



Nufarm Limited | Annual Report 2007

FOOD, FEED AND FUEL
– SEIZING OUR OPPORTUNITIES
IN A GROWING GLOBAL INDUSTRY

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KEY EVENTS

- Group reports flat operating profit, year on year
- Drought in Australia has a significant impact on results
- North American operations continue to generate positive sales and profit growth
- Acquisition of 100 per cent of Agripec in Brazil
- Good progress on expansion into central and eastern Europe

FACTS IN BRIEF

	12 months ended 31 July 2007	12 months ended 31 July 2006
Trading results \$000		
Operating profit after tax	120,861	121,106
Sales revenue	1,764,384	1,676,746
Total equity	1,029,151	702,189
Total assets	2,438,911	1,919,948
Ratios		
Earnings per ordinary share	59.2c	60.3c
Net debt to equity	36%	81%
Net tangible assets per ordinary share	2.61	2.41
Distribution to shareholders		
Annual dividend per ordinary share	32c	30c
People		
Staff employed	2,488	2,315

NUFARM IS IDEALLY PLACED TO
LEVERAGE ITS STRONG MARKETING
SKILLS AND VALUABLE BRAND
POSITIONS

FOOD, FEED AND FUEL

Strong global demand for agricultural products is driving major changes in the level of technology invested in cropping systems throughout the world. Food for people, feed for stock and fuel for transport are the future for agriculture.

A growing world population can increasingly afford to eat a higher protein diet and aggressive, mandated targets for crop-based biofuels – the use of crops to make energy – are creating competing needs for agricultural production.

Improved living standards in developing economies, such as China, India and eastern Europe, mean a higher demand for animal based protein and this increased meat, dairy and egg consumption is lifting the need to produce grains for animal feed substantially and often from the same crop sources used for food or food products.

More recently, there has been a surge in the demand for biofuels such as ethanol and biodiesel. Ambitious government production targets are creating a relatively new – but competing – demand on the crops that provide feedstock for these fuels, predominantly corn, sugarcane and palm oil.

The area of land available for farming continues to decline per head of population with the result that there is a greater need to produce healthy crops and maximise yields. Global stocks of many grains have also run down to historically low levels.

In this demand driven environment, farmers are receiving good prices for their crops, with some soft commodities trading at or near record levels.

All these pressures are combining to create a positive business environment for agricultural input companies.

As a leading global supplier of value-added off-patent crop protection products, Nufarm is pursuing a strategy to realise the benefits of these opportunities. We have established an operating presence in the major global agricultural markets and are developing and introducing additional products across that platform.

Some regions are well placed to meet increased demand for agricultural products and Nufarm has made important strategic investments in South America – in particular Brazil – and continues to expand its business in central and eastern Europe.

Brazil is uniquely positioned to bring additional land into production. With generally reliable seasonal conditions and good soils, continued medium to long-term growth is forecast in crops such as soybeans, corn, wheat, cotton and sugar.

And in central and eastern Europe, there is substantial scope to improve yields by increasing use of agricultural inputs and technology.

As the global crop protection industry continues to see more products move into the off patent segment of the market, Nufarm is ideally placed to leverage its strong marketing skills and valuable brand positions to seize growth opportunities and create more value for the company's shareholders.



THE AREA OF LAND AVAILABLE FOR
FARMING CONTINUES TO DECLINE PER
HEAD OF POPULATION RESULTING IN A
GREATER NEED TO PRODUCE HEALTHY
CROPS AND MAXIMISE YIELDS





NEW BREEDING TECHNIQUES ARE
ACCELERATING THE DEVELOPMENT
OF HYBRID AND SPECIALTY SEEDS

SEEDS OF GROWTH

The selection of a new variety and the purchase of seed is becoming an increasingly important decision for farmers and one that involves a greater number of options.

New breeding techniques are accelerating the development of hybrid and specialty seeds and biotechnology is delivering a variety of value-adding traits that can be incorporated into seeds.

Seed purchase now represents a large investment for the farmer and incorporates decisions relating to how the crop will be managed, the specific properties or features of the end product and the market segments into which it can be sold.

Crop protection companies are extending their reach from the chemistry associated with protecting crops, increasing yields and achieving maximum value, to the biology involved in determining those same outcomes.

The emerging opportunities relating to the development and marketing of varieties – and seed treatments – provide important new growth platforms for Nufarm.

In Australia, Nufarm has established a seeds business, under the NuSEED brand and now has a market leading position in canola, as well as development programs involving wheat, beans and a variety of other crops.

The NuSEED business encompasses the value chain in seed and varieties from plant breeding through to the post-farmgate use of finished commodities, giving the business control over its own destiny.

Relationships have also been established with several overseas breeding programs and research efforts, with a view to expanding Nufarm's seed interests into other markets.

Ongoing development of a portfolio of seed treatment products is also allowing Nufarm to compete in what is a fast growing, high value segment of the market.

Nufarm's strengths in market driven innovation, its access to distribution and our regulatory and marketing skills can all be leveraged to develop an exciting and valuable growth opportunity.





NUFARM HAS ESTABLISHED OPERATIONS
IN THE MAJOR GLOBAL AGRICULTURAL
MARKETS

MANAGING DIRECTOR'S REVIEW



Doug Rathbone AM
Managing director and
chief executive

Severe drought conditions in Australia had a significant impact on the company's overall result in financial year 2007. Given these conditions, the result is satisfactory.

Nufarm generated a net profit of \$148.8 million for the year ended 31 July 2007. This included \$27.9 million in non-operating items, resulting in the operating profit of \$120.9 million after tax gains. The operating result is slightly below last year's net operating profit of \$121.1 million and some seven per cent below the company's previous guidance.

We had expected to recover the position in Australia during the second half but, while climatic conditions improved in some areas of the country, this improvement was not sufficient to deliver on previous guidance.

Seasonal conditions – and registration issues in the UK – also had an adverse impact on the profitability of the European businesses.

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

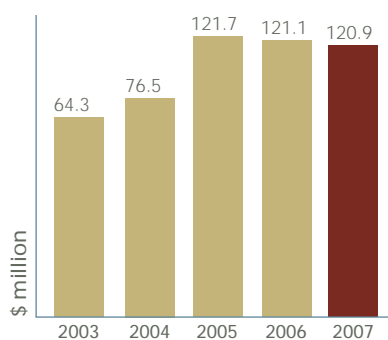
Total group sales were \$1.76 billion, an increase of five per cent on last year's revenues of \$1.68 billion. This included some \$60 million in sales recorded by Agripec in Brazil in June and July after Nufarm assumed 100 per cent control of that business.

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

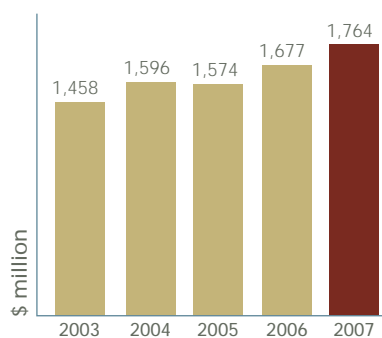
Earnings per share (on an operating basis, excluding discontinued operations,) were 59.2 cents, compared with last year's 60.3 cents.

MANAGING DIRECTOR'S REVIEW CONTINUED

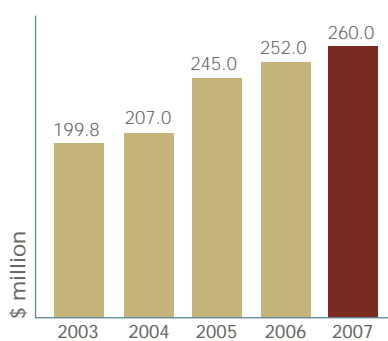
Operating profit



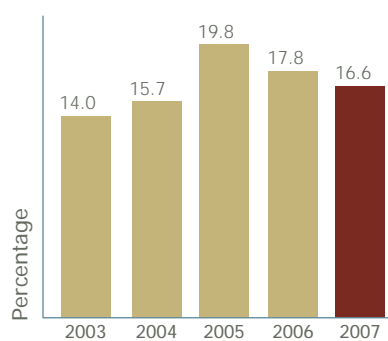
Group sales



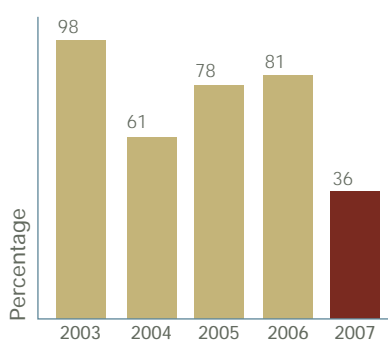
EBITDA



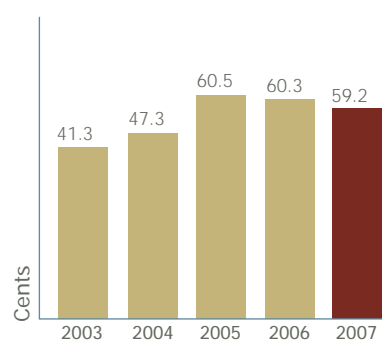
Return on funds employed



Net debt to equity



Earnings per share



MANAGING DIRECTOR'S REVIEW CONTINUED

Non-operating items

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

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

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

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

Final dividend

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

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

Treasury

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

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

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

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

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

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

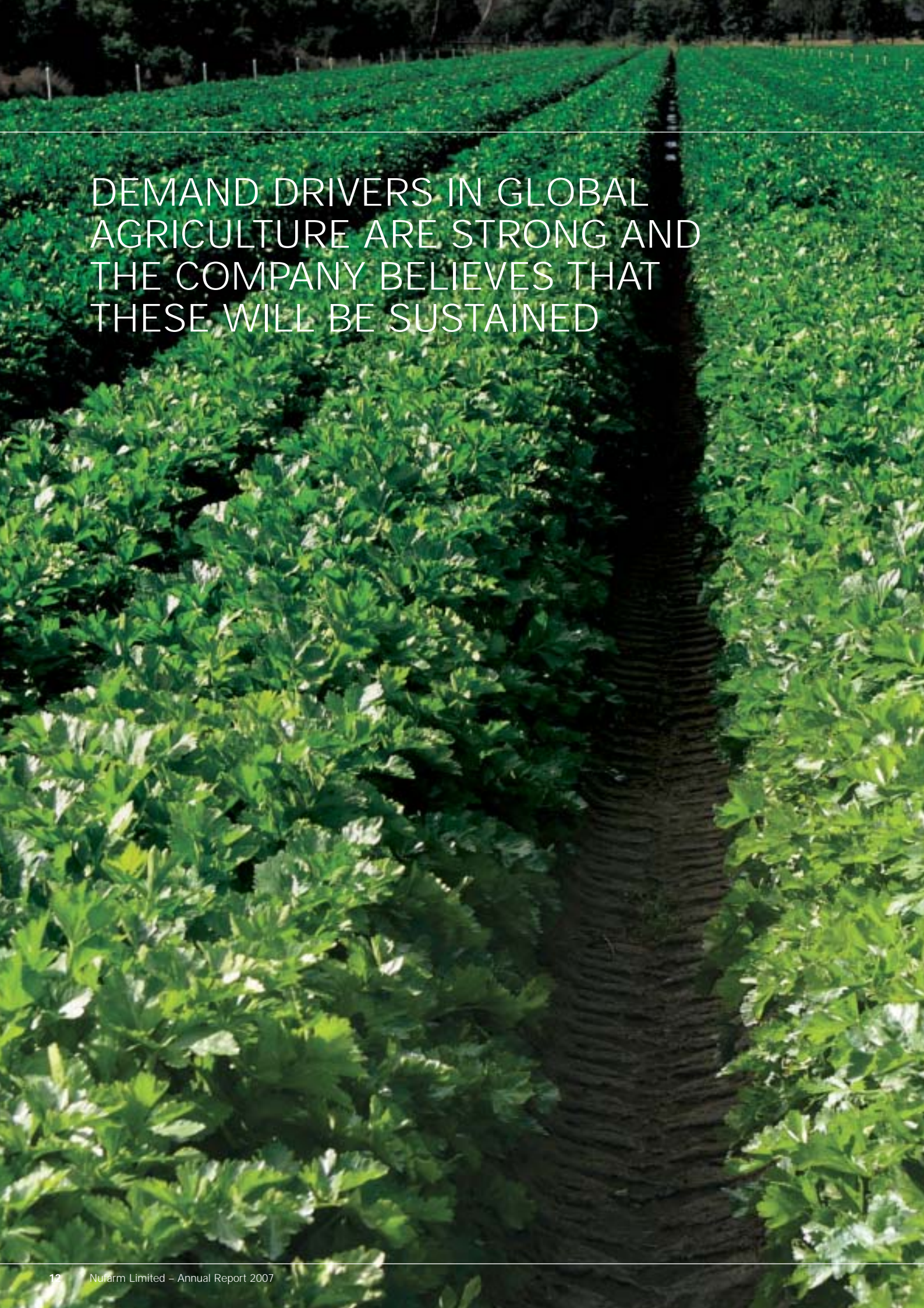
Nufarm Step-up Securities

Nufarm issued \$251 million of Nufarm Step-up Securities in November 2006. These securities are recorded as a component of equity and replaced the capital notes that had been issued over the past 10 years.

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

Our people

A critical component of Nufarm's success is its people: the board of directors and senior management appreciate their loyalty, commitment and hard work. These people are spread across every continent in the world and, as we



DEMAND DRIVERS IN GLOBAL
AGRICULTURE ARE STRONG AND
THE COMPANY BELIEVES THAT
THESE WILL BE SUSTAINED

MANAGING DIRECTOR'S REVIEW CONTINUED

continue to grow, there will be new challenges to our culture, behaviour and way of working as we extend our reputation for innovation, first class marketing, quality products and technical support.

Dick Warburton AO will retire from the Nufarm board in December 2007 after more than 14 years of service to the company and shareholders. Dick has made a significant contribution at board level, not only in his role as chairman of the remuneration committee and member of the nomination committee but also as the company has expanded internationally. Dick has been very supportive of management and its business development plans and the company acknowledges that contribution and wishes him well in the future.

