cogent Nominees Pty Limited (SMP Accounts)	996,440	0.59
Douglas Industries Limited	916,565	0.54

Distribution of shareholders

	Number of Holders as at 4.10.05	Ordinary shares held as at 4.10.05
Size of holding		
1 – 1,000	3,420	2,043,436
1,001 – 5,000	4,996	12,388,963
5,001 – 10,000	1,037	7,218,079
10,001 – 100,000	667	13,701,943
100,001 and over	83	134,319,453

Of these, 55 shareholders held less than a marketable parcel of shares of $500 worth of shares (45 shares).
In accordance with the ASX Listing Rules, the last sale price of the company's shares on the ASX on 4 October 2005 was used to determine the number of shares in a marketable parcel.

Stock Exchanges on which securities are listed

Ordinary shares: Australian Stock Exchange Limited.

Substantial shareholders

In accordance with section 671B of the Corporations Act, as at 4 October 2005, the substantial shareholders set out below have notified the company of their respective relevant interest in voting shares in the company shown adjacent to their respective names as follows:

	Date of notice	Number of shares	Interest %
Amalgamated Dairies Ltd	24 August 2000	14,950,815	9.69
Khyber Pass Ltd [1]	24 August 2000	14,968,110	9.70
Glade Building Ltd [2]	24 August 2000	15,329,898	9.93
Hauraki Trading Ltd [3]	24 August 2000	15,685,712	10.16
Oxford Trustees (Paul Gerard Keeling and Allan Cameron Rattray) [4]	24 August 2000	15,347,193	9.94
Douglas John Rathbone [5]	8 November 2004	29,346,867	17.38
Australia and New Zealand Banking Group Limited (ANZ) [6]	6 December 2004	12,057,012	7.14
ING Australia Holdings Ltd (and related companies)	20 January 2005	16,844,059	9.94

1 Khyber Pass Ltd has a relevant interest in Amalgamated Dairies Ltd and, as a result, the number of shares disclosed by it includes the shares held by Amalgamated Dairies Ltd.
2 Glade Building Ltd has a relevant interest in Amalgamated Dairies Ltd and, as a result, the number of shares disclosed by it includes the shares held by Amalgamated Dairies Ltd.
3 Hauraki Trading Ltd has a relevant interest in Amalgamated Dairies Ltd and, as a result, the number of shares disclosed by it includes the shares held by Amalgamated Dairies Ltd.
4 Oxford Trustees has a relevant interest in Glade Building Ltd, Khyber Pass Ltd and Amalgamated Dairies Ltd and, as a result, the number of shares disclosed by it includes the shares held by Glade Building Ltd, Khyber Pass Ltd and Amalgamated Dairies Ltd.
5 DJ Rathbone has a non-beneficial interest in 218,725 shares as trustee of the Nufarm Limited staff share plan.
6 ANZ is taken under section 608(3)(a) of the Corporations Act to have the same relevant interests as ING Australia Limited and consequently has acquired relevant interests in the shares held by ING Australia Ltd.

Voting rights

On a show of hands, every shareholder present in person or represented by a proxy or representative shall have one vote and on a poll every shareholder who is present in person or represented by a proxy or representative shall have one vote for every fully paid share held by the shareholder.

Shareholder information

Annual general meeting

The annual general meeting of Nufarm Limited will be held on Thursday 8 December 2005 at 10.00 am in the Ballroom at the Duxton Hotel, 328 Flinders Street, Melbourne, Victoria.

Full details are contained in the Notice of Meeting sent to all shareholders.

Voting rights

Shareholders are encouraged to attend the annual general meeting. However, when this is not possible, they are encouraged to use the form of proxy by which they can express their views.

Every shareholder, proxy or shareholder's representative has one vote on a show of hands. In the case of a poll, each share held by every shareholder, proxy or representative is entitled to one vote for each fully paid share.

Stock exchange listing

Nufarm shares are listed under the symbol NUF on the ASX. The securities of the company are traded on the ASX under CHESS (Clearing House Electronic Sub-register System), which allows settlement of on-market transactions without having to reply on paper documentation.

Shareholders seeking more information about CHESS should contact their stockbroker or the ASX.

Electronic shareholder communication

You can choose to receive shareholder information electronically.

Register for this initiative at www.eTree.com.au/nufarm and a donation of $2 will go to Landcare Australia to support urgent reforestation projects in Australia and New Zealand.

Printing and posting paper publications such as annual reports are costly. By electing to receive this information electronically you will help the environment and reduce our costs.

This initiative is being run in conjunction with Computershare Investor Services.

