Nufarm Limited
Annual Report 2008

robust and sustainable growth

contents

key events

– Record operating result

– Improved climatic conditions in Australia

– Strong margin gains in Europe

– Product portfolio expansion across all regions

– One-off inventory build in glyphosate

– Board approves dividend reinvestment plan

facts in brief

	12 months ended 31 July 2008 $000	12 months ended 31 July 2007 $000
Trading results		
Profit attributable to shareholders	137,915	148,796
Abnormal gain/(loss)	(25,961)	28,528
Operating profit after tax	163,876	120,268
Sales revenue	2,492,458	1,764,384
Total equity	1,305,218	1,029,151
Total assets	3,213,880	2,438,911
Ratios		
Earnings per ordinary share	69.7¢	59.2¢
Net debt to equity	69%	36%
Net tangible assets per ordinary share	$2.60	$2.61
Distribution to shareholders		
Annual dividend per ordinary share	35¢	32¢
People		
Staff employed	3,112	2,488

managing director's review

A record operating profit for the company reflects strong performances from all of Nufarm's regional crop protection businesses against a background of positive business conditions for the company and for agriculture in general.

Doug Rathbone AM
Managing director and chief executive

The tax paid operating profit was $163.9 million for the year ended 31 July 2008, an increase of 36 per cent on the previous year. Reported profit for the period was $137.9 million, after the $26 million after tax impact of non-operating losses.

Group revenues increased 41 per cent to $2.49 billion and operating earnings before interest and tax (EBIT) was up 53 per cent, to $308.9 million, over the previous year.

Earnings per share (on an operating basis, excluding discontinued operations,) were 69.7 cents, compared with last year's 59.2 cents, an increase of 18 per cent.

Non-operating items

The company's total net profit of $137.9 million included a $26 million after tax loss associated with non-operating items.

The major non-operating item was associated with a previously disclosed barter trade contract in Brazil that was terminated at an after tax cost of $22.6 million. A thorough review of the company's barter trade practices in Brazil has subsequently resulted in new risk management policies and head office authorisation requirements.

There was also a net non-cash foreign exchange loss of $2.8 million at 31 July relating to the Nufarm Step-up Securities (NSS). The foreign exchange exposure on the funding utilisation from the NSS has been hedged over the term of the securities andwill guarantee a cash gain of $19.6 million on maturity in the 2012 financial year.

Final dividend increases

Directors declared a fully franked final dividend of 23 cents per share, resulting in a full year dividend of 35 cents. This is nine per cent, or three cents, higher than the dividend paid in the previous year.

The final dividend will be paid on 17 November 2008 to the holders of all fully paid shares in the company as at the close of business on 24 October 2008.

The company has previously advised the market that the growth of the its business outside of Australia – combined with an increase in dividend payments and a higher number of shares on issue – will result in lower franking credit capacity in the future. This dividend is likely to be the final fully franked dividend the company will be in a position to pay.

The level of franking credits on future dividends will depend on the amount of future taxation paid in Australia.

The directors intend to review the company dividend distribution policy before payment of the next dividend.

Dividend reinvestment plan

Directors also approved a dividend reinvestment plan (DRP), whereby shareholders will be given the opportunity to reinvest dividend proceeds in Nufarm shares, offered at a 2.5 per cent discount to the volume weighted average price calculated over a period and on a basis to be determined by the board. The DRP will be fully underwritten and details of the plan have been mailed to all shareholders.

Subsequent events

Acquisition of Lefroy Seeds

On 24 September 2008, Nufarm signed an agreement to acquire Lefroy Seeds Pty Ltd, based in Toowoomba, Queensland.

Lefroy Seeds specialises in hybrid breeding, production and commercialisation activities in sunflower and sorghum. The company has established registrations, sales and commercial partnerships in Australia, Argentina, South Africa, China, Pakistan, Thailand and various countries in Europe.

The acquisition of Lefroy Seeds further supports the Nuseed strategy of building genetic strength in key crops, developing global partnerships, and creating value from crop outputs.

Combined with the advancement of Monola™ germplasm, the addition of the Lefroy business means Nuseed is now well positioned as a global partner to produce healthy vegetable oils in multiple countries. High oleic canola and sunflower oils are quickly becoming the world standard for food companies and restaurants committed to the reduction of transfat and saturated fats from their food labels and menus.

The acquisition involves total consideration of $11.5 million, the majority of which will be paid in Nufarm equity.

UK Commerce Commission

As announced by the company on 1 September 2008, the UK Competition Commission has initiated an investigation into possible competition concerns that might arise as a result of the AH Marks acquisition.

The review is expected to be complete by mid February 2009. Combined Nufarm and AH Marks UK annual sales of the main products under investigation amount to £4 million, with AH Marks sales of those products totalling less than £1.5 million.

Nufarm is cooperating fully with the Competition Commission in an effort to clarify and address any such concerns.

Regulators in other jurisdictions are also reviewing aspects of the acquisition. Certain restructuring proposals for the business have been delayed pending completion of the UK review.

International financial crisis

No company will be immune from the current international financial crisis. There is the potential for increased interest costs and widely fluctuating exchange rates, which could have a detrimental impact on the future performance of a broad range of businesses.

The instability in global finance markets is causing difficulties for several significant overseas financial institutions. Nufarm has no facilities with any of these financial institutions.

Nufarm is involved in a highly seasonal business and, as such, maintains significant short term financing lines with its relationship banks. Many of these lines have annual review points, primarily in the October to December period. Discussions with key relationship banks have reaffirmed their support of Nufarm and, subsequent to balance date, Nufarm has increased its facilities with some financiers.

The directors believe that the business fundamentals in agriculture remain very strong and the current instability in financial markets is not anticipated to have any material impact on the company's performance or projected guidance.

Treasury

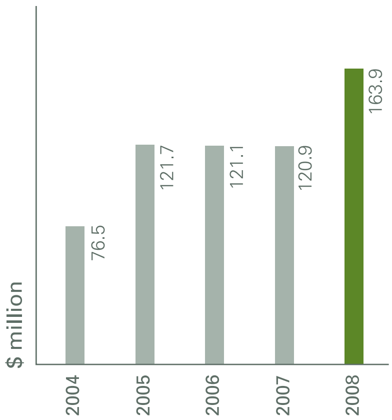
Net debt to equity was 69 per cent at 31 July 2008. This compares with a gearing level of 57 per cent the previous year, calculated on a pro-forma basis and inclusive of the debt associated with acquiring the balance of Agripec late in the 2007 financial year.

In the 2007 accounts, trade and other payables included $219 million related to the final payment in the acquisition of Agripec (Brazil). Adjusting for this amount, net working capital has increased by $215 million on the previous year. Higher inventory levels and the working capital associated with the two acquisitions completed late in the 2008 year were the major contributors to this increase.