Outlook

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

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

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

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

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

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

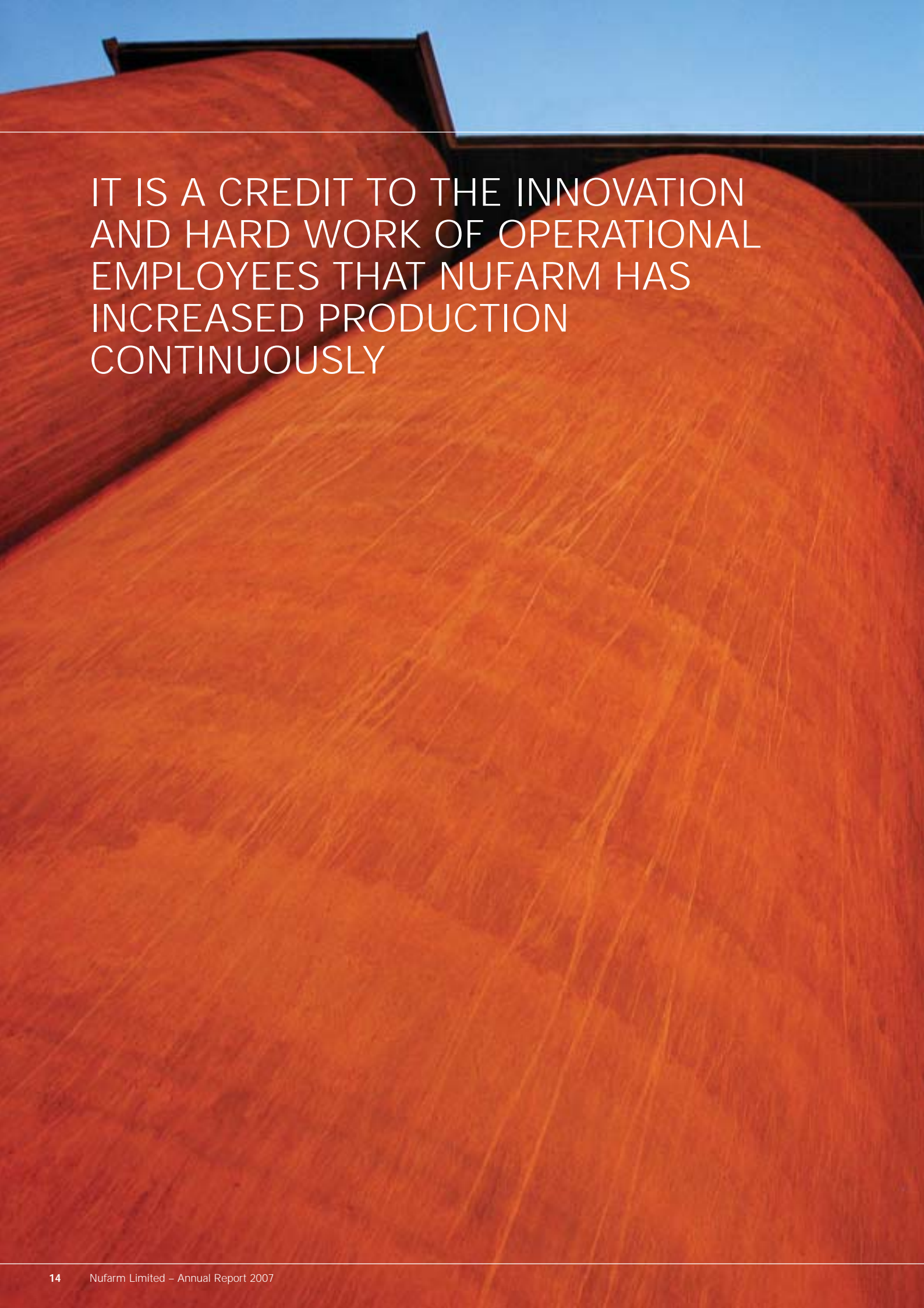
In the 2008 financial year, Nufarm is forecasting a group operating profit of approximately \$145 million. Comparing this to 2007 and excluding the net \$9.2 million profit from the divested chlor alkali interests, this represents profit growth of almost 30 per cent for the company's ongoing crop protection businesses.

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

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



Doug Rathbone AM
Managing Director



IT IS A CREDIT TO THE INNOVATION
AND HARD WORK OF OPERATIONAL
EMPLOYEES THAT NUFARM HAS
INCREASED PRODUCTION
CONTINUOUSLY





BUSINESS REVIEW

CROP PROTECTION

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

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

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

Agrosol, the newly purchased business in Italy, also made an initial contribution this year.

Australasia

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

Widespread and severe drought conditions had a severe impact on the business in Australia during the first eight months of the year: this was only partly recovered in the next four months. While there were good and early season opening rains in South Australia, Victoria and parts of New South Wales, important cropping regions in Queensland, northern New South Wales and Western Australia remained dry throughout autumn and early winter.

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

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

Australian sales were more than seven per cent down on the previous year. Limited demand, lower sales of higher value products and pricing pressure all had a negative impact on margins and, combined with higher costs in some areas, there were repercussions on profitability.

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

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

Americas

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

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

CROP PROTECTION CONTINUED

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

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

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

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

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

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

Europe

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

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

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

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

Nufarm's German business generated a 15 per cent increase in revenues but gross margins were affected by reduced sales opportunities for the company's proprietary spring herbicides.

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

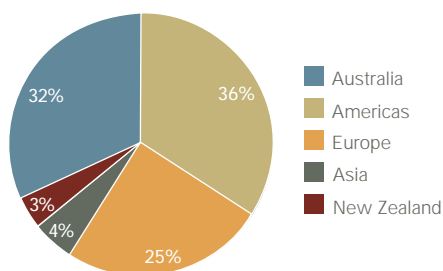
Lower MCPA sales from the company's Botlek (the Netherlands) facility also had a negative impact on the European results.

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

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

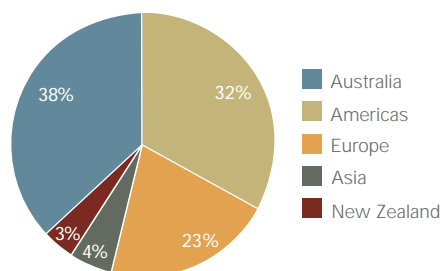
CROP PROTECTION CONTINUED

Crop protection sales by region 2007



2007 total revenue \$1.76 billion

Crop protection sales by region 2006



2006 total revenue \$1.68 billion

Seeds

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

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

Australia's adverse seasonal conditions in the reporting period had a negative impact on the seed business, with lower canola plantings and a restricted capacity to bulk up new seed varieties.

Agripec – Brazil

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

Business conditions in Brazil improved as the year progressed with a more stable currency and higher commodity prices helping to ease the credit related issues that had a negative impact the previous year. The full benefit of these improved conditions will not be seen until the 2008 financial year.

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

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

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

AGRIPEC WAS ESTABLISHED SOME
40 YEARS AGO AND HAS BUILT
STRONG CUSTOMER RELATIONSHIPS



CROP PROTECTION CONTINUED

Brazil in focus

Recognising the substantial growth opportunities in Brazil, Nufarm reached agreement during the 2007 financial year to acquire the balance of locally based crop protection company, Agripec Quimica e Farmaceutica S.A. and assumed management control on 1 June.

Nufarm's initial investment in Agripec (49.9 per cent equity stake) was made in August 2004 after a comprehensive review of suitable acquisition opportunities in the world's fastest growing – and second largest – crop protection market.

Agripec's manufacturing operations are located in Fortaleza, in the northeast of Brazil and the company has an administrative base in Sao Paulo, with an extensive sales network extending into the key farming regions. The company generated net sales of some R\$460 million in Nufarm's 2007 financial year, giving it an approximate five to seven per cent market share.

Brazil is an increasingly important agricultural market and is ranked as the leading global producer of a number of important agricultural commodities. With a large arable landmass, generally reliable climatic conditions and good soils, Brazil is uniquely placed to take advantage of strong global demand for crops to meet food, animal feed and energy (biofuels) needs.

The market in Brazil is also seeing change as technology and agricultural inputs are used to maximise production. Increased adoption of genetically modified crops is leading to changes in the use patterns of certain crop protection products.

Following its acquisition of Agripec, Nufarm has a strong platform to take advantage of the opportunities that will flow from these changes. The company is now developing new products to access a variety of crop segments and broaden its sales base. The global product development resources of Nufarm and its strategic relationships, will add strength and value to the business.

As a developing economy, business in Brazil is not without risk. Appropriate credit controls and other risk management policies are in place.

Agripec was established some 40 years ago and has built strong customer relationships. As the business makes the transition to the Nufarm brand, care will be taken to preserve and enhance those relationships.



HEALTH, SAFETY AND ENVIRONMENT

Achieving industry-leading growth in the global crop protection business means a dedication to always improving our health, safety and environment performance.

Nufarm continues to emphasise the proper management of these issues and its annual calendar year health, safety and environment corporate and site reports contain the detailed data. The reports are available at www.nufarm.com/healthsafetyreports

In the 2006 calendar year, the lost time injury frequency rate did not meet the improvement target but the unusual incident reporting system continues to show improvement. This system is being expanded throughout the company and behavioural training has been rolled out across Australasia.

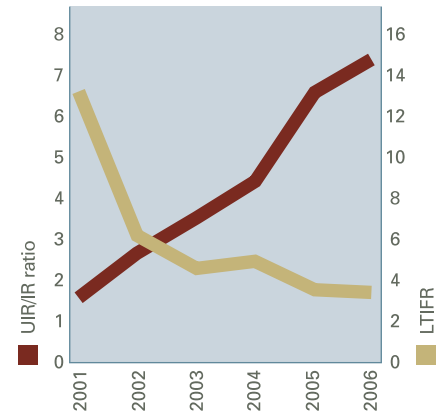
Fifteen sites that achieved 200,000 hours work or five years – or both – received safety awards during the year and 20 locations operated without recording any injuries serious enough to require one or more days away from work.

In the reporting period, Nufarm was neither fined nor prosecuted for any breaches of environment regulations at its 21 manufacturing sites plus offices and regional centres. Eleven of its sites achieved 100 per cent compliance in environmental testing and, due to demonstrated continual compliance, reduced testing has been authorised at some sites.

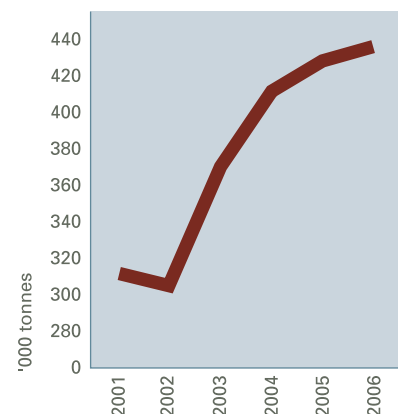
Greenhouse gas reduction and water conservation initiatives are underway at most sites. It is a credit to the innovation and hard work of operational employees that Nufarm has increased production continuously while making substantial decreases in energy use and developing transforming water efficiency measures.

One of the environmental challenges Nufarm now faces is due to its basic chlorine chemistry synthesis and production: the bi-product is salt. Even though production has increased substantially in recent years, the increase in the amount of salt to be treated and discharged is marginal. The search continues for new technical advances to capture salt for re-use.

Unusual incident report/injury report vs LTIFR 2001–2006

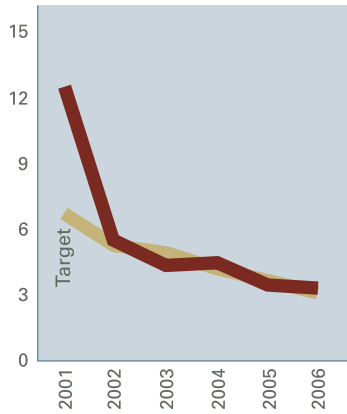


Production 2001–2006



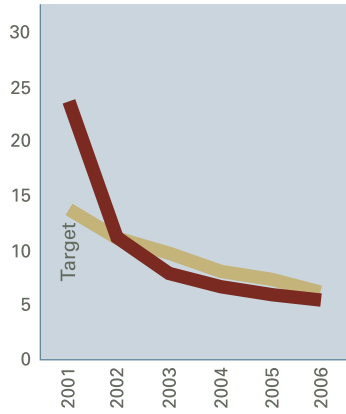
HEALTH, SAFETY AND ENVIRONMENT CONTINUED

LTIFR 2001–2006
2007 target 2.61



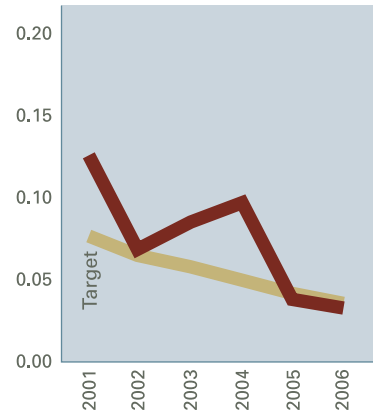
LTIFR or lost time injury frequency rate is the number of lost time injuries per million hours worked that results in one or more day of absence from work.

MTIFR 2001–2006
2007 target 5.22



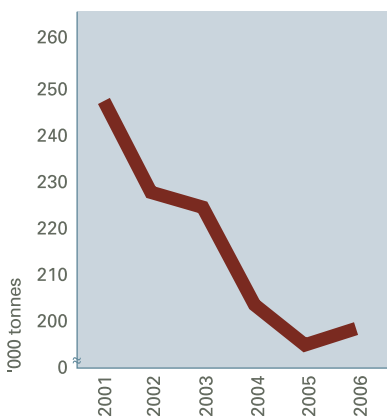
MTIFR or medical treatment injury frequency rate is the number of lost time and medical treatment injuries per million hours worked.