Share register and other enquiries

Gain access to your shareholding information in a number of ways. The details are managed via our registrar, Computershare Investor Services and can be accessed as outlined below.
Please note: Your shareholder reference number (SRN) or holder identification number (HIN) is required for access.

Internet account access

Shareholders have been requesting the opportunity to have access to their details via the Internet. We have been able to provide two levels of access: read only and online portfolio updating capability.

- View shareholding (read only access)

Step 1 Go to www.computershare.com/au/investors

Step 2 Click on "Access a single holding" under the Non Member Access heading

Step 3 Enter NUF or Nufarm Limited

Step 3 Enter shareholder reference number (SRN) or holder identification number (HIN), postcode or country if outside Australia, and submit

Step 4 Read only access to:

– Account balance – Transaction history – Payment instructions – Payment history – Sign up for electronic securityholder communications

shareholder and statutory information continued

- Investor Centre (online portfolio updating capability)

Step 1 Go to www.computershare.com/au/investors

Step 2 Enter User ID and PIN or access the 'Register here' button

Step 3 Follow the prompts to register. For security purposes, Computershare will generate a PIN and mail it to your registered address.

Step 4 Enjoy the access to Investor Centre to view, evaluate and manage your portfolio

User you PIN and user ID to:

Manage

- View portfolio of all securities managed by Computershare
- Add securities not managed by Computershare to your portfolio
- View and set up payment instructions
- Sign up for electronic securityholder communications
- Retrieve holding statement
- Request statements

Update

- Change of address (company or portfolio)
- Add/change Tax File Reference Number *

View

- View account balances and transaction history
- View payment history

Evaluate

- Company news, profiles and charts

* Australian taxpayers who do not provide details of their tax file number will have dividends subjected to the top marginal personal tax rate plus Medicare levy. It may be in the interests of shareholders to ensure that tax file numbers have been supplied to the share registry.

InvestorPhone (Australian shareholders only)
InvestorPhone provides telephone access 24 hours a day 7 days a week.

Step 1 Call 1300 85 05 05

Step 2 Enter the company (ASX) code – NUF

Step 3 Enter your securityholder reference number (SRN) or holder identification number (HIN)

Step 4 Follow the prompts to gain secure, immediate access to your:

– holding details
– registration details
– payment information

Dividends

A final dividend of 17 cents per share will be paid on 11 November 2005 to shareholders registered on 21 October 2005. For Australian tax purposes, the dividend will be 100 per cent franked at the 30 per cent tax rate.

Australian and New Zealand shareholders can elect to have dividends paid directly into a bank account anywhere in Australia or New Zealand.

Forms for this purpose are available on request from the share registry.

Key dates

- 21 October 2005
  Record date (books closing) for 2004/2005 final dividend
- 11 November 2005
  Final dividend for 2004/2005 payable
- 31 October 2005 *
  Annual report sent to shareholders
- 8 December 2005
  Annual general meeting
- 23 March 2006*
  Announcement of profit result for half year ending 31 January 2006
- 31 July 2006
  End of financial year

* Subject to confirmation

For enquiries relating to the operations of the company, please contact the Nufarm Corporate Affairs Office on:

Telephone: (61) 3 9282 1177
Facsimile: (61) 3 9282 1111
email: robert.reis@au.nufarm.com

Written correspondence should be directed to:
Corporate Affairs Office
Nufarm Limited
PO Box 103
Laverton Victoria 3028 Australia
Nufarm Limited

directory

Directors

KM Hoggard – Chairman
DJ Rathbone – Managing Director
GDW Curlewis
Dr WB Goodfellow
GA Hounsell
DG McGauchie AO
GW McGregor AO (retired 31 July 2005)
Dr JW Stocker AO
RFE Warburton AO

Company Secretary

R Heath

Solicitors

Arnold Bloch Leibler & Co
333 Collins Street
Melbourne Victoria 3000 Australia

Sylvia Miller & Associates
131 Orrong Road
Elsternwick Victoria 3185 Australia

Auditors

KPMG
161 Collins Street
Melbourne Victoria 3000 Australia

Trustee for capital note holders

New Zealand Permanent Trustees Ltd

Share registrar

Australia
Computershare Investor Services Pty Ltd
GPO Box 2975EE
Melbourne Victoria 3001 Australia
Telephone: 1300 850 505
Outside Australia: 61 3 9415 4000

Capital notes registrar

New Zealand
Computershare Registry Services Limited
Private Bag 92119
Auckland NZ 1020
Telephone: 64 9 488 8777

Registered office

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Laverton North Victoria 3026 Australia
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