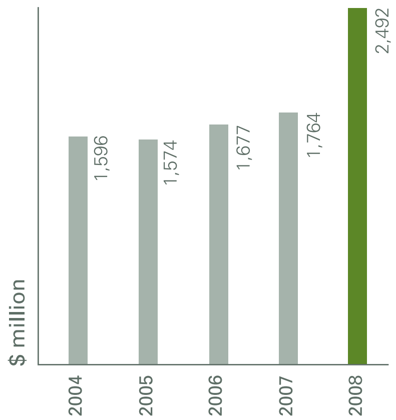
Given the strong demand outlook for glyphosate and a tightening in availability of supply, the company took measures to secure additional supplies of glyphosate late in the financial year. Glyphosate is the company's largest selling product and management is forecasting strong volume related growth in glyphosate sales over the medium term as Nufarm consolidates its position as the second

managing director's review continued

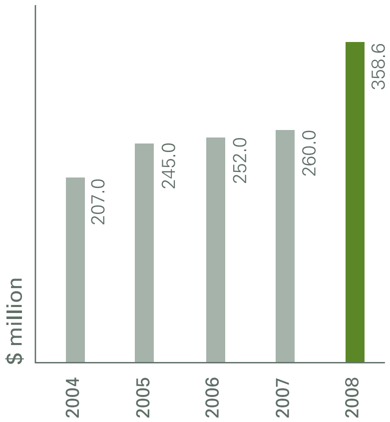
Operating profit



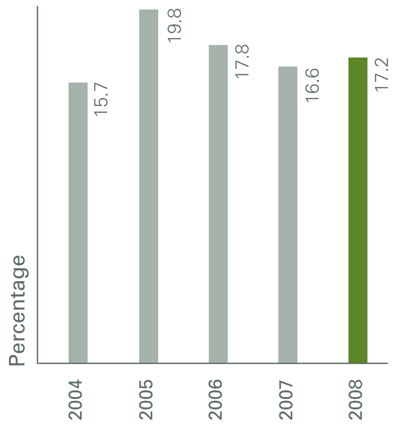
Group sales



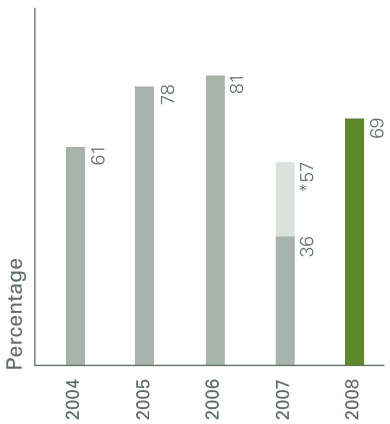
EBITDA



Return on funds employed

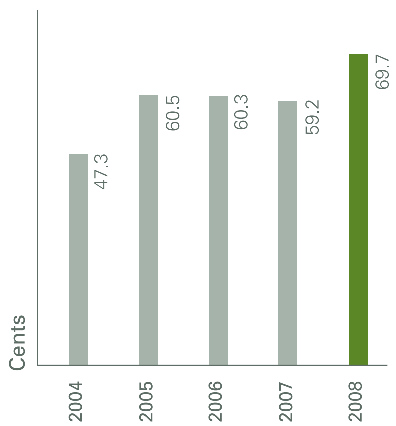


Net debt to equity



** 2007: the pro-forma calculation includes Agripec-related debt.*

Earnings per share



Note: in the above graphs, data for the years 2005 to 2008 is reported using AIFRS, with AGAAP for 2004.

largest global supplier of this key product. The value of glyphosate intermediate increased substantially over the 12 months to 31 July 2008 and this is reflected in the high inventory costs at that date.

Lower than forecast sales in the US in June/July, due to the impact of widespread flooding, also contributed to higher than expected stock levels at year end.

The higher working capital requirements affected cash flows, with cash flow from operations at $57 million and total net operating cash flow at 31 July being a negative $127.4 million.

People: underpin our performance

The strength of our results is underpinned by the commitment and performance of Nufarm management and employees. Shareholders are fortunate that the company is served by a talented and experienced group of people who have helped build a robust business that continues to win admiration within the global crop protection industry.

The company is strongly committed to attracting, retaining and developing the best possible people to ensure we continue to grow value and maintain the systems and safeguards necessary to manage a geographically diverse and challenging business.

Outlook: positive growth momentum

The company remains strongly focused on its geographic and product portfolio expansion strategy and is in an excellent position to again achieve strong revenue and earnings growth in the current 2009 financial year. The company is forecasting an after tax operating profit of between $220 million and $230 million in the current year. Additional sales of existing core products, including glyphosate and phenoxy herbicides, will result from both demand driven volume expansion and market share growth, particularly in Nufarm's businesses in the Americas and Europe. The company expects to strengthen its position in distribution in markets such as the US, Canada, Brazil, France and Germany and continue to build on relatively new market positions such as those in Italy and eastern Europe.

A significant number of new products are scheduled for regulatory approval and launch in the current financial year. These product introductions will strengthen Nufarm's position in the valuable cereal fungicide and herbicide segments in Europe and will facilitate entry to the global seed treatment market, the industry's fastest growing segment.

The current year will also be the first full year where the company has had product portfolio offerings in segments such as pasture and cotton in the US and Brazil, as well as a new citrus position in Brazil, which is the world's largest producer of orange juice.

Volume growth in existing products and new product introductions will contribute to strong underlying growth in the Nufarm business over the course of the year. In addition, structural changes to Nufarm's glyphosate supply position is expected to result in improved profitability. The company recently entered into a new global supply contract with Monsanto and established partnerships with several glyphosate producers in China. These partnerships will allow Nufarm, for the first time, to share in manufacturing margin.

Acquisitions completed in the 2008 financial year are also expected to contribute strongly to earnings growth in 2009 and beyond. Consistent with previous guidance provided by the company, those acquisitions (the Etigra business and AH Marks,) are expected to contribute some $24 million on a net profit after tax basis.

Nufarm's forecast profit growth for the current year assumes average seasonal conditions in the company's major markets. Global demand for agricultural produce is expected to remain strong, although commodity prices may well soften below the highs achieved over the past 12 months.

In general, Nufarm sees continued changes to farming practices that facilitate yield improvement, particularly in developing agricultural markets. Those changes will see the use of a range of farm inputs optimised, including crop protection products.

Directors believe the company is very well positioned to continue its positive growth momentum over the medium term and is ideally placed to capitalise on new expansion opportunities as they arise.

Doug Rathbone AM
Managing Director

25 September 2008


Nufarm
Nufarm
Nufarm

business review

Nufarm achieved significant progress on its strategic growth plan in the 2008 financial year. Nufarm strengthened its position in existing markets and continued its expansion into new markets, securing volume and market share growth and broadening the company's product portfolio.

This progress was achieved against a background of very positive business conditions in the agriculture sector, with farmers securing high prices for their crops and strong demand for agricultural inputs.

While raw material and labour costs increased during the period, the company was able to recover the impact of those cost increases and achieve margin expansion with continued changes to product mix and improved supply chain efficiencies.

Australasia generated $875 million in sales (35 per cent of total sales) but, as a proportion of total sales, continues to decline due to the increasing importance of other regional businesses. North America recorded $631 million in sales (26 per cent of total); South America generated total sales of $431 million (17 per cent); and Europe $555 million (22 per cent).

Australasia: water concerns continue

The Australasian business generated $875 million in sales and a segment profit (segment earnings before interest and tax) of $147.6 million in the 2008 financial year. This represents revenue growth of some 28 per cent on the previous year and 44 per cent growth in segment profit over last year's somewhat depressed results due to the prevailing dry conditions that affected most parts of rural Australia.

After several years of severe drought, seasonal conditions in many cropping regions of Australia improved over the course of the financial year. After a slow first quarter, widespread rains in Queensland and New South Wales during December and January saw demand for crop protection products increase sharply in response to favourable summer cropping conditions.