Severity 2001–2006
2007 target 0.03

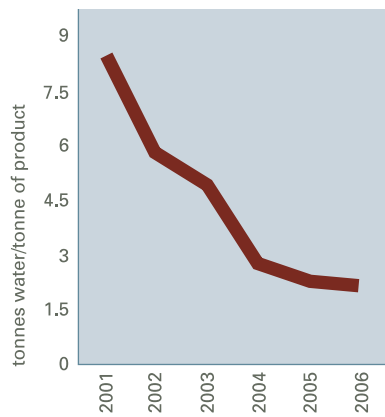


Severity is the number of days lost per thousand hours worked.

CO₂ released from energy use and processes 2001–2006



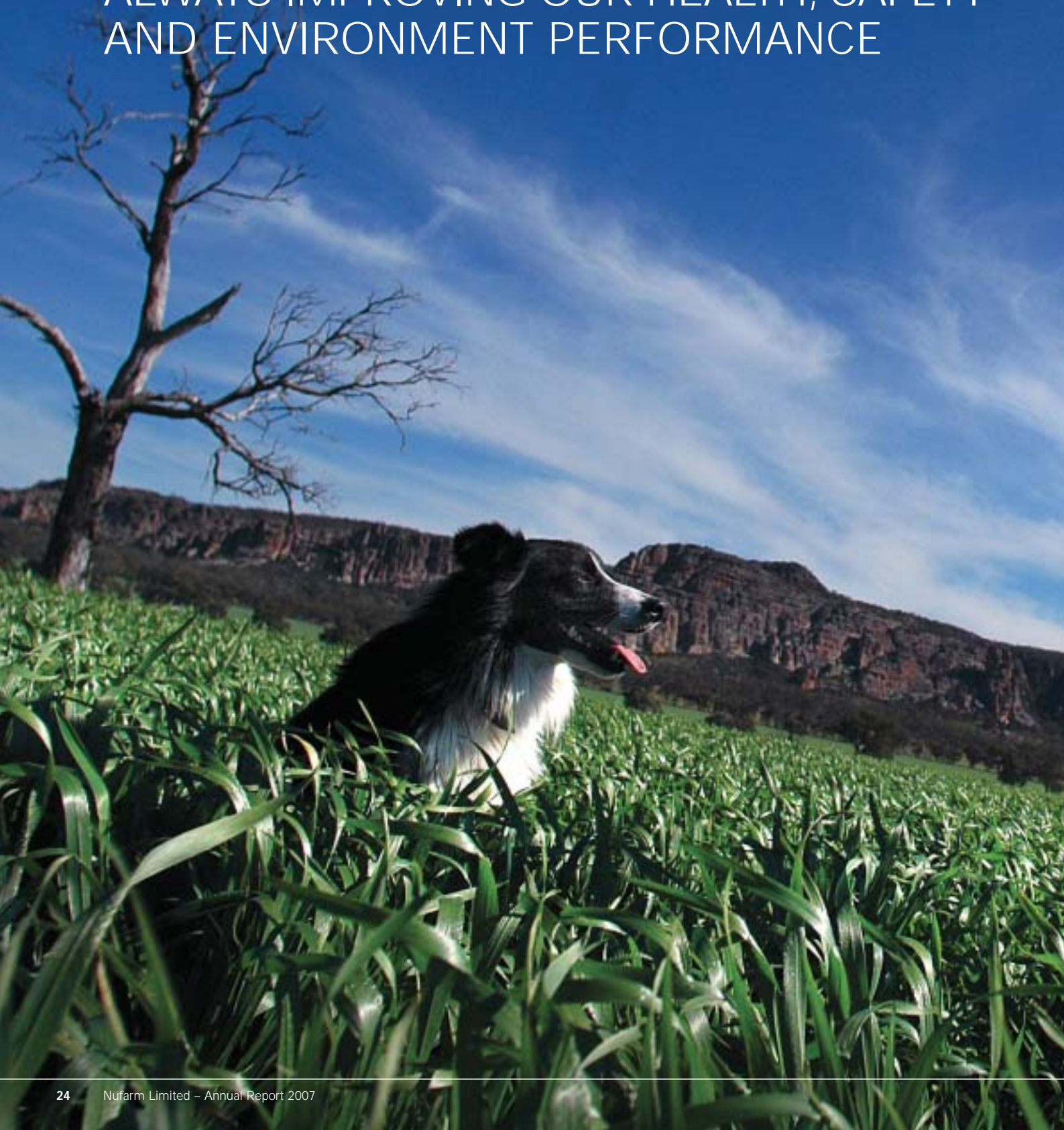
Water efficiency 2001–2006



Waste 2001–2006



ACHIEVING INDUSTRY-LEADING GROWTH
IN THE GLOBAL CROP PROTECTION
BUSINESS MEANS A DEDICATION TO
ALWAYS IMPROVING OUR HEALTH, SAFETY
AND ENVIRONMENT PERFORMANCE





MANAGEMENT TEAM



Doug Rathbone AM

Managing director and chief executive

Doug Rathbone's 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. He joined the board of directors in 1987.

He was appointed to the board of the Commonwealth Scientific and Industrial Research Organisation (CSIRO) in 2007.

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 26 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.

MANAGEMENT TEAM CONTINUED



Dale Mellody

Group general manager marketing and product development

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 responsible for Nufarm's global marketing and product development group. Now based in the USA, Dale also heads Nufarm's North American regional operations.

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.

David is responsible for all of Nufarm's global manufacturing and production sites.

Robert Reis

Group general manager corporate strategy and external affairs

A former journalist, political adviser and lobbyist, Robert joined Nufarm in 1991.

Robert is responsible for global issues management, investor relations, media, government and stakeholder relations.

Robert also has executive management responsibility for corporate strategy, human resources and organisational development.

BOARD OF DIRECTORS



Kerry Hoggard

Chairman

Kerry Hoggard, 66, 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 Curlewis

Deputy chairman

GDW (Doug) Curlewis, 66, 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 GUD Holdings Ltd, Graincorp Limited and Sigma Pharmaceuticals Limited.

In the past three years Doug has been a director of Pacifica Group Ltd (nine years), National Foods Ltd (six years) and Remunerator Australia Pty Ltd (seven years).

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

Doug Rathbone AM

Managing director and chief executive

Doug Rathbone AM, 61, 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.

He was appointed to the board of the Commonwealth Scientific and Industrial Research Organisation (CSIRO) in 2007.

Bruce Goodfellow

Dr WB (Bruce) Goodfellow, 55, 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.

Bruce is a director of Sanford Ltd, Sulkem Co Ltd, Refrigeration Engineering Co Ltd and Cambridge Clothing Co Ltd.

BOARD OF DIRECTORS CONTINUED



Garry Hounsell

GA (Garry) Hounsell, 52, 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.

Garry is deputy chairman of Mitchell Communications Ltd and a director of Qantas Airways Limited and Orica Ltd.

Garry is chairman of the audit committee.

Donald McGauchie AO

DG (Donald) McGauchie AO, 57, joined the board in 2003.

He has wide commercial experience within the food processing, commodity trading, finance and telecommunication sectors.

He also has extensive public policy experience, having previously held several high-level advisory positions to the government including the Prime Minister's Supermarket to Asia Council, the Foreign Affairs Council and the Trade Policy Advisory Council.

He is currently chairman of Telstra Limited; a member of the board of the Reserve Bank of Australia and a director of James Hardie Industries NV.

In the past three years Donald has been a director of National Foods Ltd (five years) and Ridley Corporation Limited (six years).

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

John Stocker AO

Dr JW (John) Stocker AO, 62, joined the board in 1998.

He has a medical, scientific and management background and was formerly chief scientist of the Commonwealth of Australia and is now the chairman of the Australian Commonwealth Scientific and Research Organisation.

He is a principal of Foursight Associates Pty Ltd and Chairman of Sigma Pharmaceuticals Ltd. He is a director of Telstra Corporation Ltd and Circadian Technologies Ltd.

In the past three years John has been a director of Sigma Company Limited (eight years) and Cambridge Antibody Technology Group plc (11 years).

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

Dick Warburton AO

RFE (Dick) Warburton AO, 66, joined the board in 1993.

He has a business management background and is chairman of Tandou Ltd and Magellan Flagship Fund Limited. He is a director of Caltex Australia 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 Tabcorp Holdings Limited (six years).

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

After more than 14 years as a member of the board of directors, Dick will retire at the annual general meeting in December. In a critical phase of our development, his contribution to and support of Nufarm has been substantial and we wish him well.

THE COMPANY'S EXPANSION INTO
CENTRAL AND EASTERN EUROPE
ALSO SAW VERY POSITIVE PROGRESS





CORPORATE GOVERNANCE

Introduction

Nufarm's board processes are under constant review to ensure our systems protect the interests of all stakeholders.

As part of this review, we consider 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 provisions of the Corporations Act 2001. We practice early adoption before actual compliance is required.

This report is referable to the ASX Principles as published in 2003. We intend to report against the recent amendments to the ASX Principles in our 2008 annual report.

Copies of our corporate governance practices are publicly available in the corporate governance section of our website: www.nufarm.com

Compliance with ASX principles

The ASX Listing Rules require Nufarm to disclose in our annual report the extent to which we have adopted the 28 best practice recommendations during our reporting period and, where we do not comply, to explain why not.

Nufarm believes it complies with all the ASX principles with two exceptions.

- 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 is not deemed an independent director in accordance with the tests set out in principle 2 of the ASX principles.

The board unanimously continues to support Kerry as chairman, believing this to be clearly in the best interest of all stakeholders.

Kerry continues to apply judgement independent of management in all decision-making. He discharges his role with a strong commitment to considerations of governance and disclosure.

Doug Curlewis, an independent director, has been appointed deputy chairman of the board.

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

We currently have one equity based reward plan, introduced in 2000 before the release of the ASX Principles.

The plan did not need shareholder approval under the Corporations Act or the Listing Rules and therefore was not put to shareholders for approval. However, in 2000, 2001 and 2002, shareholders' approval was sought for offers of shares to the managing director under the plan. The notices of the annual general meetings and the annual reports for those years detail the nature of the plan. Each year shareholders approved the issue of shares to the managing director under the plan. No shares have been issued to the managing director under the plan since 2002.

Management and oversight of Nufarm

The board

The governing body of the company is the board of directors. Its clear responsibility is to oversee the company's operations and ensure that Nufarm carries out its business in the best interests of all shareholders and with proper regard to the interests of all other stakeholders.

The board charter clearly defines the board's individual and collective responsibilities and describes those delegated to senior management.

CORPORATE GOVERNANCE CONTINUED

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.

The board annually reviews its composition and terms of reference for the board, chairman, board committees and managing director.

There are seven scheduled meetings each year. When necessary, additional meetings are convened to deal with specific issues that require attention before the next scheduled meeting. Each year the board also reviews the strategic plan and direction of the company.

At 31 July 2007, there are three board committees: audit; remuneration; and nomination. All directors are entitled to attend any committee meeting.

Details of the attendances at meetings of board and committees during the reporting period appear on page 42 of this report.

The company is managed according to the recommendations of ASX Principle 1.

A summary of the board charter is available from the corporate governance section of the company's website.

Board of directors

Composition

There are eight members of the board with a majority of independent non-executive directors who have an appropriate range of proficiencies, experience and skills to ensure that it discharges its responsibilities with the best possible management of the company in mind.

The company's constitution specifies that the number of directors may be neither less than three, nor more than 11. At present there are seven non-executive directors and one executive director, namely the managing director, and the board has decided at this time that no other company executive will be invited to join the board.

Independence

Directors are expected to bring independent views and judgement to the board. The board applies the tests set out in ASX Principle 2 to determine the independence of directors. To decide whether a director has a material relationship with the company that may compromise independence, the board considers all relevant circumstances.

The board reviewed the ASX Principles and the circumstances of individual directors and believes it is unnecessary to define any specific materiality limits, except that a substantial shareholder is defined as one who holds or is associated directly with a shareholder controlling in excess of five per cent of the company's equity.

Tenure

The board believes that the way directors discharge their responsibilities and their contribution to the success of the company determines their independence and justifies their positions.

CORPORATE GOVERNANCE CONTINUED

However, in accordance with best Australian practice, the board has determined that any director who has served on the board as a non-executive director for 10 continuous years 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.

The nomination committee reviews the performance of directors who seek to offer themselves for re-election at a company AGM. That committee then recommends to the board whether or not it 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 as follows:

Independent non-executive directors

GDW Curlewis
GA Hounsell
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, including terms in office, are on pages 28 to 29 of this report.

Access to independent advice

To help directors discharge their responsibilities, any director may appoint legal, financial or other professional consultants at the expense of the company with the chairman's prior approval, which may not be unreasonably withheld.

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

Conflicts of interest

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

Chairman of the board

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

According to the tests set out in ASX Principle 2, Nufarm's chairman, Kerry Hoggard, is not an independent director. The reasons why we unanimously support Kerry's appointment are set out on page 32 of this report. Doug Curlewis, an independent director, has been appointed deputy chairman.

The Nufarm board has stipulated that the same person may not fill the roles of the chairman and chief executive officer.

With the exception of the independence of the chairman, the board structure is consistent with ASX Principle 2.

The nomination committee

Doug Curlewis is chairman of the nomination committee and Donald McGauchie, John Stocker and Dick Warburton are members. All are independent directors.

The formal charter setting out the committee's membership requirements includes the responsibilities to:

- assess competencies of board members;
- review board succession plans;
- evaluate board performance; and
- recommend the appointment of new directors when appropriate.

CORPORATE GOVERNANCE CONTINUED

A copy of the nomination committee charter and a summary of the policy and procedure for appointment of directors is available on 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 in compliance with all legislation. Where there are no legislative requirements, the company develops policy statements relating to the business stakeholders to ensure appropriate standards and carefully selects and promotes 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 is available on the corporate governance section of the company's website.

Purchase and sale of company shares

The Nufarm board has 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 the release;
- six weeks before the release of the company's year end results to the ASX, ending 24 hours after the release; and

- two weeks before the company's AGM, ending 24 hours after the AGM.

Before any trading activity in company shares, directors and senior 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 approval of the company secretary.

A copy of the trading policy is available on 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

Garry Hounsell is chairman of the board audit committee with Doug Curlewis and Kerry Hoggard as members. 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 42.

CORPORATE GOVERNANCE CONTINUED

Garry Hounsell 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 on the manufacturing sector. He is deputy chairman of Mitchell Communications Group Limited and a director of Qantas Airways Limited and Orica Limited. Gary is also chairman of the audit committee at Qantas.

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, was chief executive officer from 1987 to 1999.

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 Sigma Pharmaceuticals Limited.

The committee reviews its charter annually.

The charter sets out membership requirements for the committee, its responsibilities and provides that the committee shall assess the external auditor's actual or perceived independence annually by reviewing the services provided by the auditor.

The charter also identifies those services that:

- the external auditor may and may not provide; and
- 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, is available on 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 available on 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 communication with our shareholders and the general investment community.

Our communication policy aims to:

- ensure that shareholders and the financial markets are provided with full and timely information about our activities;
- comply with our continuous disclosure obligations;

CORPORATE GOVERNANCE CONTINUED

- ensure equality of access to briefings, presentations and meetings for shareholders, analysts and media; and
- encourage attendance and voting at shareholder meetings.

Postal and electronic communication with shareholders includes:

- half year and annual reports;
- notices of AGM;
- a summary of AGM proceedings, including the chairman's and chief executive officer's addresses and voting results; and
- information whenever there are significant developments to report.

Our formal communications policy is available on the corporate governance section of the company's website.

External auditor

Nufarm requires 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 identify, assess, monitor and manage 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 to identify and manage risk. These include:

- a comprehensive occupational health, safety and environmental program. The company publishes an annual health, safety and environment 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 approval limits for capital expenditure and investments;
- annual budgeting and monthly reporting systems for all business units to 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.

Integrity of financial statements

The procedures to safeguard the integrity of financial statements are set out on pages 35 to 36 of this statement.

A summary of the company's risk management policy and internal compliance system is available on the corporate governance section of the company's website. The management of risk is consistent with ASX Principle 7.

CORPORATE GOVERNANCE CONTINUED

Board and management performance

The board

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

In 2003–2004, directors completed a detailed questionnaire, an external consultant interviewed each director individually and there was a general board discussion. The chairman conducted the subsequent performance evaluation and, in the current reporting period, the board completed a purpose-designed questionnaire, the results of which were discussed with the chairman, the chairman of the nomination committee and then by the board as a team.

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

All directors may obtain independent professional advice (page 34) and have direct access to the company secretary.

A summary of the performance evaluation process is available on the corporate governance section of the company's website.

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

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 pages 45 to 47.

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. This formalises the terms and conditions of appointment, including termination payments.

Remuneration committee

Dick Warburton is chairman of the remuneration committee and Doug Curlewis, Kerry Hoggard, Don McGauchie and John Stocker are members, with 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 is available on the corporate governance section of the company's website.

Remuneration of non-executive directors

The board's policy with regard to non-executive director remuneration is set out in the remuneration report on pages 45 to 52.

CORPORATE GOVERNANCE CONTINUED

Except for compliance with recommendation 9.4, which is discussed on page 32, our remuneration policies are consistent with ASX Principle 9.

Interests of stakeholders

Code of conduct

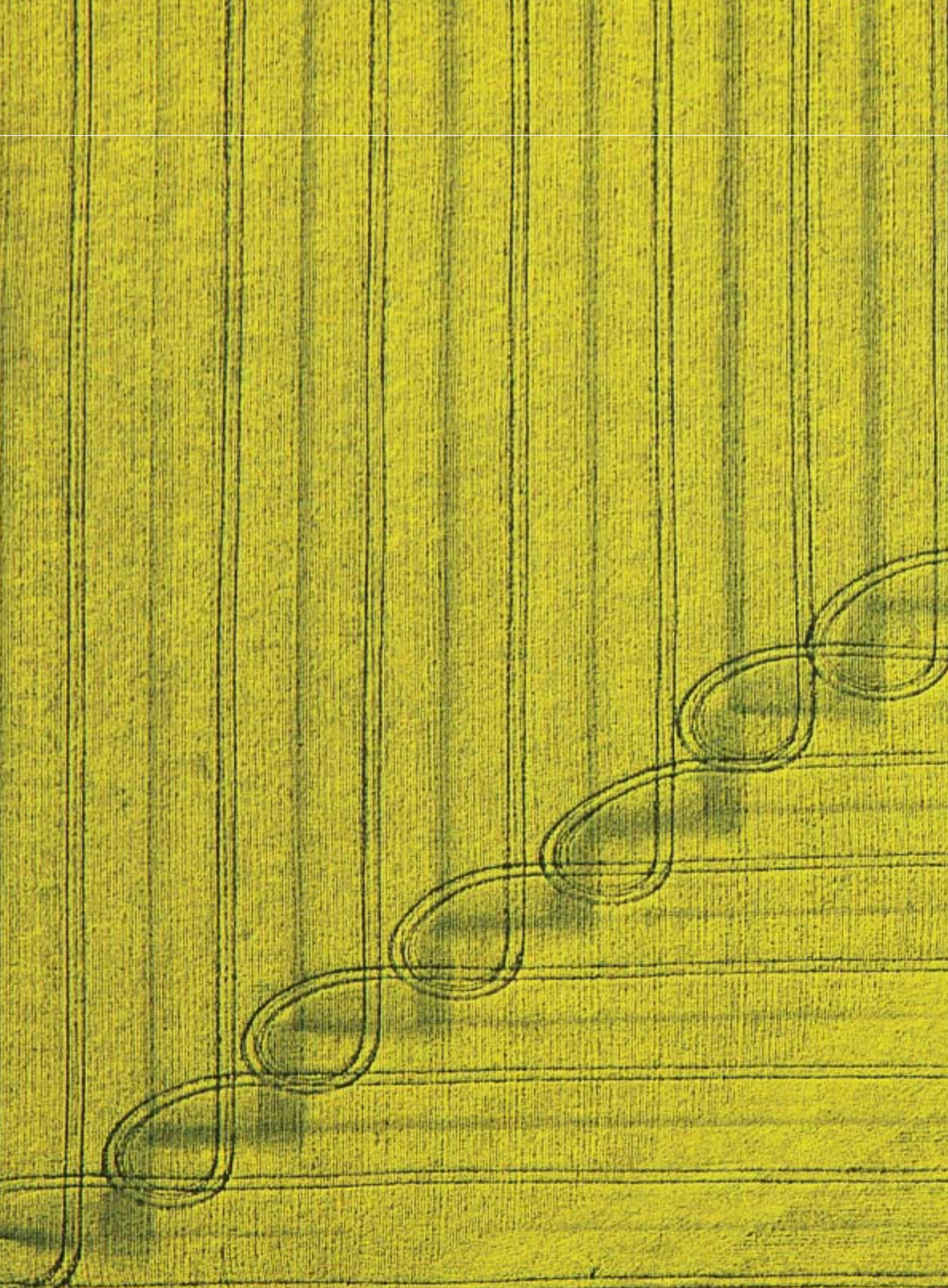
Nufarm seeks to conduct its business in a way that recognises and adheres to all relevant laws and regulations and meets high standards of honesty and integrity. To meet this commitment, we require all Nufarm directors, employees, contractors and consultants to be familiar with and uphold the company's code of conduct in all business dealings.

The company is politically impartial except when the board believes it is necessary to comment due to a perceived major impact on the company, its business or any of its stakeholders.

As Nufarm operates in many countries, it does so in accordance with the each country's social and cultural beliefs.

Our formal code of conduct is available on the corporate governance section of the company's website.

Nufarm's recognition of the interests of shareholders is consistent with ASX Principle 10.



DIRECTORS' REPORT

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

Directors

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

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

All directors held their position as a director throughout the entire period and up to the date of this report. Details of the qualifications, experience and responsibilities and other directorships of the directors are set out on pages 28 and 29.

Company secretary

The company secretary is Mr R Heath.

Details of the qualifications and experience of the company secretary are set out on page 26.

Directors' interests in shares and step-up securities

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

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

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

2 The holding of Dr WB Goodfellow includes his relevant interest in:

- (i) St Kentigern Trust Board (429,855 shares and 19,727 step-up securities) – Dr Goodfellow is Chairman of the Trust Board. Dr Goodfellow does not have a beneficial interest in these shares or step-up securities;
- (ii) Sulkem Company Limited (113,616 shares);
- (iii) Auckland Medical Research Foundation (25,462 step-up securities). Dr Goodfellow does not have a beneficial interest in these step-up securities.

DIRECTORS' REPORT CONTINUED

Directors' meetings

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

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

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

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

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

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

² All directors are entitled to attend any committee meetings.

Principal activities and changes

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

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

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

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

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

DIRECTORS' REPORT CONTINUED

Results

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

Reconciliation of statutory profit to operating profit

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

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

	Operating \$000	Consolidated – 2007 material (non-operating) items \$000	Total \$000
Profit from continuing operations	107,323	–	107,323
Discontinued operations	9,165	32,675	41,840
Other significant items	4,740	(4,740)	–
Profit for the year	121,228	27,935	149,163
Minority interest	(367)	–	(367)
Operating profit attributable to equity holders of the parent	120,861	27,935	148,796

	Operating \$000	Consolidated – 2006 material (non-operating) items \$000	Total \$000
Profit from continuing operations	103,165	–	103,165
Discontinued operations	10,152	4,482	14,634
Other restructuring items	8,368	(8,368)	–
Profit for the year	121,685	(3,886)	117,799
Minority interest	(579)	–	(579)
Operating profit attributable to equity holders of the parent	121,106	(3,386)	117,220

DIRECTORS' REPORT CONTINUED

Dividends

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

	\$000
The final dividend for 2005–06 of 20 cents paid 10 November 2006	34,251
The interim dividend for 2006–07 of 11 cents paid 27 April 2007	18,894
The final dividend for 2006–07 of 21 cents as declared and recommended by the directors is payable 9 November 2007	36,015

Nufarm Step-up Securities distribution payment

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

Distribution payment for the period 24 November 2006 – 15 April 2007 at the rate of 8.35 per cent per annum paid 16 April 2007	8,184
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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 8 to 13 and the business review on pages 16 to 23.

State of affairs

The state of the company's affairs are set out in the managing director's review on pages 8 to 13 and the business review on pages 16 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 subsequent to reporting date

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

Likely developments

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

Environmental performance

Details of Nufarm's performance in relation to environmental regulations are set out on pages 22 to 23.

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 will be made available upon request to the company secretary.

DIRECTORS' REPORT CONTINUED

Non-audit services

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

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

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

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

Remuneration report

Remuneration committee

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

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

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

Principles of compensation – audited

Executives

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

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

- fixed reward (TEC) – cash and benefits that reflect local market conditions and individual contribution. The reward level is set relative to pertinent and prevailing executive employment market conditions for high calibre talent in the geographies where Nufarm operates. The company's policy position for TEC for Australian executives, is at the 50th percentile of the *Mercer Survey of Australian Major Corporates*; and
- an incentive program – the first part of the incentive program reflects performance of specific business objectives over 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 by way of shares under the Nufarm Executive Share Plan (2000). The exception is the managing director who is paid in cash because of the very substantial shareholding he currently controls in the company.

DIRECTORS' REPORT CONTINUED

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

Executives cannot deal on the shares for the period of between three and 10 years without board approval. An independent trustee holds the shares on behalf of the executives.

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

If the financial objectives are achieved and each part of the incentive program is paid at 100 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; and
- ROFE ensures management is focused on the efficient use of capital and the measure remains effective regardless of the mix of equity and debt, which may change from time to time.

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

Whilst it believes ROFE is an appropriate performance condition for the company's incentive program, the board also reviews the company's total shareholder return 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 the current 16.5 per cent and, for the second part of the incentive, from 13.5 per cent to 17.25 per cent.

DIRECTORS' REPORT CONTINUED

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.

	Percentage (%) target ROFE achieved				
	<90	90	100	110	>110
Managing director	0	20	50	64	64
Key management personnel	0	14	40	54	54

Consequences of performance on shareholders' wealth

The board believes the following table demonstrates:

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

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

	*Operating EBIT \$m	*ROFE achieved %	*EPS cents per share	Dividend rate cents per share	Dividends paid \$000	**Change in share price \$	Share price 31 July	***Total shareholder return %
2003	131.9	14.0	41.3	20	27,976	0.99	4.39	21
2004	142.2	15.7	47.1	23	33,656	1.72	6.09	54
2005	196.6	19.8	60.5	26	40,548	4.08	10.15	63
2006	211.2	17.8	60.3	27	45,879	(1.37)	8.80	(2.3)
2007	217.8	16.6	59.2	31	53,145	4.31	13.10	40

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

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

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

DIRECTORS' REPORT CONTINUED

Service contracts

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

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

Non-executive directors (NED)

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

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

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

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

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

2 There is some common membership on the remuneration committee and nomination committee. Only one fee is paid where a director is a member of both committees.