While autumn rainfall varied from region to region, the major winter crop plantings were up on last year and growing conditions in many regions remained positive, driving strong sales of crop protection products. However, water storages in Australia remained at very low levels and this continued to have a negative impact on Nufarm's sales into a number of market segments, particularly horticultural crops in the Murray Darling basin. Cotton and rice plantings also remained down.

Glyphosate prices in Australia – and in other world markets – increased substantially on the back of higher input costs and very strong global demand. Nufarm's leadership position in the Australian glyphosate market ensured the company was well positioned to meet increased demand, particularly in the early part of the season before broader global supply constraints became apparent.

New Zealand crop protection sales were up by some 20 per cent on the previous year, reflecting good volume growth and market share gains. Following a dry autumn, winter conditions were relatively wet and disrupted farming operations including winter weed control in a number of regions.

Sales in Malaysia and Indonesia were also higher than in the previous year, with a corresponding increase in profitability. During the period, Nufarm concluded an agreement with Monsanto to assume management of the Roundup® glyphosate brand in Indonesia.

North America: strengthening growth

North American sales – at $631 million for the year – were up by 22 per cent in Australian dollars but, when measured in local currencies, increased by just over 30 per cent. This continued a very positive trend of revenue growth in this region over a number of years. Segment profit in North America improved by 32 per cent to $84.5 million.

Nufarm's position in the US market – where sales increased by approximately 25 per cent in local currency – continues to strengthen with improved customer relationships; a high level of regulatory activity and new product introductions; and market share growth in core chemistries.

business review continued

Seasonal conditions were varied leading to timing impacts in some market segments. Widespread flooding through the Midwest late in the reporting period meant sales of both glyphosate and post emergent herbicides were either delayed or lost, resulting in higher year end inventory levels.

Despite this, the company generated strong volume growth and saw stronger pricing across most of its US product range. The insecticide portfolio was expanded and a new seed treatment team was established, with initial sales commencing in this high growth segment.

The acquisition of the Etigra business, announced in March 2008, has substantially strengthened Nufarm's position in specialty crop markets such as turf and ornamentals. The integration of this business is now complete and target earnings contributions for the balance of the 2008 financial year were achieved.

In Canada, higher crop prices led to increased wheat and canola plantings helping to drive strong sales growth for the Nufarm business. A cool, wet spring depressed pre-plant glyphosate volumes, however total glyphosate sales were up as growers planted additional Roundup Ready® crops. New co-distribution arrangements with other major suppliers gave the Canadian business access to an expanded product portfolio.

Colombia (also reported as part of the North American segment) saw increased sales and margin expansion during the year.

South America: new geographic segment

South American sales totalled $431 million for the 12 months to the end of July. This is the first year South America has been reported as a separate geographic segment. Segment profit was $59.3 million. On a pro-forma basis – assuming the company's Brazil operations were 100 per cent owned and fully consolidated for the full 12 months of the previous year – this compares with 2007 South American sales of $337 million and a segment profit of $49.2 million.

In its first full year as a fully owned and consolidated business, Nufarm's operations in Brazil performed well, achieving some 25 per cent growth in revenue (local currency) and strong growth in operating EBIT.

Total EBIT contribution from Brazil was $51 million. This compares with a contribution of $22.4 million in the previous year. This was $14.6 million in earnings for the final two months of the year when the business was consolidated and equity accounted earnings of $7.8 million for the balance of the year. On a pro-forma basis, the comparable 2007 EBIT contribution from Brazil in 2007 (assuming 100 per cent ownership for the full 12 months) was $39.9 million.

The Brazilian crop protection market has recovered strongly from the farm credit crisis that had a negative impact on growers and agricultural input suppliers during the previous two years. A more stable currency and higher crop prices, particularly for soybeans, improved the profitability and trading terms for Brazilian growers. Payment collections have been achieved on schedule as a result of the better market conditions.

Nufarm has increased its market share in Brazil, with a stronger position in local distribution, and new product introductions into important crop segments, including sugar and pasture.

Despite some general market disruptions, Argentina sales increased by almost 40 per cent (local currency), driven by stronger volumes and prices. Margins were also higher, with both glyphosate and several new product introductions contributing to improved profitability. However, political unrest and farmer demonstrations in Argentina had a negative impact on the last quarter of the financial year.

Drought conditions in Chile depressed total industry sales in that market. Nufarm saw a small increase in revenues but higher sales of stronger margin products such as 'Nuprid' (imidacloprid) led to a substantial improvement in gross margins and profit contribution.

Europe: sales and profit contributions up

European sales were up by 26 per cent year on year to $555 million, with segment profit improving substantially ($56.2 million versus $36.8 million in 2007).

Sales and profit contributions were up in all of Nufarm's European businesses. Seasonal conditions were generally positive, with a recovery

from drought in Spain and Portugal helping drive overall growth in crop protection sales in those markets.

Farmer confidence was also aided by higher crop prices and this encouraged stronger demand for farm inputs. Changes to the European Union's 'set-aside' policy saw additional acreage come into production during the year.

Nufarm's businesses in France, Spain and Portugal saw more than 30 per cent increases in sales of branded products. Higher value glyphosate sales, new product introductions, and improvements in logistics/supply chain all combined to boost both revenues and profit.

In Italy, Nufarm completed its first full year of ownership of the former Agrosol business (acquired October 2006). Annual revenues at the time of acquisition were some €6 million. In the year just completed, Italy generated more than €17 million in sales.

Strong profit growth in Germany (EBIT up 25 per cent in local currency) and in the UK (EBIT growth of almost 50 per cent) reflected successful launches of new cereal fungicides and herbicides.

The company continued its expansion into central and eastern European markets. Sales growth was again strong in Romania and Nufarm established a direct operating presence in Hungary with excellent first year results. These markets continue to see increased investment in farming technology, leading to significant growth in crop protection sales. Nufarm's European based manufacturing facilities operated to near full capacity with improved efficiencies during the year, enhancing overhead recoveries and contributing to gross margin expansion.

Nufarm announced in March that it had acquired UK based AH Marks, a phenoxy herbicide manufacturer and third party supplier. The acquisition will consolidate Nufarm's position as the leading global supplier of phenoxy herbicides and delivers important synergies in the areas of manufacturing efficiency; product development; regulatory resources and product distribution.

Seeds: strategic position develops

Nufarm continued to develop its strategic position in seeds and this business remains in a development phase. Improved seasonal conditions in Australia resulted in an increase in sales from Nufarm's seed businesses. As Australia's leading breeder and supplier of canola seed, the company capitalised on stronger plantings of canola throughout the country.

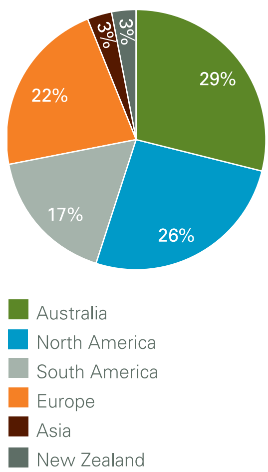
A number of new varieties were successfully launched, including Nuseed's Roundup Ready® canola.

This technology was enthusiastically received by growers in a limited initial commercial release and indications to date are that it is performing strongly at this stage of the growing season. Other conventional varieties also established strong positions. The specialty Monola™ canola crop – a variety bred to produce oil with improved cooking and health properties and produced under a closed loop marketing system – is also looking positive.