DIRECTORS' REPORT CONTINUED

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

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

Remuneration of directors and executives

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

DIRECTORS' REPORT CONTINUED

In AUD		Salary and fees \$	Short term Cash bonus (vested) \$
Directors			
Non-executive			
KM Hoggard (Chairperson)	2007	192,000	–
	2006	192,000	–
GDW Curlewis (Deputy chairman)	2007	112,000	–
	2006	101,500	–
Dr WB Goodfellow	2007	76,000	–
	2006	76,000	–
GA Hounsell	2007	94,333	–
	2006	91,000	–
DG McGauchie	2007	78,500	–
	2006	78,500	–
Dr JW Stocker	2007	–	–
	2006	39,250	–
RFE Warburton	2007	21,500	–
	2006	86,000	–
Executive Director			
DJ Rathbone (Managing director)	2007	1,015,250	992,920
	2006	950,797	1,598,540
Executive Officers			
DA Pullan (Group general manager operations)	2007	435,450	70,439
	2006	410,156	258,710
RF Ooms (Group general manager chemicals)	2007	416,483	66,396
	2006	393,103	241,840
KP Martin (Chief financial officer)	2007	398,928	66,067
	2006	389,262	240,392
B Benson (Group general manager marketing)	2007	406,158	63,710
	2006	337,265	211,977
RG Reis (Group general manager corporate strategy and external affairs)	2007	300,405	45,979
	2006	272,367	164,317
R Heath (Company secretary)	2007	209,086	34,610
	2006	202,470	129,520
DA Mellody (Group general manager global marketing)	2007	246,350	37,529
	2006	198,642	130,488
Total compensation: key management personnel (consolidated)	2007	4,002,443	1,377,650
	2006	3,818,312	2,975,784
Total compensation: key management personnel (company)	2007	574,333	–
	2006	664,250	–

DIRECTORS' REPORT CONTINUED

Short term Non-monetary benefits \$	Post-employment		Share based payments	Other long term \$	Total \$
	Total \$	Superannuation \$	Equity settled \$		
-	192,000	24,000	48,000	-	264,000
-	192,000	24,000	48,000	-	264,000
-	112,000	42,000	-	-	154,000
-	101,500	36,000	-	-	137,500
-	76,000	9,500	19,000	-	104,500
-	76,000	9,500	19,000	-	104,500
-	94,333	11,333	19,000	-	124,666
-	91,000	11,000	19,000	-	121,000
-	78,500	9,750	19,000	-	107,250
-	78,500	9,750	19,000	-	107,250
-	-	88,250	19,000	-	107,250
-	39,250	49,000	19,000	-	107,250
-	21,500	75,000	19,000	-	115,500
-	86,000	10,500	19,000	-	115,500
33,077	2,041,247	14,709	-	65,311	2,121,267
35,880	2,585,217	13,804	-	59,625	2,658,646
39,552	545,441	85,960	219,451	19,530	870,382
38,414	707,280	80,970	294,585	22,478	1,105,313
10,704	493,583	67,919	206,414	14,790	782,706
32,067	667,010	76,992	277,084	13,104	1,034,190
14,750	479,745	74,530	206,414	9,568	770,257
22,501	652,155	63,325	277,084	15,899	1,008,463
16,998	486,866	40,852	196,780	25,344	749,842
11,467	560,709	39,405	227,497	7,537	835,148
39,931	386,315	39,102	139,386	16,842	581,645
49,230	485,914	36,554	185,500	10,796	718,764
24,396	268,092	41,151	109,869	8,357	427,469
28,639	360,629	39,854	151,665	7,928	560,076
21,026	304,905	23,557	110,689	10,482	449,633
17,437	346,567	10,577	28,578	15,891	401,613
200,434	5,580,527	647,613	1,332,003	170,224	7,730,367
235,635	7,029,731	511,231	1,584,993	153,257	9,279,212
-	574,333	259,833	143,000	-	977,166
-	664,250	149,750	143,000	-	957,000

DIRECTORS' REPORT CONTINUED

Remuneration options: granted and vested during the year

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

Shares issued as a result of the exercise of options

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

Unissued shares under option

There are no unissued shares under option.

Indemnities and insurance for directors and officers

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

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

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 53 and forms part of the directors' report for the financial year ended 31 July 2007.

Rounding of amounts

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

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



KM Hoggard
Director



DJ Rathbone
Director

Melbourne
26 September 2007

LEAD AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001



To: the directors of Nufarm Limited

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

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

KPMG

KPMG

Paul J McDonald

Paul J McDonald
Partner

Melbourne
26 September 2007

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

INCOME STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007

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

The income statements are to be read in conjunction with the attached notes.

BALANCE SHEETS

AS AT 31 JULY 2007

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

The balance sheets are to be read in conjunction with the attached notes.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2007

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

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

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 31 JULY 2007

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

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

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the group also complies with IFRS and interpretations adopted by the International Accounting Standards Board.

The company's financial report does not comply with IFRS as the company has elected to apply the relief provided to parent entities by AASB 132 *Financial Instruments: Presentation and Disclosure* in respect of certain disclosure requirements.

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

(b) Basis of measurement

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

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

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

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the company's functional currency. The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Basis of preparation continued

(d) Use of estimates and judgements continued

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

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

3. Significant accounting policies

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

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

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

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

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

(a) Basis of consolidation

Subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies continued

(a) Basis of consolidation continued

Associates

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

Joint controlled operations

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

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

Transactions eliminated on consolidation

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

(b) Foreign currency

Foreign currency transactions

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

Foreign operations

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies continued

(b) Foreign currency continued

Hedge of net investment in foreign operation

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

(c) Financial instruments

Non-derivative financial instruments

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

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

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

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

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

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

Derivative financial instruments

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

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

Cash flow hedges

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies continued

(c) Financial instruments continued

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs.

When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Economic hedges

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

Share capital

Ordinary shares

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

Hybrid securities

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

Dividends

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

(d) Property, plant and equipment

Recognition and measurement

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies continued

(d) Property, plant and equipment continued

Subsequent costs

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

Depreciation

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

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

Buildings	15–20 years
Leasehold improvements	5 years
Plant and equipment	10–15 years
Motor vehicles	5 years
Computer equipment	3 years

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

(e) Intangible assets

Goodwill

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

Acquisitions prior to 1 August 2004

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

Acquisitions since 1 August 2004

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

Subsequent measurement

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

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement when incurred.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies continued

(e) Intangible assets continued

Research and development continued

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials and direct labour. Other development expenditure is recognised in profit or loss when incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses.

Intellectual property

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

Subsequent expenditure

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

Amortisation

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

Capitalised development costs	5 years
Intellectual property – finite life	Over the useful life in accordance with the acquisition agreement terms
Computer software	3 to 7 years

(f) Leased assets

Leases in terms of which the group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and, except for investment property, the leased assets are not recognised on the group's balance sheet.

(g) Inventories

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies continued

(h) Impairment

Financial assets

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

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

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

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

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

Non-financial assets

The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies continued

(i) Non-current assets held for sale

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

(j) Employee benefits

Defined contribution superannuation funds

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

Defined benefit superannuation plans

The group's net obligation in respect of defined benefit superannuation plans, is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and then reduced by any unrecognised past service costs and the fair value of any plan assets.

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

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

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

Other long term employee benefits

The group's net obligation in respect of long term employee benefits, other than defined benefit superannuation funds, is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the group's obligations.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies continued

(j) Employee benefits continued

Termination benefits

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

Short term benefits

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

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

Share-based payment transactions

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

(k) Provisions

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

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

(l) Revenue

Goods sold

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies continued

(m) Lease payments

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

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

(n) Finance income and expense

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

Dividend income is recognised on the date that the group's right to receive payment is established.

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

(o) Income tax

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies continued

(o) Income tax continued

Tax consolidation

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

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

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

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

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

Nature of tax funding arrangements and tax sharing agreements

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

The inter-entity receivables/(payables) are at call.

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

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

(p) Goods and services tax

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies continued

(p) Goods and services tax continued

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

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

(q) Discontinued operations

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

(r) Earnings per share

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potential dilutive ordinary shares, which comprise convertible notes and share options granted to employees.

(s) Segment reporting

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

(t) New standards and interpretations not yet adopted

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

- *AASB 7 Financial Instruments: Disclosure* (August 2005), replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007 and will require additional disclosures with respect to the group's financial instruments and share capital.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies continued

(t) New standards and interpretations not yet adopted continued

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. Determination of fair values

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

(i) Property, plant and equipment

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

(ii) Intangibles assets

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

(iii) Inventories

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

(iv) Investments in equity securities

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

(v) Trade and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. Determination of fair values continued

(vi) Derivatives

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

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

(vii) Non-derivative financial liabilities

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

(viii) Financial guarantees

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

5. Segment reporting

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5. Segment reporting continued

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5. Segment reporting continued

Geographic segments 2006	Australasia \$000	Europe \$000	Americas \$000	Consolidated \$000
Revenue				
Total segment revenue	749,558	392,947	534,241	1,676,746
Results				
Segment result	122,023	35,056	48,058	205,137
Unallocated corporate expenses				(28,812)
Results from operating activities				176,325
Net financing costs				(49,246)
Share of profit of associates				10,545
Income tax expense				(34,459)
Profit/(loss) of discontinued operations and gain on sale of discontinued operations				14,634
Profit for the year				117,799
Assets				
Segment assets	731,226	495,859	331,334	1,558,419
Investment in associates	8,784	14,168	201,934	224,886
Unallocated assets				136,643
Total assets				1,919,948
Liabilities				
Segment liabilities	266,551	132,173	158,188	556,912
Unallocated liabilities				660,847
Total liabilities				1,217,759
Other segment information				
Capital expenditure	74,883	17,286	50,698	142,867
Depreciation	14,855	14,562	4,409	33,826
Amortisation	3,179	6,081	527	9,787

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. Items of material income and expense

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

7. Other income

	Consolidated		Company	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Dividends from wholly owned controlled entities	-	-	53,164	45,861
Management fees from controlled entities	-	-	6,194	1,733
Sundry income	8,567	9,914	707	209
Total other income	8,567	9,914	60,065	47,803

8. Other expenses

The following expenses were included in the period result:

Depreciation and amortisation	(42,209)	(43,613)	(595)	(319)
Impairment gain/(loss) on trade receivables	251	(823)	-	-
Movement in stock obsolescence provision (increase)/decrease	(138)	631	-	-
Restructuring costs	(412)	(8,990)	-	-

9. Personnel expenses

Wages and salaries	(146,156)	(151,167)	(4,474)	(2,065)
Other associated personnel expenses	(26,424)	(26,064)	(333)	(188)
Contributions to defined contribution superannuation funds	(6,133)	(5,637)	(604)	(311)
Expenses related to defined benefit superannuation funds	(3,122)	(1,804)	-	-
Increase in liability for annual leave	(4,513)	(3,596)	(119)	(59)
Increase in liability for long-service leave	(1,891)	(1,835)	-	(21)
	(188,239)	(190,103)	(5,530)	(2,644)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. Net financing costs

	Consolidated		Company	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Interest income – controlled subsidiaries	–	–	4,485	14,023
Interest income – external	5,336	7,995	2,316	6,192
Financial income	5,336	7,995	6,801	20,215
Interest expense – controlled entities	–	–	(8,727)	(21,695)
Interest expense – external	(54,666)	(52,756)	(9)	(101)
Costs of securitisation program	(5,103)	(4,476)	–	–
Finance lease charges	(1)	(9)	–	–
Financial expenses	(59,770)	(57,241)	(8,736)	(21,796)
Net financing costs	(54,434)	(49,246)	(1,935)	(1,581)

11. Income tax expense

Recognised in the income statement

Current tax expense

Current year	73,187	41,499	1,428	2,940
Adjustments for prior years	306	2,957	1	(120)
	73,493	44,456	1,429	2,820

Deferred tax expense

Origination and reversal of temporary differences	(10,135)	4,142	19	620
Reduction in tax rates	(1,341)	585	–	–
Benefit of tax losses recognised	(12,427)	(7,434)	–	–
	(23,903)	(2,707)	19	620

Total income tax expense in income statement	49,590	41,749	1,448	3,440
Attributable to:				
Continuing operations	41,151	34,459	1,448	2,710
Discontinued operations	8,439	7,290	–	730
	49,590	41,749	1,448	3,440

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11. Income tax expense continued

	Consolidated		Company	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Numerical reconciliation between tax expense and pre-tax net profit				
Profit before tax – continuing operations	148,474	137,624	64,562	56,846
Profit before tax – discontinued operations	50,279	21,924	–	7,354
Profit before tax	198,753	159,548	64,562	64,200
Income tax using the local corporate tax rate of 30 per cent	59,626	47,864	19,369	19,260
<i>Increase in income tax expense due to:</i>				
Non-deductible expenses	3,302	2,718	(139)	190
Effect on tax rate in foreign jurisdictions	1,171	983	101	136
Effect of changes in the tax rate	(1,064)	585	–	–
<i>Decrease in income tax expense due to:</i>				
Effect of tax losses derecognised/(recognised)	(3,489)	(4,383)	–	–
Tax exempt income	(9,602)	(8,078)	(17,884)	(16,026)
Tax incentives not recognised in the income statement	(660)	(897)	–	–
	49,284	38,792	1,447	3,560
Under/(over) provided in prior years	306	2,957	1	(120)
Income tax expense on pre-tax net profit	49,590	41,749	1,448	3,440
Income tax recognised directly in equity				
Relating to actuarial gains on defined benefit plans	1,157	(29)	–	–
Relating to cost of issuing equity	(1,928)	–	–	–
NSS distribution	(2,700)	–	–	–
	(3,471)	(29)	–	–

12. Discontinued operations

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12. Discontinued operations continued

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. Non-current assets held for sale

	Consolidated	
	2007 \$000	2006 \$000
There were no assets held for sale at the end of the financial period. The prior year included the chlor alkali business and the land and buildings at the Granollers site in Spain (\$1,137,076).		
Assets classified as held for sale		
Cash and cash equivalents	–	1,423
Trade and other receivables	–	3,510
Inventories	–	523
Property, plant and equipment	–	14,681
Deferred tax asset	–	3,772
	–	23,909
Liabilities classified as held for sale		
Trade and other payables	–	7,881
Employee entitlements	–	816
Provision for tax	–	4,175
Deferred tax liability	–	553
	–	13,425

14. Acquisition of subsidiaries

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

In the period to 31 July 2007, these businesses contributed profits of \$11,427,736 to the consolidated group after tax profit. If the above acquisitions had occurred on 1 August 2006, their full-year contribution to group revenues would have been \$306,151,363 and to the consolidated entity's profit after tax would have been \$25,984,871.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14. Acquisition of subsidiaries continued

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14. Acquisition of subsidiaries continued

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

15. Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. Trade and other receivables