Seed breeding and development work continued in relation to several crop varieties. Two new canola varieties were commercially launched in Argentina based on genetics developed in Nuseed's Australian pipeline.

The seeds business generated a small loss for the financial year, in line with forecast.

Crop protection sales by region 2008




Nufarm
DANGER
HIGH VOLTAGE
VOLTS

health, safety and environment

In recent years, Nufarm has made important progress across a range of health, safety and environment measures. The resurgence in global agriculture means our plants are manufacturing record levels of crop protection products. This pressure to produce more sooner means we need to be more diligent than ever in maintaining a safe working environment.

In the 2007 calendar year we missed two important targets in the frequency rates for lost time and medical treatment injuries while achieving the severity target. Regrettably, a contract salesman was killed in an Indonesian road accident.

We are determined that this is only a temporary trend reversal and have rolled out across our European operations the safety behaviour and culture courses that were trialled successfully in Australia. Existing programmes are constantly revised and updated and 'Take 5' has been extended to all new locations.

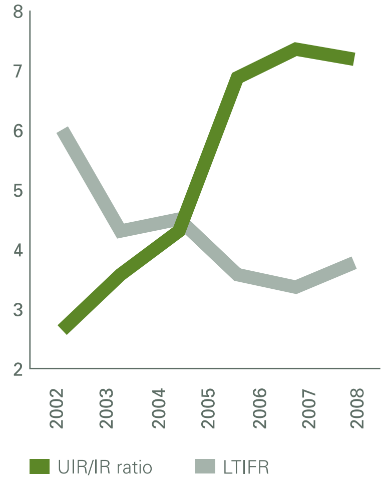
As our operating base expands we are decreasing the environmental impact of our operations with continuing improvements in energy and water usage.

Despite the substantial reduction in total water and energy consumption and the equivalent CO_2 emissions with the July 2007 divestment of our interest in two West Australian chlor-alkali plants, other plants continue to increase production while improving resource use and reducing CO_2 emissions.

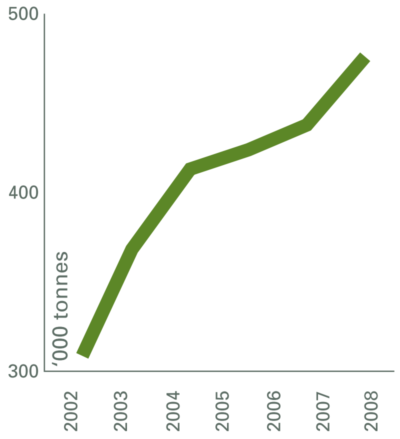
Water consumption reduced a further 10 per cent per tonne of product and total waste (excluding salt) came down by 14 per cent per tonne production.

Nufarm's ninth annual health, safety and environment report may be downloaded from the corporate website, together with separate reports from manufacturing sites.

Unusual incident report/injury report vs LTIFR 2002–2008

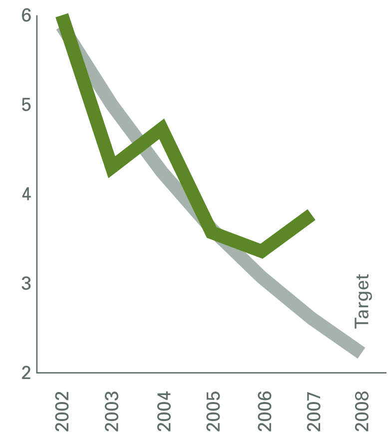


Production 2002–2008



health, safety and environment continued

LTIFR 2002–2007
2008 target 2.22



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.

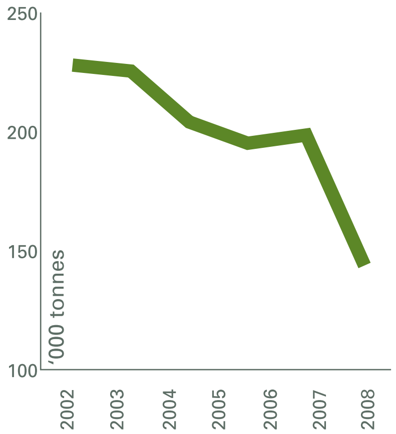
MTIFR 2002–2007
2008 target 4.44

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

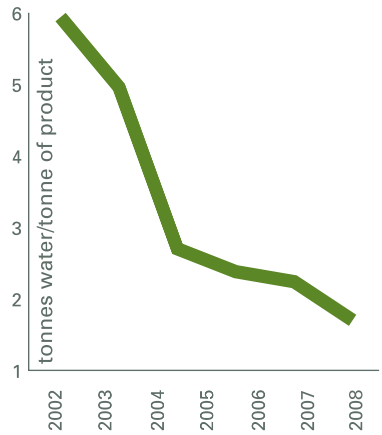
Severity 2002–2007
2008 target 0.026

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

CO_2 released from energy use and processes 2002–2008



Water efficiency 2002–2008



Waste 2002–2008

management team

Doug Rathbone AM
Managing director and chief executive

Brian Benson
Group general manager agriculture

Rodney Heath
Group general manager corporate services and company secretary

Kevin Martin
Chief financial officer

Dale Mellody
Group general manager marketing and president North America

Bob Ooms
Group general manager chemicals

Mike Pointon
Group general manager innovation and development

David Pullan
Group general manager operations

Robert Reis
Group general manager corporate strategy and external affairs

management team continued

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 35 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.

Dale Mellody

Group general manager marketing and president North America

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. Now based in the US, 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 has executive management responsibility for global supply chain issues.

Mike Pointon

Group general manager innovation and development

Mike Pointon joined Nufarm in 2001 and was responsible for Nufarm's southern European business based in France. He has a degree in agricultural science and over 25 years experience in the crop protection industry. Most recently based in Melbourne with responsibility for Nufarm's global glyphosate business. Mike, appointed to the executive team in July 2008, is responsible for the group's product development and regulatory affairs activities.

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

Doug Curlewis
Deputy chairman

Doug Rathbone AM
Managing director and chief executive

Bruce Goodfellow
Director

Garry Hounsell
Director

Donald McGauchie AO
Director

John Stocker AO
Director

board of directors continued

Kerry Hoggard

Chairman

Kerry Hoggard, 67, 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, 67, 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) and Remunerator Australia Pty Ltd (seven years).

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

Doug Rathbone AM

Managing director and chief executive

Doug Rathbone AM, 62, joined the board in 1987.

His background is chemical engineering and commerce and he has worked for Nufarm Australia Limited for 35 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 CSIRO in 2007.

Bruce Goodfellow

Dr WB (Bruce) Goodfellow, 56, 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 chairman of Refrigeration Engineering Co Ltd and a director of Sanford Ltd, Sulkem Co Ltd, and Cambridge Clothing Co Ltd.

Bruce is a member of the nomination committee.

Garry Hounsell

GA (Garry) Hounsell, 53, 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 chairman of Pan Aust Ltd and deputy chairman of Mitchell Communication Group 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, 58, 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, 63, 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 CSIRO.

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 the audit committee.

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 Corporate Governance Principles and Recommendations ('the ASX principles') 2nd Edition, published by the Australian Securities Exchange Limited's (ASX) Corporate Governance Council.