	Consolidated		Company	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Current				
Trade receivables	666,617	371,898	4,877	8,379
Provision for impairment losses	(21,806)	(3,243)	–	–
	644,811	368,655	4,877	8,379
Receivables due from controlled entities	–	–	50,390	228,937
Loans due from controlled entities	–	–	177,256	170,618
Receivables due from associates	375	444	–	–
Receivables due from securitisation program	57,338	52,836	–	–
Hedge receivables	15,114	18,286	–	18,048
Proceeds receivable from sale of businesses	3,210	33,763	–	25,061
Other trade receivables and prepayments	67,061	50,180	2,659	1,069
	787,909	524,164	235,182	452,112
Non-current				
Receivables due from associates	344	602	–	–
Other receivables	5,909	754	–	–
Proceeds receivable from sale of businesses	12,387	19,850	–	–
Provision for non-collectibility of sale proceeds	(3,304)	(3,468)	–	–
	15,336	17,738	–	–
Total trade and other receivables	803,245	541,902	235,182	452,112
17. Inventories				
Raw materials	112,473	82,421	–	–
Work in progress	15,714	21,563	271	323
Finished goods	350,971	332,177	14,459	13,480
	479,158	436,161	14,730	13,803
Provision for obsolescence of finished goods	(1,754)	(4,138)	(9)	(205)
Total inventories	477,404	432,023	14,721	13,598

18. Current tax assets and liabilities

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19. Investments accounted for using the equity method

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

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

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

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

Financial summary of material associates

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19. Investments accounted for using the equity method continued

	Consolidated	
	2007 \$000	2006 \$000
Carrying value by major associate		
Agripec Quimica e Farmaceutica SA	–	201,631
Bayer CropScience Nufarm Ltd	12,640	13,998
Excel Crop Care Ltd	8,341	7,724
Others	1,985	1,533
Carrying value of associates	22,966	224,886
Share of profit by major associate		
Agripec Quimica e Farmaceutica SA (to 31 May 2007)	7,799	8,556
Bayer CropScience Nufarm Ltd	(969)	863
Excel Crop Care Ltd	788	1,013
Others	438	113
Share of net profits of associates	8,056	10,545

20. Other investments

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

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

	Assets		Liabilities		Net	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Company						
Property, plant and equipment	–	2	(2)	(52)	(2)	(50)
Intangibles assets	–	–	–	(4)	–	(4)
Other investments	–	–	–	–	–	–
Employee benefits	369	121	–	–	369	121
Provisions	9	67	–	–	9	67
Other items	701	947	–	–	701	947
Tax value of losses carried forward	–	–	–	–	–	–
Tax assets/(liabilities)	1,079	1,137	(2)	(56)	1,077	1,081
Set off of tax	–	–	–	–	–	–
Net tax assets/(liabilities)	1,079	1,137	(2)	(56)	1,077	1,081

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21. Deferred tax assets and liabilities continued

Movement in temporary differences during the year

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21. Deferred tax assets and liabilities continued

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

Unrecognised deferred tax assets

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

	Consolidated		Company	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Deductible temporary differences	–	1,292	–	–
Tax losses	–	2,878	–	–
	–	4,170	–	–

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

22. Other non-current assets

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23. Property, plant and equipment

	Land and buildings \$000	Plant and machinery \$000	Leased plant and machinery \$000	Capital work in progress \$000	Total \$000
Consolidated					
					2007
Cost					
Balance at 1 August 2006	151,790	440,619	1,536	18,472	612,417
Additions	1,080	10,226	360	51,565	63,231
Additions through business combinations	22,408	9,647	–	2,668	34,723
Disposals	(846)	(8,501)	–	–	(9,347)
Other transfers	15,466	30,389	(548)	(45,307)	–
Exchange adjustment	(4,742)	(10,535)	13	(363)	(15,627)
Balance at 31 July 2007	185,156	471,845	1,361	27,035	685,397
Depreciation and impairment losses					
Balance at 1 August 2006	(46,958)	(278,945)	(776)	–	(326,679)
Depreciation charge for the year	(4,952)	(28,650)	(153)	–	(33,755)
Additions through business combinations	(3,274)	(3,781)	167	–	(6,888)
Disposals	340	8,692	–	–	9,032
Other transfers	(329)	162	167	–	–
Exchange adjustment	1,587	5,118	(35)	–	6,670
Balance at 31 July 2007	(53,586)	(297,404)	(630)	–	(351,620)
Net property, plant and equipment at 31 July 2007	131,570	174,441	731	27,035	333,777

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23. Property, plant and equipment continued

	Land and buildings \$000	Plant and machinery \$000	Leased plant and machinery \$000	Capital work in progress \$000	Total \$000
Consolidated					
Cost					
Balance at 1 August 2005	156,416	464,818	5,078	23,584	649,896
Additions	627	6,892	–	31,873	39,392
Additions through business combinations	1,940	1,587	527	–	4,054
Disposals	–	(6,863)	–	(464)	(7,327)
Disposals through sale of entities	(13,460)	(14,991)	(4,350)	–	(32,801)
Transfer to assets held for sale	(2,702)	(45,638)	–	(1,616)	(49,956)
Other transfers	7,679	27,272	95	(35,046)	–
Exchange adjustment	1,290	7,542	186	141	9,159
Balance at 31 July 2006	151,790	440,619	1,536	18,472	612,417
Depreciation and impairment losses					
Balance at 1 August 2005	(45,868)	(291,524)	(2,366)	–	(339,758)
Depreciation charge for the year	(4,912)	(28,728)	(186)	–	(33,826)
Depreciation transfer to discontinued businesses	(323)	(2,254)	(156)	–	(2,733)
Additions through business combinations	(203)	(441)	(268)	–	(912)
Disposals	91	7,832	–	–	7,923
Disposals through sale of entities	2,909	8,072	2,304	–	13,285
Transfer to assets held for sale	1,420	33,855	–	–	35,275
Other transfers	949	(921)	(28)	–	–
Exchange adjustment	(1,021)	(4,836)	(76)	–	(5,933)
Balance at 31 July 2006	(46,958)	(278,945)	(776)	–	(326,679)
Net property, plant and equipment at 31 July 2006	104,832	161,674	760	18,472	285,738

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23. Property, plant and equipment continued

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24. Intangible assets

	Goodwill \$000	Intellectual Property Indefinite life \$000	Property Definite life \$000	Capitalised development costs \$000	Computer software \$000	Total \$000
Consolidated						
2007						
Cost						
Balance at 1 August 2006	161,945	150,627	45,356	34,921	16,544	409,393
Additions	376	13,158	10	16,062	868	30,474
Additions through business combinations	128,768	128,488	10,682	6,512	82	274,532
Disposals	–	(5)	–	(1,582)	(74)	(1,661)
Other transfers	15,625	(431)	839	–	131	16,164
Exchange adjustment	(7,426)	(6,087)	(1,014)	(1,207)	(421)	(16,155)
Balance at 31 July 2007	299,288	285,750	55,873	54,706	17,130	712,747
Amortisation and impairment losses						
Balance at 1 August 2006	(61,917)	(10,606)	(21,063)	(11,297)	(8,104)	(112,987)
Amortisation charge for the year	–	–	(3,448)	(2,585)	(2,162)	(8,195)
Additions through business combinations	–	–	–	–	(55)	(55)
Disposals	–	1	–	793	54	848
Other transfers	(15,194)	–	(1,004)	67	(33)	(16,164)
Exchange adjustment	2,863	342	498	456	368	4,527
Balance at 31 July 2007	(74,248)	(10,263)	(25,017)	(12,566)	(9,932)	(132,026)
Intangibles carrying amount at 31 July 2007	225,040	275,487	30,856	42,140	7,198	580,721

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24. Intangible assets continued

	Goodwill \$000	Intellectual Property Indefinite life \$000	Property Definite life \$000	Capitalised development costs \$000	Computer software \$000	Total \$000
Consolidated						
Cost						
Balance at 1 August 2005	130,360	94,928	41,050	25,467	10,905	302,710
Additions	–	34,513	1,652	7,771	7,315	51,251
Additions through business combinations	28,581	19,808	1,150	–	–	49,539
Disposals	–	–	–	–	(349)	(349)
Disposals through sale of entities	–	–	–	–	(830)	(830)
Other transfers	1,473	428	(547)	884	(748)	1,490
Exchange adjustment	1,531	950	2,051	799	251	5,582
Balance at 31 July 2006	161,945	150,627	45,356	34,921	16,544	409,393
Amortisation and impairment losses						
Balance at 1 August 2005	(60,945)	(8,545)	(17,166)	(6,726)	(7,797)	(101,179)
Amortisation charge for the year	–	–	(3,207)	(3,408)	(1,896)	(8,511)
Transferred to discontinued businesses	–	–	–	–	(17)	(17)
Disposals	–	–	–	–	210	210
Disposals through sale of entities	–	–	–	–	827	827
Other transfers	63	(1,964)	547	(884)	748	(1,490)
Exchange adjustment	(1,035)	(97)	(1,237)	(279)	(179)	(2,827)
Balance at 31 July 2006	(61,917)	(10,606)	(21,063)	(11,297)	(8,104)	(112,987)
Intangibles carrying amount at 31 July 2006	100,028	140,021	24,293	23,624	8,440	296,406

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24. Intangible assets continued

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

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

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

Company	Goodwill \$000	Intellectual Property Indefinite life \$000	Property Definite life \$000	Capitalised development costs \$000	Computer software \$000	Total \$000
	2007					
Cost						
Balance at 1 August 2006	–	–	–	–	66	66
Additions	–	–	–	–	16	16
Exchange adjustment	–	–	–	–	2	2
Balance at 31 July 2007	–	–	–	–	84	84
Amortisation and impairment losses						
Balance at 1 August 2006	–	–	–	–	(49)	(49)
Amortisation charge for the year	–	–	–	–	(11)	(11)
Balance at 31 July 2007	–	–	–	–	(60)	(60)
Intangibles carrying amount at 31 July 2007	–	–	–	–	24	24

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24. Intangible assets continued

Company	Goodwill	Intellectual Property Indefinite	Property Definite	Capitalised development	Computer software	Total
	\$000	life \$000	life \$000	costs \$000	\$000	\$000
	2006					
Cost						
Balance at 1 August 2005	-	-	-	-	997	997
Disposals through sale of entities	-	-	-	-	(830)	(830)
Exchange adjustment	-	-	-	-	(101)	(101)
Balance at 31 July 2006	-	-	-	-	66	66
Amortisation and impairment losses						
Balance at 1 August 2005	-	-	-	-	(957)	(957)
Amortisation charge for the year	-	-	-	-	(17)	(17)
Disposals through sale of entities	-	-	-	-	828	828
Exchange adjustment	-	-	-	-	97	97
Balance at 31 July 2006	-	-	-	-	(49)	(49)
Intangibles carrying amount at 31 July 2006	-	-	-	-	17	17

25. Trade and other payables

	Consolidated		Company	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Trade creditors and other accruals are non-interest bearing and are generally for less than 90 day terms				
Trade creditors and accruals – unsecured	386,950	287,031	8,310	9,253
Payables due to controlled entities	-	-	4,228	19,396
Loans due to controlled entities	-	-	106,339	33,708
Payable in respect of Agripec acquisition	218,750	-	-	-
Payables due to associated entities	961	850	-	-
Hedge payables	2,274	-	340	-
Securitisation payables	203,401	186,881	-	-
Total payables	812,336	474,762	119,217	62,357

The group sells receivables to an unrelated third party for which Nufarm acts as the collection agent. The securitisation payables above represent the sum payable in respect of those sales. Amount that are to be collected on their behalf are included as part of trade receivables. Refer note 16.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26 . Interest-bearing loans and borrowings

	Consolidated		Company	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
This note provides information about the contractual terms of the group's and the company's interest-bearing loans and borrowings.				
Current liabilities				
Bank loans – unsecured	359,662	313,898	–	–
Subordinated loans from controlled entities	–	–	–	190,258
Capital notes	–	181,649	–	–
Finance lease liabilities – secured	399	260	–	–
	360,061	495,807	–	190,258
Non-current liabilities				
Bank loans – unsecured	90,955	106,539	–	–
Other loans – unsecured	854	248	–	–
Finance lease liabilities – secured	283	225	–	–
	92,092	107,012	–	–

	Consolidated		Company	
	Accessible \$000	Utilised \$000	Accessible \$000	Utilised \$000
2007				
Financing facilities				
The group has access to the following facilities with a number of financial institutions.				
Bank loan facilities	1,266,860	463,333	2,667	2,667
Other facilities	208	208	–	–
Receivables securitisation-type facilities	203,401	203,401	–	–
Total financing facilities	1,470,469	666,942	2,667	2,667
2006				
Bank loan facilities	931,353	440,377	23,574	23,574
Other facilities	248	248	–	–
Subordinated debt facility	181,649	181,649	–	–
Receivables securitisation-type facilities	227,800	186,881	–	–
Total financing facilities	1,341,050	809,155	23,574	23,574

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26 . Interest-bearing loans and borrowings continued

Financing arrangements

Capital notes

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

Bank loans

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

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

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

Finance lease liabilities

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

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

Finance lease liabilities are secured over the relevant leased plant.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26 . Interest-bearing loans and borrowings continued

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

27. Employee benefits

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

27. Employee benefits continued

	Consolidated	
	2007 \$000	2006 \$000
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	62,587	57,881
Indonesia defined benefit plan inclusion	382	-
Service cost	2,696	2,726
Interest cost	3,109	2,657
Actuarial losses/(gains)	(5,087)	932
Plan changes	404	(631)
Past service cost	6	-
Losses/(gains) on curtailment	(932)	(1,261)
Contributions	(808)	(1,253)
Benefits paid	(1,166)	(1,219)
Liability in disposed business	-	(196)
Exchange differences on foreign funds	(1,904)	2,951
Closing defined benefit obligation	59,287	62,587
Changes in the fair value of fund assets are as follows:		
Opening fair value of fund assets	35,477	30,534
Expected return	2,161	1,687
Actuarial gains	1,687	586
Contributions by employer	2,018	1,404
Distributions	(409)	(393)
Exchange differences on foreign funds	(1,202)	1,659
Closing fair value of fund assets	39,732	35,477

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

27. Employee benefits continued

	Consolidated	
	2007 \$000	2006 \$000
Expense recognised in profit or loss		
Current service costs	2,696	2,726
Interest on obligation	3,109	2,657
Expected return on fund assets	(2,161)	(1,687)
Past service cost	6	-
Plan changes	404	(631)
Losses/(gains) on curtailment	(932)	(1,261)
	3,122	1,804
The expense is recognised in the following line items in the income statement:		
Cost of sales	1,776	911
Sales, marketing and distribution expenses	617	455
General and administrative expenses	583	382
Research and development expenses	146	56
	3,122	1,804
Actuarial gains/(losses) recognised directly in equity (net of tax)		
Cumulative amount at 1 August	(713)	-
Recognised during the period	4,093	(713)
Cumulative amount at 31 July	3,380	(713)
The major categories of fund assets as a percentage of total fund assets are as follows:		
European equities	58.7%	60.8%
European bonds	31.3%	30.1%
Property	2.8%	2.8%
Cash	7.2%	6.3%

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

27. Employee benefits continued

	Consolidated	
	2007 %	2006 %
Principal actuarial assumptions at the reporting date (expressed as weighted averages):		
Discount rate at 31 July	5.5%	4.9%
Expected return on fund assets at 31 July	6.6%	6.0%
Future salary increases	3.4%	3.4%
Future pension increases	2.9%	2.8%

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

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

28. Share-based payments

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

28. Share-based payments continued

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 per cent of the number of ordinary shares acquired with a participant's contribution in the form of additional ordinary shares. Amounts over 10 per cent 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 per cent of the value of the shares acquired with the participant's contribution. An independent trustee holds the shares on behalf of the participants. At 31 July 2007 there were 751 participants (2006: 824 participants) in the scheme and 1,527,135 shares (2006: 1,703,775) were allocated and held by the trustee on behalf of the participants. The cost of the Global Share Plan expensed for the year ended 31 July 2007 was \$1,241,729 (2006: \$2,647,798).