Copies of our corporate governance practices are publicly available on 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 27 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 the following exception:

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.

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

Kerry's history with the company, including his detailed knowledge of the industry where the company operates and his extensive accounting, financial and commercial background, bring invaluable experience and unique skills to Nufarm.

Kerry continues to apply judgment 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, is deputy chairman of the board.

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 the managing director and senior executives.

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, monitor and review strategic plans for the company and its business units;
- approve financial and dividend policy;
- 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 board 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 2008, 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 34 of this report.

Evaluating the performance of senior executives

Nufarm's senior executive team comprises a group of long serving career Nufarm or crop protection executives. The performance of the senior executive team is reviewed by the managing director, and then the remuneration committee and the board, as part of the annual remuneration review. In the case of the managing director, the remuneration committee and the board conduct his review.

A key consideration for the board is the company's return on funds employed (ROFE) performance.

ROFE is, and has been for some 20 years, a core feature of Nufarm's culture, involving many aspects of the company's financial management. ROFE provides the senior executive with guidance as to how shareholder value can be increased by improving operating income and using capital more efficiently. We believe that if management concentrates on improving ROFE, then sustained shareholder value will result.

For this reason, and the profile of the senior executive described on page 19, the board believes ROFE is the appropriate performance condition for the company's senior executive incentive programme. However, the board also reviews the company's total shareholder return (TSR) performance with that of other peer group companies.

In the reporting period, a performance evaluation of senior executive was undertaken in accordance with this process.

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

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

Board of directors

Composition

There are seven 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 six 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 judgment to the board. The board applies the framework 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. 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.

The board conducts an annual review of the independence of directors, and at the date of this report, it has determined that the status of directors is as follows:

Independent non-executive directors

GDW Curlewis
GA Hounsell
DG McGauchie
Dr JW Stocker

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 page 21 of this report.

Access to independent advice

To help directors discharge their responsibilities, any director can 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 24 of this report. Doug Curlewis, an independent director, is deputy chairman.

The Nufarm board has stipulated that the role of the chairman and chief executive officer may not be filled by the same person.

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 and Bruce Goodfellow are members, with a majority of independent directors. The committee is chaired by an independent director.

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.

The performance of the board, its committees and individual directors is reviewed annually, and the board has utilised a variety of review processes.

In 2003-2004, directors completed a detailed questionnaire, an external consultant interviewed each director individually and there was a general board discussion. The subsequent performance evaluation was conducted by the chairman, and for the last two reporting periods, the board completed a purpose designed questionnaire, the results of which were discussed with the chairman, and 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 and have direct access to the company secretary, who is appointed by, and accountable to, the board on all governance matters.

Save for the fact that the chairman is not independent, the operation of the board is in accordance with the recommendations of ASX Principle 2.

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

Nufarm operates in many countries and does so in accordance with the social and cultural beliefs of each country.

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

We require directors, senior executives and all 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 company has put in place a structure of review and authorisation to independently verify and safeguard the integrity of financial reporting.

The audit committee reviews the company's financial statements and the independence of the external auditors.

Audit committee

Garry Hounsell is chairman of the board audit committee with Doug Curlewis, John Stocker 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 34.

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 in the manufacturing sector. He is chairman of PanAust Limited, deputy chairman of

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Mitchell Communication Group Limited and a director of Qantas Airways Limited and Orica Limited. Garry is also chairman of the audit committee at Qantas.

Doug Curlewis has an MBA and is a 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 Ltd.

John Stocker has a medical, scientific and management background and was formerly chief scientist of the Commonwealth of Australia and is now the chairman of CSIRO. 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.

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.

The committee reviews its charter annually.

The charter sets out membership requirements for the committee, its responsibilities and provides that the committee shall annually assess the external auditor's actual or perceived independence by reviewing the services provided by the auditor. The charter 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 two 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;
- 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;
- proxy voting;
- notices of AGM;
- a summary of AGM proceedings, including the chairman's and chief executive officer's addresses and voting results;
- relevant market announcements and related information; and
- copies of webcasts and teleconferences.

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

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

Identifying and managing risk

The board is committed to identifying, assessing, monitoring and managing its material business risks.

Nufarm's policies and procedures relating to the management and oversight of risk provide effective management of material risks at a level appropriate to Nufarm's global business.

The board annually, at its strategy review meeting, reviews the material risks faced by the company. In so doing, it considers the interests of all relevant stakeholders.

At each board meeting, management report on specific issues of risk and compliance, including legal compliance, health, safety and environmental compliance and financial reporting.

The board has retained responsibility for the oversight of the company's risk management system. The board ensures that appropriate policies are in place to ensure compliance with risk management controls, and requires management to monitor, manage and report on business risks.

The board has delegated the oversight of financial and treasury risk, including credit, liquidity and market risks to the audit committee, which will refer any relevant matters to the full board. The year end exposure to these risks is described in note 32 of the financial statements.

The audit committee has approved a global risk management charter that specifies the responsibilities of the general manager global risk management, (which includes the internal audit function). The charter provides authority to conduct internal audits, risk reviews and system-based analyses of the internal controls in major business systems.

The general manager global risk management reports directly to the managing director and provides a written report of his activities at each meeting of the audit committee. In so doing he has continual access to the chairman and members of the audit committee. The internal audit function is independent of the external auditor.

All board committees report to the board on risk management issues within their areas of responsibility.

The company recognises a number of operational risks related to its crop protection business including:

- climate conditions and seasonality;
- regulatory, freedom to operate, product registration, product use and sustainability;
- relationships with key suppliers and customers; and
- licences and operating permits for manufacturing facilities.

The managing director and the company's senior management (group general managers [GGMs] who report directly to the managing director) are responsible for the management of material risks in their respective areas of responsibility. The managing director's and GGMs' periodic reports, submitted for review to each board meeting, will include relevant commentary on any material risk. The board also requires the managing director and GGMs to provide the board, for its annual strategy meeting, with a report and assurance that all material risks are being effectively managed. Such a report was received in the current reporting period.

Local and regional financial controllers complete half-yearly certificates, which are reviewed by the chief financial officer and the audit committee as part of the company's half-year reporting to the market and to achieve compliance with section 295A of the Corporations Act. In accordance with Section 295A, 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

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- the statement is founded on a sound system of risk management and internal compliance and control, which is operating effectively in all material respects in relation to financial reporting risks.

The board received in the current reporting period an assurance from the chief executive officer and chief financial officer that the declaration relating to the company's financial reports has been made with due regard to appropriate risk management controls.

A summary of the company's policies on risk oversight and management of material business risks is available on the corporate governance section of the company's website. Nufarm's management of risk is consistent with ASX Principle 7.

Remuneration

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

Remuneration committee

Doug Curlewis is chairman of the remuneration committee and Kerry Hoggard and Donald McGauchie are members, with a majority of independent directors. The committee is chaired by an independent director.

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; and
- ensure remuneration packages and policies attract, retain and motivate high calibre executives.

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.

Remuneration of non-executive directors (NED)

The board's policy with regard to NED remuneration is set out in the remuneration report on pages 36 to 38.

A copy of the remuneration committee charter and the company policy on prohibiting senior executives from hedging any shares offered under the executive share plan are available on the corporate governance section of the company's website. Nufarm's remuneration policies are consistent with ASX Principle 8.

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 2008 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 (retired 5 December 2007)

Unless otherwise indicated, 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 page 21.

Company secretary

The company secretary is R Heath.

Details of the qualifications and experience of the company secretary are set out on page 19.

Directors' interests in shares and step-up securities

Relevant interests of the directors in the shares and 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 Securities 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[1]	44,533	–
DJ Rathbone	25,912,610	–
Dr WB Goodfellow[1, 2]	665,846	45,289
GA Hounsell[1]	45,170	–
DG McGauchie[1]	17,038	–
Dr JW Stocker[1]	41,522	–
RFE Warburton[3]	67,600	–

1 The shareholdings of KM Hoggard, GDW Curlewis, Dr WB Goodfellow, GA Hounsell, DG McGauchie and Dr JW Stocker 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 (430,186 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 (113,947 shares); and

(iii) Auckland Medical Research Foundation (25,462 step-up securities). Dr Goodfellow does not have a beneficial interest in these step-up securities.

3 RFE Warburton retired on 5 December 2007.

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:

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

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

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

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

1 All directors are entitled to attend any committee meetings.
2 RFE Warburton retired on 5 December 2007.
3 Dr WB Goodfellow became a member of the nomination committee effective 1 November 2007. Dr JW Stocker retired as a member of the remuneration and nomination committees and became a member of the audit committee effective 1 November 2007.

Principal activities and changes

Nufarm 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 3,112 people at its various locations in Australasia, Asia, Africa, the Americas and Europe. The company is listed on the Australian Securities Exchange (symbol NUF). Its head office is located at Laverton North in Melbourne.

Results

The net profit attributable to members of the consolidated entity for the 12 months to 31 July 2008 is $137.9 million. The comparable figure for the 12 months to 31 July 2007 was $148.8 million.

Dividends

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

	$000
The final dividend for 2006–07 of 21 cents paid 9 November 2007	36,043
The interim dividend for 2007–08 of 12 cents paid 2 May 2008	22,279
The final dividend for 2007–08 of 23 cents as declared and recommended by the directors is payable 17 November 2008	42,753

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:

	$000
Distribution payment for the period 15 April 2007 – 15 October 2007 at the rate of 8.56 per cent per annum paid 15 October 2007	10,772
Distribution payment for the period 16 October 2007 – 15 April 2008 at the rate of 8.95 per cent per annum paid 15 April 2008	11,263

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 3 to 6 and the business review on pages 9 to 12.

State of affairs

The state of the company's affairs are set out in the managing director's review on pages 3 to 6 and the business review on pages 9 to 12.

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 financial accounts, managing director's review and the business review.

Events subsequent to reporting date

On 25 September 2008 the directors declared a final dividend of 23 cents per share, fully franked, payable 17 November 2008. The directors have also approved a dividend reinvestment plan. For the final dividend, shareholders will be given the opportunity to reinvest dividends in Nufarm shares at a 2.5 per cent discount to the volume weighted average share price calculated over a period and on a basis to be determined by the board. Details of the plan and election notices will be mailed to all shareholders.

As announced by the company on 1 September 2008, the UK Competition Commission has initiated an investigation into possible competition concerns that might arise as a result of the acquisition of AH Marks. The review is expected to be complete by mid February, 2009. Combined Nufarm and AH Marks UK annual sales of the main products under investigation amount to £4 million, with AH Marks sales of those products totaling less than £1.5 million. Nufarm is cooperating fully with the Competition Commission in an effort to clarify and address any such concerns. Regulators in other jurisdictions are also reviewing aspects of the acquisition. Certain restructuring proposals for the business have been delayed pending completion of this review.

On 24 September, 2008 Nufarm signed an agreement to acquire Lefroy Seeds Pty Ltd, based in Toowoomba, Queensland. Lefroy Seeds specialises in hybrid breeding, production and commercialisation activities in sunflower and sorghum. The company has established registrations, sales and commercial partnerships in Australia, Argentina, South Africa, China, Pakistan, Thailand and various countries in Europe. The acquisition involves total consideration of $11.5 million, the majority of which will be paid in Nufarm equity.

International financial crisis

The instability in global finance markets is causing difficulties for several significant overseas financial institutions. Nufarm has no facilities with any of these financial institutions.

Nufarm maintains significant short term financing lines with its relationship banks. Many of these lines have annual review points primarily in the October to December period. Discussions with key relationship banks have reaffirmed their support of Nufarm and, subsequent to balance date, Nufarm has increased its facilities with some financiers.

The directors believe that the business fundamentals in agriculture remain very strong and the current instability in financial markets is not anticipated to have any material impact on the company's performance or projected guidance.

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 14 to 15. 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.

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.

Remuneration report – audited

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

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.

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 determined with reference to the median of similar sized companies within Mercer's executive remuneration database; and
- an incentive program – the incentive program is linked to meeting predetermined financial objectives for the full year. 50 per cent of the incentive will be paid in cash and 50 per cent will be delivered by way of shares, which, for the key management personnel, ensures a longer-term focus to achieve benefits consistent with the delivery of sustained growth of shareholder value. The exception is the current managing director who is paid in cash because of the very substantial shareholding he currently controls in the company.

Management personnel 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 the incentive program is paid at 100 per cent, the TTR will meet the company's TTR policy position of the upper quartile of similar sized companies within Mercer's executive remuneration database. Set out below are details of the maximum payment for 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 (TSR) with relevant comparator groups.

Each year, the board reviews and establishes the performance hurdle for the incentive program. The hurdle reflects targets for specific objectives and increasing company value, consistent with the company's business and investment strategies.

The target ROFE hurdle for the incentive program is 17.25 per cent.

At the end of each financial year the board:

- assesses company performance against the target ROFE hurdle to determine the percentage of any offer to be made under of the incentive program; and
- reviews target ROFE for the incentive program for the following financial period.

For the incentive program, 25 per cent of the incentive will be payable on achievement of 90 per cent of target ROFE with a linear progression to 100 per cent of the incentive on achievement of target ROFE and a maximum of 175 per cent of the incentive on achievement of 110 per cent of target ROFE.

If less than 90 per cent of target ROFE is achieved, no incentive will be paid.

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

	Percentage (%) target ROFE achieved			
	<90	90	100	110
Managing director	0	20	50	64
Key management personnel other than non-executive directors	0	14	40	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 %
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
2008	311.2	17.2	69.7	33	58,332	4.05	16.85	17

* Numbers for 2005, 2006 and 2007 calculated in accordance with International Financial Reporting Standards. Numbers for 2004 calculated in accordance with previous Australian Generally Accepted Accounting Principles.

** 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.

Service contracts

The company has employment contracts with the managing director and the key management personnel. These contracts formalise the terms and conditions of employment. The contracts are for an indefinite term.

The company may terminate the contracts upon, in the case of the managing director, 12 months, and in the case of key management personnel, six months notice, in which case a termination payment equivalent to, in the case of the managing director, 24 months, and in the case of key management personnel, 12 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 employment contracts 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 2008 (excluding superannuation costs).

	$
Chairman[1]	240,000
Deputy chairman[1]	140,000
Director board fees	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

Effective 1 August 2008, the fees payable to the chairman, deputy chairman and directors will be:

	$
Chairman	290,000
Deputy chairman	170,000
Director board fees	115,000

All other fees remain unaltered.

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.