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29. Provisions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30. Capital and reserves

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

Consolidated	Share capital \$000	Translation reserve \$000	Capital profit reserve \$000
Balance at 1 August 2005	219,049	(10,450)	33,603
Foreign exchange translation differences	–	734	–
Change in accounting policy for financial instruments	–	–	–
Foreign exchange movement taken to hedging reserve	–	–	–
Actuarial gains/(losses) on defined benefit plans	–	–	–
Share issued to employees	1,065	–	–
Shares issued under employee global share plan	2,647	–	–
Shares issued as consideration for business acquisition	17,972	–	–
Tax benefit on share issue costs	27	–	–
Transfer to current year income statement	–	–	24
Transfer to/from reserves	–	–	–
Profit for the period	–	–	–
Dividends paid to shareholders	–	–	–
Minority interest acquired	–	–	–
Balance at 31 July 2006	240,760	(9,716)	33,627
Balance at 1 August 2006	240,760	(9,716)	33,627
Foreign exchange translation differences	–	(14,628)	–
Foreign exchange movement taken to hedging reserve	–	–	–
Actuarial gains/(losses) on defined benefit plans	–	–	–
Share issued to employees	–	–	–
Accrual and issue of shares under global share plan	–	–	–
Shares issued as consideration for business acquisition	99	–	–
Tax benefit on share issue costs	27	–	–
Transfer to current year income statement	–	–	–
Transfer to/from reserves	–	–	–
Profit for the period	–	–	–
Dividends paid to shareholders	–	–	–
Issue of Nufarm Step-up Securities	–	–	–
Distributions to Nufarm step-up security holders	–	–	–
Balance at 31 July 2007	240,886	(24,344)	33,627

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30. Capital and reserves continued

Hedging reserve \$000	Other reserve \$000	Retained earnings \$000	Nufarm Step-up Securities \$000	Minority interest \$000	Total equity \$000
-	242	365,660	-	5,966	614,070
-	-	-	-	(41)	693
574	-	-	-	-	574
(594)	-	-	-	-	(594)
-	-	(713)	-	-	(713)
-	-	-	-	-	1,065
-	-	-	-	-	2,647
-	-	-	-	-	17,972
-	-	-	-	-	27
-	-	-	-	-	24
-	(242)	242	-	-	-
-	-	117,220	-	579	117,799
-	-	(45,879)	-	(551)	(46,430)
-	-	-	-	(4,945)	(4,945)
(20)	-	436,530	-	1,008	702,189
(20)	-	436,530	-	1,008	702,189
-	-	-	-	(52)	(14,680)
20	-	-	-	-	20
-	-	4,093	-	-	4,093
-	-	-	-	-	-
-	(91)	-	-	-	(91)
-	-	-	-	-	99
-	-	-	-	-	27
-	-	-	-	-	-
-	-	334	-	-	334
-	-	148,796	-	367	149,163
-	-	(53,145)	-	(306)	(53,451)
-	-	-	246,932	-	246,932
-	-	(5,484)	-	-	(5,484)
-	(91)	531,124	246,932	1,017	1,029,151

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30. Capital and reserves continued

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

Company	Share capital \$000	Translation reserve \$000	Capital profit reserve \$000
Balance at 1 August 2005	219,049	(77)	40,074
Foreign exchange translation differences	–	(248)	–
Change in accounting policy for financial instruments	–	–	–
Foreign exchange movement taken to hedging reserve	–	–	–
Share issued to employees	1,065	–	–
Shares issued under employee global share plan	2,647	–	–
Shares issued as consideration for business acquisition	17,972	–	–
Tax benefit on share issue costs	27	–	–
Profit for the period	–	–	–
Dividends paid to shareholders	–	–	–
Balance at 31 July 2006	240,760	(325)	40,074
Balance at 1 August 2006	240,760	(325)	40,074
Foreign exchange translation differences	–	(1)	–
Change in accounting policy for financial instruments	–	–	–
Foreign exchange movement taken to hedging reserve	–	–	–
Share issued to employees	–	–	–
Accrual and issue of shares under global share plan	–	–	–
Shares issued as consideration for business acquisition	99	–	–
Tax benefit on share issue costs	27	–	–
Profit for the period	–	–	–
Dividends paid to shareholders	–	–	–
Balance at 31 July 2007	240,886	(326)	40,074

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30. Capital and reserves continued

Hedging reserve \$000	Other reserve \$000	Retained earnings \$000	Nufarm Step-up Securities \$000	Minority interest \$000	Total equity \$000
-	-	156,536	-	-	415,582
-	-	-	-	-	(248)
58	-	-	-	-	58
(8)	-	-	-	-	(8)
-	-	-	-	-	1,065
-	-	-	-	-	2,647
-	-	-	-	-	17,972
-	-	-	-	-	27
-	-	60,760	-	-	60,760
-	-	(45,879)	-	-	(45,879)
50	-	171,417	-	-	451,976
50	-	171,417	-	-	451,976
-	-	-	-	-	(1)
-	-	-	-	-	-
(50)	-	-	-	-	(50)
-	-	-	-	-	-
-	(91)	-	-	-	(91)
-	-	-	-	-	99
-	-	-	-	-	27
-	-	63,114	-	-	63,114
-	-	(53,145)	-	-	(53,145)
-	(91)	181,386	-	-	461,929

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30. Capital and reserves continued

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

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

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

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

Nufarm Step-up Securities

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30. Capital and reserves continued

Translation reserve

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

Capital profit reserve

This reserve is used to accumulate realised capital profits.

Hedging reserve

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

Dividends

Dividends recognised in the current year by the company are:

	Cents per share	Total amount \$000	Franked/ unfranked	Payment date
2007				
Interim 2007 ordinary	11.0	18,894	Franked	27-Apr-07
Final 2006 ordinary	20.0	34,251	Franked	10-Nov-06
Total amount		53,145		
2006				
Interim 2006 ordinary	10.0	16,994	Franked	28-Apr-06
Final 2005 ordinary	17.0	28,885	Franked	11-Nov-05
Total amount		45,879		

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

Distributions recognised in the current year by Nufarm Finance (NZ) Ltd on the Nufarm Step-up Securities are:

	Distribution rate	Total amount \$000	Payment date
Nufarm Step-up Securities distribution	8.35%	8,184	16-Apr-07

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30. Capital and reserves continued

	Consolidated		Company	
	2007 \$000	2006 \$000	2007 \$000	2006 \$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 per cent (2006: 30 per cent)	13,163	22,800	13,163	22,800
Franking credits that will arise from the payment of income tax payable as at the end of the year	(2,769)	3,893	(2,769)	3,893
Balance at 31 July 2007	10,394	26,693	10,394	26,693

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

31. Earnings per share

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

31. Earnings per share continued

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

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

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

32. Financial instruments

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

Credit risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

32. Financial instruments continued

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

Interest rate risk

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

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

Cash flow risk on Nufarm Step-up Securities

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

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

	Note	Effective interest rate %	Total \$000	Less than 1 year \$000	1–2 years \$000	More than 2 years \$000
Consolidated						
2007						
Financial assets						
Cash and cash equivalents	15	6.8	92,377	92,377	–	–
Financial liabilities						
<i>Unsecured debt</i>						
Bank overdrafts	15	7.3	12,716	12,716	–	–
Bank loans – unsecured	26	6.6	450,617	359,662	62,748	28,207
Other loans – unsecured	26	3.0	854	–	–	854
Finance lease liabilities – secured	26	13.2	682	399	266	17
			464,869	372,777	63,014	29,078

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

32. Financial instruments continued

	Note	Effective interest rate %	Total \$000	Less than 1 year \$000	1-2 years \$000	More than 2 years \$000
Consolidated						
2006						
Financial assets						
Cash and cash equivalents	15	4.4	51,269	51,269	-	-
Financial liabilities						
Unsecured debt						
Bank overdrafts	15	5.4	19,940	19,940	-	-
Bank loans – unsecured	26	5.2	400,437	293,898	44,847	61,692
Other loans – unsecured	26	3.0	248	-	-	248
Interest rate swaps		5.0	20,000	20,000	-	-
Capital notes	26	8.6	181,649	181,649	-	-
Finance lease liabilities – secured	26	7.8	485	260	186	39
			622,759	515,747	45,033	61,979

	Note	Effective interest rate %	Total \$000	Less than 1 year \$000	1-2 years \$000	More than 2 years \$000
Company						
2007						
Financial assets						
Cash and cash equivalents	15	8.25	15,034	15,034	-	-
Financial liabilities						
Bank overdrafts	15	9.5	2,667	2,667	-	-
			2,667	2,667	-	-

	Note	Effective interest rate %	Total \$000	Less than 1 year \$000	1-2 years \$000	More than 2 years \$000
Company						
2006						
Financial assets						
Cash and cash equivalents	15	7.25	10,739	10,739	-	-
Financial liabilities						
Bank overdrafts	15	9.5	23,574	23,574	-	-
Subordinated loans from controlled entities	26	9.2	190,258	190,258	-	-
			213,832	213,832	-	-

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

32. Financial instruments continued

Foreign currency risk

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

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

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

Fair values

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

32. Financial instruments continued

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

Estimation of fair values

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

Interest rates used for determining fair value

The average interest rates used for determining fair value are:

	2007	2006
Derivatives	6.0%	5.0%
Capital notes	–	9.4%

33. Operating leases

Non-cancellable operating lease rentals are payable as follows:

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

33. Operating leases continued

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.

34. Capital and other commitments

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

35. Contingencies

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

36. Group entities

	Notes	Place of incorporation	Percentage of shares held	
			2007	2006
Parent entity				
Nufarm Limited – ultimate controlling entity				
Subsidiaries				
Abel Lemon and Company Pty Ltd (liquidated)	(a)	Australia	–	100
Access Genetics Pty Ltd		Australia	100	100
ACN000425927 Pty Ltd (formerly Nuturf Pty Ltd)	(a),(b)	Australia	100	100
Agcare Biotech Pty Ltd		Australia	70	70
Agchem Receivables Corporation		USA	40	40
Agripec Quimica e Farmaceutica SA		Brazil	100	49.9
Agrogen Nufarm de Colombia S.A. (formerly Nufarm Colombia Ltda)	(b)	Colombia	100	100
Agroquimicos Genericos S.A. (merged into Agrogen Nufarm de Colombia S.A.)		Colombia	–	100
Agryl Holdings Limited	(a),(b)	Australia	100	100
Ag-seed Research Pty Ltd	(a)	Australia	100	100
Artfern Pty Ltd	(a)	Australia	100	100
Australis Services Pty Ltd	(a)	Australia	100	100
Bestbeech Pty Ltd (formerly Captec Pty Ltd)	(a)	Australia	100	100
CFPI GmbH (liquidated) Germany			–	100
Chemicca Limited	(a)	Australia	100	100
Chemturf Pty Ltd (liquidated)	(a)	Australia	–	100
Chloral Investment Trust (sold July 2007)		Australia	–	80
Chloral Unit Trust No1 (sold July 2007)		Australia	–	80
Chloral Unit Trust No2 (sold July 2007)		Australia	–	80
Clama s.a.s (merged into Nufarm Holdings s.a.s)		France	–	100
CNG Holdings BV		Netherlands	100	100
CNZL Limited (formerly Captec (NZ) Limited and later amalgamated into Nufarm Holdings (NZ) Limited)	(b)	New Zealand	–	100
Crop Care Australasia Pty Ltd	(a),(b)	Australia	100	100
Crop Care Holdings Limited		New Zealand	100	100
Croplands Equipment Limited	(b)	New Zealand	100	100
Croplands Equipment Pty Ltd	(a),(b)	Australia	100	100
CSRPAR Participacoes LTDA		Brazil	100	–
Danestoke Pty Ltd		Australia	100	100
Electronic Agriculture Limited (liquidated)	(a)	Australia	–	100
Fada S.A. (merged into Agrogen Nufarm de Colombia S.A.)		Colombia	–	100
Fchem (Aust) Limited	(a),(b)	Australia	100	100
Fchem Limited (amalgamated into Nufarm Holdings (NZ) Limited)	(b)	New Zealand	–	100
Fernz Canada Limited	(b)	Canada	100	100