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

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

Remuneration of directors and executives

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

In AUD		Short term Salary and fees $	Cash bonus (vested[1]) $
Directors			
Non-executive			
KM Hoggard (Chairperson)	2008	228,000	–
	2007	192,000	–
GDW Curlewis (Deputy chairman)	2008	112,000	–
	2007	112,000	–
Dr WB Goodfellow	2008	86,750	–
	2007	76,000	–
GA Hounsell	2008	110,500	–
	2007	94,333	–
DG McGauchie	2008	92,750	–
	2007	78,500	–
Dr JW Stocker	2008	89,750	–
	2007	–	–
RFE Warburton[2]	2008	57,911	–
	2007	21,500	–
Executive Director			
DJ Rathbone (Managing director)	2008	1,124,760	1,525,244
	2007	1,015,250	992,920
Executive Officers			
DA Pullan (Group general manager operations)	2008	476,138	535,051
	2007	435,450	70,439
RF Ooms (Group general manager chemicals)	2008	443,781	500,386
	2007	416,483	66,396
KP Martin (Chief financial officer)	2008	447,447	502,077
	2007	398,928	66,067
B Benson (Group general manager marketing)	2008	462,264	498,387
	2007	406,158	63,710
RG Reis (Group general manager corporate strategy and external affairs)	2008	387,152	377,168
	2007	300,405	45,979
DA Mellody (Group general manager marketing and president North America)	2008	324,688	330,815
	2007	246,350	37,529
R Heath (Company secretary)	2008	219,309	257,650
	2007	209,086	34,610

1 All cash bonuses were fully vested.
2 RFE Warburton retired on 5 December 2007.

Short term		Post-employment	Share based payments	Other long term	Total
Non-monetary benefits $	Total $	Superannuation $	Equity settled $	$	$
–	228,000	24,000	12,000	–	264,000
–	192,000	24,000	48,000	–	264,000
–	112,000	42,000	–	–	154,000
–	112,000	42,000	–	–	154,000
–	86,750	9,625	9,500	–	105,875
–	76,000	9,500	19,000	–	104,500
–	110,500	12,000	9,500	–	132,000
–	94,333	11,333	19,000	–	124,666
–	92,750	9,750	4,750	–	107,250
–	78,500	9,750	19,000	–	107,250
–	89,750	9,875	9,500	–	109,125
–	–	88,250	19,000	–	107,250
–	57,911	6,266	4,750	–	68,927
–	21,500	75,000	19,000	–	115,500
37,587	2,687,591	15,286	–	105,538	2,808,415
33,077	2,041,247	14,709	–	65,311	2,121,267
43,010	1,054,199	93,339	–	29,892	1,177,430
39,522	545,441	85,960	219,451	19,530	870,382
10,423	954,590	87,901	–	15,872	1,058,363
10,704	493,583	67,919	206,414	14,790	782,706
25,713	975,237	87,171	–	32,841	1,095,249
14,750	479,745	74,530	206,414	9,568	770,257
36,191	996,842	83,419	–	24,085	1,104,346
16,998	486,866	40,852	196,780	25,344	749,842
36,049	800,369	44,692	–	47,215	892,276
39,931	386,315	39,102	139,386	16,842	581,645
23,919	679,422	42,150	–	27,999	749,571
21,026	304,905	23,557	110,689	10,482	449,633
32,519	509,478	42,653	–	11,353	563,484
24,396	268,092	41,151	109,869	8,357	427,469

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 43 and forms part of the directors' report for the financial year ended 31 July 2008.

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
25 September 2008

lead auditor's independence declaration

under Section 307C of the Corporations Act 2001

KPMG

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 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Paul J McDonald
Partner

Melbourne
25 September 2008

income statements

for the year ended 31 July 2008

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Continuing operations					
Revenue		2,492,458	1,764,384	57,919	46,209
Cost of sales		(1,747,965)	(1,269,608)	(39,910)	(31,287)
Gross profit		744,493	494,776	18,009	14,922
Other income	7	5,519	8,567	63,060	57,393
Sales, marketing and distribution expenses		(263,878)	(186,019)	(4,784)	(5,573)
General and administrative expenses		(138,378)	(93,357)	(7,076)	(5,947)
Research and development expenses		(41,585)	(30,000)	(515)	(564)
Share of net profits of associates	19	2,698	8,056	1,237	788
Operating result		308,869	202,023	69,931	61,019
Barter trade loss realised on option contracts – Brazil	6	(34,259)	–	–	–
Net non-cash revaluation profit/(loss) on proceeds from Nufarm Step-up Securities financing	6	(4,119)	885	–	–
Profit before net financing costs and income tax		270,491	202,908	69,931	61,019
Financial income	10	3,202	5,336	119	6,801
Financial expenses	10	(83,397)	(59,770)	(3,183)	(8,736)
Net financing costs		(80,195)	(54,434)	(3,064)	(1,935)
Profit before income tax		190,296	148,474	66,867	59,084
Income tax expense	11	(52,176)	(41,151)	(2,169)	(1,448)
Profit from continuing operations		138,120	107,323	64,698	57,636
Discontinued operations					
Profit/(loss) of discontinued operations and gain/(loss) on sale of discontinued operations (after tax)	12	–	41,840	–	–
Profit for the period		138,120	149,163	64,698	57,636
Attributable to:					
Equity holders of the company		137,915	148,796	64,698	57,636
Minority interest		205	367	–	–
Profit for the period		138,120	149,163	64,698	57,636
Earnings per share					
Basic earnings per share	31	69.7	83.6		
Diluted earnings per share	31	69.7	83.6		
Continuing operations					
Basic earnings per share	31	69.7	59.2		
Diluted earnings per share	31	69.7	59.2		

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

balance sheets

as at 31 July 2008

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Assets					
Cash and cash equivalents	15	59,143	92,377	3,308	15,034
Trade and other receivables	16	839,963	787,909	467,536	235,182
Inventories	17	843,544	477,404	17,318	14,721
Current tax assets	18	61,185	27,348	12,860	11,651
Total current assets		1,803,835	1,385,038	501,022	276,588
Non-current assets					
Receivables	16	29,041	15,336	–	–
Equity accounted investments	19	24,264	22,966	9,206	8,341
Other investments	20	354	271	300,769	307,214
Deferred tax assets	21	93,270	93,577	1,603	1,079
Property, plant and equipment	23	433,112	333,777	5,283	5,034
Intangible assets	24	821,500	580,721	49	24
Other	22	8,504	7,225	–	–
Total non-current assets		1,410,045	1,053,873	316,910	321,692
TOTAL ASSETS		3,213,880	2,438,911	817,932	598,280
Current liabilities					
Bank overdraft	15	20,841	12,716	–	2,667
Trade and other payables	25	778,060	812,336	133,671	119,217
Loans and borrowings	26	587,612	360,061	–	–
Employee benefits	27	16,849	15,328	342	317
Current tax payable	18	12,461	23,956	7,227	14,096
Provisions	29	6,184	11,436	–	–
Total current liabilities		1,422,007	1,235,833	141,240	136,297
Non-current liabilities					
Payables	25	39,842	15,200	–	–
Loans and borrowings	26	351,456	92,092	–	–
Deferred tax liabilities	21	57,239	34,893	74	2
Employee benefits	27	38,118	31,742	52	52
Total non-current liabilities		486,655	173,927	126	54
TOTAL LIABILITIES		1,908,662	1,409,760	141,366	136,351
NET ASSETS		1,305,218	1,029,151	676,566	461,929
Equity					
Share capital	30	456,870	240,886	456,870	240,886
Reserves	30	6,822	9,192	37,355	45,135
Retained earnings	30	593,558	531,124	182,341	175,908
Equity attributable to equity holders of the company		1,057,250	781,202	676,566	461,929
Nufarm Step-up Securities	30	246,932	246,932	–	–
Minority interest	30	1,036	1,017	–	–
TOTAL EQUITY	30	1,305,218	1,029,151	676,566	461,929