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

36. Group entities continued

	Notes	Place of incorporation	Percentage of shares held	
			2007	2006
Fernz Singapore Pte Ltd	(b)	Singapore	100	100
Fidene Limited		New Zealand	100	100
Finotech BV	(b)	Netherlands	100	100
Framchem SA	(b)	Egypt	100	100
Frost Technology Corporation		USA	100	100
Health & Science Limited (amalgamated into Nufarm Holdings (NZ) Limited)	(b)	New Zealand	–	100
Inpar s.a.s (merged into Nufarm Holdings s.a.s)	(b)	France	–	100
Interferon Limited (liquidated)	(a)	Australia	–	100
Interferon NZ Limited (amalgamated into Nufarm Holdings (NZ) Limited)	(b)	New Zealand	–	100
Laboratoire European de Biotechnologie s.a.s		France	100	100
Le Moulin des Ecluses s.a	(b)	France	100	100
Les Ecluses de la Garenne s.a.s		France	100	100
Manaus Holdings Sdn Bhd	(b)	Malaysia	100	100
Marman (Nufarm) Inc		USA	100	100
Marman de Guatemala Sociedad Anonima		Guatemala	100	100
Marman de Mexico Sociedad Anonima De Capital Variable		Mexico	100	100
Marman Holdings LLC		USA	100	100
Mastra Corporation Pty Ltd	(b)	Australia	70	70
Mastra Corporation Sdn Bhd	(b)	Malaysia	70	70
Mastra Corporation USA Pty Ltd		Australia	70	70
Mastra Holdings Sdn Bhd	(b)	Malaysia	70	70
Mastra Industries Sdn Bhd	(b)	Malaysia	70	70
Medisup International NV N.		Antillies	100	100
Medisup Securities Limited	(a),(b)	Australia	100	100
Neuchatel Pty Ltd (liquidated)	(a)	Australia	–	100
Nufarm (Asia) Pte Ltd	(b)	Singapore	100	100
Nufarm Agriculture (Pty) Ltd		South Africa	100	100
Nufarm Agriculture Inc	(b)	Canada	100	100
Nufarm Agriculture Inc (USA)		USA	100	100
Nufarm Agriculture Zimbabwe (Pvt) Ltd		Zimbabwe	100	100
Nufarm Americas Holding Company	(b)	USA	100	100
Nufarm Americas Inc	(b)	USA	100	100
Nufarm Asia Sdn Bhd		Malaysia	100	100
Nufarm Australia Limited	(a),(b)	Australia	100	100
Nufarm BV	(b)	Netherlands	100	100
Nufarm Chemical (Shanghai) Co Ltd		China	100	100
Nufarm Chile Limitada	(b)	Chile	100	100
Nufarm Coogee Pty Ltd (sold July 2007)		Australia	–	80
Nufarm Crop Products UK Limited		UK	100	100

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

36. Group entities continued

	Notes	Place of incorporation	Percentage of shares held	
			2007	2006
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 (liquidated)	(a)	Australia	–	100
Nufarm Espana SA	(b)	Spain	100	100
Nufarm Finance (NZ) Limited (formerly Fernz Corporation (NZ) Limited)	(b)	New Zealand	100	100
Nufarm GmbH	(b)	Germany	100	100
Nufarm GmbH	(b)	Austria	100	100
Nufarm GmbH & Co KG	(b)	Austria	100	100
Nufarm Holdings (NZ) Limited	(b)	New Zealand	100	100
Nufarm Holdings BV	(b)	Netherlands	100	100
Nufarm Holdings s.a.s	(b)	France	100	100
Nufarm Inc.	(b)	USA	100	100
Nufarm Insurance Pte Ltd		Singapore	100	100
Nufarm Investments Cooperatie WA	(b)	Netherlands	100	100
Nufarm Italia srl		Italy	100	–
Nufarm Italia Holding srl		Italy	100	–
Nufarm KK		Japan	100	100
Nufarm Labuan Pte Ltd	(b)	Malaysia	100	100
Nufarm Malaysia Sdn Bhd	(b)	Malaysia	100	100
Nufarm Materials Limited	(a),(b)	Australia	100	100
Nufarm NZ Limited	(b)	New Zealand	100	100
Nufarm Platte Pty Ltd		Australia	100	100
Nufarm Portugal LDA	(b)	Portugal	100	100
Nufarm s.a.s	(b)	France	100	100
Nufarm SA	(b)	Argentina	100	100
Nufarm Specialty Products Inc (liquidated)	(b)	USA	–	100
Nufarm Srl		Romania	100	–
Nufarm Technologies (M) Sdn Bhd		Malaysia	51	51
Nufarm Technologies USA		New Zealand	100	100
Nufarm Technologies USA Pty Ltd		Australia	100	100
Nufarm Treasury Pty Ltd	(a),(b)	Australia	100	100
Nufarm UK Limited	(b)	United Kingdom	100	100
Nugrain Pty Ltd		Australia	100	100
Nuseed Pty Ltd		Australia	100	100
Nutrihealth Grains Pty Ltd		Australia	100	100

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

36. Group entities continued

	Notes	Place of incorporation	Percentage of shares held	
			2007	2006
Nutrihealth Pty Ltd		Australia	100	100
Opti-Crop Systems Pty Ltd	(b)	Australia	75	75
Pacific Raw Materials Australia Pty Ltd (liquidated)	(a)	Australia	–	100
Pacific Raw Materials Limited (liquidated)		New Zealand	–	100
Pharma Pacific Pty Ltd	(a)	Australia	100	100
PT Crop Care		Indonesia	100	100
PT Nufarm Indonesia	(b)	Indonesia	100	100
Rockmere Pty Ltd (liquidated)	(a)	Australia	–	100
Safepak Industries Sdn Bhd		Malaysia	70	70
Selchem Pty Ltd	(a)	Australia	100	100
TPL Limited	(b)	New Zealand	100	100

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

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

37. Deed of cross guarantee

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

37. Deed of cross guarantee continued

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

38. Reconciliation of cash flows from operating activities

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

39. Key management personnel disclosures

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

Non-executive directors

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

Executives

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

Executive directors

DJ Rathbone – Managing director and chief executive

Key management personnel compensation

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

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

Individual directors and executives compensation disclosures

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

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

Loans to key management personnel and their related parties

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

39. Key management personnel disclosures continued

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

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms-length basis.

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

Options and rights over equity instruments granted as compensation

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

Movements in shares

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

39. Key management personnel disclosures continued

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

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

1 Messrs Hoggard, Goodfellow, Hounsell, McGauchie, Stocker and Warburton are participants in the non-executive share plan which enables participants to sacrifice 20 per cent 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 The shareholding of Dr WB Goodfellow includes his relevant interest in:

- (i) St Kentigern Trust Board (429,855 shares and 19,727 Nufarm Step-up Securities) – Dr Goodfellow is Chairman of the Trust Board. Dr Goodfellow does not have a beneficial interest in these shares or step-up securities.
- (ii) Sulkem Company Limited (113,616 shares).
- (iii) Auckland Medical Research Foundation (25,462 step-up securities). Dr Goodfellow does not have a beneficial interest in the step-up securities.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

40. Non-key management personnel disclosures

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

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

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

These transactions were undertaken on commercial terms and conditions.

(b) Transactions with associated parties

		Consolidated	
		2007 \$000	2006 \$000
Bayer CropScience Nufarm Limited	sales to	11,734	8,309
	purchases from	14,342	11,517
	trade receivable	41	740
	trade payable	3,949	2,704
SRFA LLC	sales to	2,159	326
	loan receivable	582	754
	interest received	19	20
	trade payable	-	110
	trade receivable	60	-
Excel Crop Care Ltd	purchases from	2,610	-
	trade payable	573	-

These transactions were undertaken on commercial terms and conditions.

41. Subsequent events

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

42. Auditors' remuneration

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

43. Correction of error

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

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

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

DIRECTORS' DECLARATION

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

Signed in accordance with a resolution of the directors:

Dated at Melbourne this 26th day of September 2007



KM Hoggard
Director



DJ Rathbone
Director

INDEPENDENT AUDIT REPORT



Independent auditor's report to the members of Nufarm Limited

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

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

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading 'remuneration report' on pages 45 to 52 of the directors' report and not in the financial report. We have audited these remuneration disclosures.

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

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

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

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

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

INDEPENDENT AUDIT REPORT CONTINUED

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

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

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

Auditor's opinion on the financial report

In our opinion:

- (a) the financial report of Nufarm Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and the group's financial position as at 31 July 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial report of the group also complies with International Financial Reporting Standards as disclosed in note 2(a).

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

In our opinion the remuneration disclosures that are contained on pages 45 to 52 of the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

KPMG



Paul J McDonald
Partner

Melbourne

26 September 2007

SHAREHOLDER AND STATUTORY INFORMATION

Details of shareholders, shareholdings and top 20 shareholders

Listed securities – 28 September 2007	Number of holders	Number of securities	Percentage held by top 20
Fully paid ordinary shares	10,040	171,501,253	70.38

Twenty largest shareholders	Ordinary shares as at 28.09.07	Percentage of issued capital as at 28.09.07
Falls Creek No 2 Pty Ltd	25,680,987	14.97
JP Morgan Nominees Australia Limited	18,073,332	10.54
Amalgamated Dairies Limited	15,110,737	8.81
National Nominees Limited	12,233,593	7.13
HSBC Custody Nominees (Australia) Limited	11,028,703	6.43
ANZ Nominees Limited <Cash Income A/C>	7,227,295	4.21
Citicorp Nominees Pty Limited	5,496,783	3.21
AMP Life Limited	3,142,890	1.83
Challenge Investment Company Limited	2,982,868	1.74
Grantali Pty Ltd	2,887,403	1.68
Cogent Nominees Pty Limited	2,674,222	1.56
Mr Edgar William Preston and Mr Paul Gerard Keeling <Avalon A/C>	2,491,448	1.45
Ram Custodian Limited	2,243,750	1.31
Australian Foundation Investment Company Limited	1,910,785	1.11
Pacific Custodians Pty Ltd <Nufarm Share Plan A/C>	1,741,754	1.02
CPU Share Plans Pty Ltd <Nufarm ESP Control A/C>	1,616,275	0.94
UBS Nominees Pty Ltd	1,126,894	0.66
Cogent Nominees Pty Ltd <SMP Accounts>	1,092,398	0.64
Citicorp Nominees Pty Limited <CFSIL Cwlt Aust SHS 18 A/C>	1,042,397	0.61
Douglas Industries Limited	916,565	0.53

Distribution of shareholders	Number of holders as at 28.09.07	Ordinary shares held as at 28.09.07
Size of holding		
1 – 1,000	3,758	2,148,164
1,001 – 5,000	4,634	11,498,204
5,001 – 10,000	938	6,625,537
10,001 – 100,000	634	13,215,115
100,001 and over	76	138,014,233

Of these, 52 shareholders held less than a marketable parcel of shares of \$500 worth of shares (38 shares). In accordance with the ASX Listing Rules, the last sale price of the company's shares on the ASX on 28 September 2007 was used to determine the number of shares in a marketable parcel.

SHAREHOLDER AND STATUTORY INFORMATION CONTINUED

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 28 September 2007, 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 and percentage of shares in which interest held at date of notice	
		Number	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 Edgar William Preston) ⁴	24 August 2000	15,347,193	9.94
Douglas John Rathbone	8 November 2004	29,346,867	17.38
IOOF Holdings Ltd	4 July 2007	11,758,813	6.856

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.

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 Wednesday 5 December 2007 at 10.00am in the Ballroom at the Rendezvous 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. Proxy voting can be completed online via www.nufarm.com/annualgeneralmeeting or via post by completing the proxy form and sending it back in the return envelope.

SHAREHOLDER AND STATUTORY INFORMATION CONTINUED

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:

- (a) one vote for each fully paid share; and
- (b) voting rights in proportion to the paid up amount of the issue price for partly paid shares.

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.

Investor centre access

Shareholders can access their details via the Internet by following the below prompts.

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

Step 2 Enter user ID and password

Please note: if you are not a current member of investor centre, then click on register now to become a member

Step 3 Enjoy the access to investor centre to view, evaluate and manage your portfolio

InvestorPhone (Australian shareholders only)

InvestorPhone provides telephone access 24 hours a day 7 days a week.

Step 1 Call the Nufarm shareholder information line on 1300 652 479

Step 2 Follow the prompts to gain secure, immediate access to your:

- holding details
- registration details
- payment information

SHAREHOLDER AND STATUTORY INFORMATION CONTINUED

Dividends

A final dividend of 21 cents per share will be paid on 9 November 2007 to shareholders registered on 19 October 2007. For Australian tax purposes, the dividend will be 100 per cent franked at the 30 per cent tax rate.

Australian and New Zealand shareholders may elect to have dividends paid directly into a bank account anywhere in Australia and New Zealand. Forms for this purpose can be obtained on www.computershare.com.au or by request from the share registry.

Key dates

- 19 October 2007
Record date (books closing) for 2006–07 final dividend
- 9 November 2007
Final dividend for 2006–07 payable
- 29 October 2007*
Annual report sent to shareholders
- 5 December 2007
Annual general meeting
- 27 March 2008*
Announcement of profit result for half year ending 31 January 2008
- 31 July 2008
End of financial year

* Subject to confirmation.

SHAREHOLDER AND STATUTORY INFORMATION CONTINUED

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
GDW Curlewis, Deputy chairman
DJ Rathbone AM, Managing director
Dr WB Goodfellow
GA Hounsell
DG McGauchie AO
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
147 Collins Street
Melbourne Victoria 3000 Australia

Trustee for Nufarm Step-up Securities

Permanent Trustee Company Ltd
35 Clarence Street
Sydney NSW 2000

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

Step-up securities registrar

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

Registered office

103–105 Pipe Road
Laverton North Victoria 3026 Australia
Telephone: 61 3 9282 1000
Facsimile: 61 3 9282 1001

NZ branch office

6 Manu Street
Otahuhu, Auckland New Zealand
Telephone: 64 9 270 4157
Facsimile: 64 9 267 8444

Website

<http://www.nufarm.com>

Nufarm Limited
ACN 091 323 312