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

statements of cash flows

for the year ended 31 July 2008

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Cash flows from operating activities					
Cash receipts from customers		2,580,996	1,692,095	65,692	79,130
Cash paid to suppliers and employees		(2,523,981)	(1,539,715)	(55,281)	(47,314)
Cash generated from operations		57,015	152,380	10,411	31,816
Interest received		3,202	5,336	119	6,801
Dividends received		373	171	59,817	53,335
Interest paid		(83,397)	(59,770)	(3,183)	(8,736)
Income tax paid		(70,336)	(35,519)	(10,921)	(6,766)
Payment for barter trade loss realised on option contracts – Brazil		(34,259)	–	–	–
Net cash from operating activities	38	(127,402)	62,598	56,243	76,450
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		8,086	1,378	70	133
Proceeds from business sale		3,306	67,327	–	25,061
Payments for plant and equipment		(69,509)	(63,231)	(1,524)	(1,433)
Purchase of businesses, net of cash acquired		(374,256)	37,106	–	–
Payments for acquired intangibles and major product development expenditure		(61,211)	(22,866)	(62)	–
Net investing cash flows		(493,584)	19,714	(1,516)	23,761
Cash flows from financing activities					
Shares issued under private placement (net of costs)		197,755	–	197,755	–
Shares issued under share purchase plan		10,791	–	10,791	–
Proceeds from issue of Nufarm Step-up Securities (NSS)		–	244,915	–	–
Proceeds from borrowings		600,774	409,977	–	–
Repayment of borrowings		(148,272)	(426,383)	–	–
Repayment of capital notes		–	(195,228)	–	–
Advances to controlled entities		–	–	(212,452)	(20,498)
Payment for interest rate cap on NSS securities		–	(3,755)	–	–
Distribution to NSS holders		(22,036)	(8,184)	–	–
Repayment of finance lease principal		–	–	–	–
Dividends paid		(58,422)	(53,451)	(58,264)	(53,145)
Net financing cash flows		580,590	(32,109)	(62,170)	(73,643)
Net increase (decrease) in cash and cash equivalents		(40,396)	50,203	(7,443)	26,568
Cash at the beginning of the year		79,661	31,329	12,367	(12,835)
Exchange rate fluctuations on foreign cash balances		(963)	(1,871)	(1,616)	(1,366)
Movement in cash reclassified as assets held for sale		–	–	–	–
Cash and cash equivalents at 31 July	15	38,302	79,661	3,308	12,367

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 2008

		Consolidated		Company	
	Note	2008 $000	2007 $000	2008 $000	2007 $000
Items recognised directly in equity					
Foreign exchange translation differences for foreign operations	30	(2,491)	(14,680)	(7,871)	(1)
Actuarial gains (losses) on defined benefit plans	30	(2,451)	4,093	–	–
Foreign exchange movements taken to income statement	30	–	20	–	(50)
Income tax on income and expense recognised directly in equity	30	699	1,928	699	27
Income and expense recognised directly in equity		(4,243)	(8,639)	(7,172)	(24)
Profit for the year		138,120	149,163	64,698	57,636
Total recognised income and expense for the year		133,877	140,524	57,526	57,612
Attributable to:					
Equity holders of the parent		133,702	140,209	57,526	57,612
Minority interest		175	315	–	–
Total recognised income and expense for the year		133,877	140,524	57,526	57,612

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 address of the company's registered office is 103-105 Pipe Road, Laverton North, Victoria, 3026. The consolidated financial statements of the company as at and for the year ended 31 July 2008 comprise the company and its subsidiaries (together referred to as the 'group' and individually as 'group entities') and the group's interest in associates and jointly controlled entities. The group is primarily involved in the manufacture and sale of crop protection products used by farmers to protect crops from damage caused by weeds, pests and disease.

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 and the financial report of the company also comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the board of directors on 25 September 2008.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments which 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 accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

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

- note 14 – business combinations;
- note 21 – utilisation of tax losses;
- note 24 – measurement of the recoverable amounts of cash-generating units and impairment of goodwill and indefinite life intangibles;
- note 27 – measurement of defined benefit obligations;
- note 32 – valuation of financial instruments; and
- note 29 and 35 – provisions and contingencies.

3. Significant accounting policies

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

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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group.

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

Associates and jointly controlled entities (equity accounted investments)

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investments) and are initially recognised at cost. The group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the group's share of losses exceeds its interest in an equity accounted investment, 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 investee.

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 equity accounted investees are eliminated against the investment to the extent of the group's interest in the investee. 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 equity accounted investee or, if not consumed or sold by the equity accounted investee, when the group's interest in such entities is disposed of.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in foreign operation, or qualifying cash flow hedges, which are recognised directly in equity.

notes to the financial statements continued

3. Significant accounting policies continued

(b) Foreign currency continued

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 Australian equivalents to IFRS, 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.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign subsidiary, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign subsidiary and are recognised directly in equity in FCTR.

(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. 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 manage its foreign currency and interest rate risk exposures.

Derivatives are recognised initially at fair value, with attributable transaction costs recognised in profit or loss when incurred.

Subsequent to initial recognition, derivatives continue to be measured at fair value, with changes therein accounted for in profit or loss.

3. Significant accounting policies continued

(c) Financial instruments continued

Derivative financial instruments continued

Cash flow hedges

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

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued. 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 flow hedges

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

Share capital

Ordinary shares

Ordinary shares are classified as equity. 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 after-tax 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 by reference to its fair value at that date.

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. Borrowing costs related to the acquisition or construction of qualifying assets are recognised in profit or loss as incurred.

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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within 'other income' in profit or loss.

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, unless it is reasonably certain that the group will obtain ownership by the end of the lease term. Land is not depreciated.

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

• buildings	15–50 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 jointly controlled entities.

Acquisitions prior to 1 August 2004
As part of its transition to IFRS, 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.

Acquisitions of minority interests
Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

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.

3. Significant accounting policies continued

(e) Intangible assets continued

Research and development

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

Development activities involve a plan or design for the production of new or substantially improved products and processes.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the group has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are recognised in profit or loss as incurred. Development expenditure that does not meet the above criteria is recognised in profit or loss as 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 the leased assets are not recognised on the group's balance sheet.

3. Significant accounting policies continued

(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, production or conversion costs and other costs incurred in 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.

(h) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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.

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 and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

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.

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 generally 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, deferred tax assets and employee benefit assets, 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 plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The group's net obligation in respect of defined benefit 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. Any unrecognised past service costs and the fair value of any plan assets are 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 and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually 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.

The group recognises all actuarial gains and losses arising from the defined benefit plans directly in equity immediately.

Other long term employee benefits

The group's net obligation in respect of long term employee benefits, other than defined benefit plans, is the amount of 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. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

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 either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense 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.

A liability 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 expense 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, 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, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

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, 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 contingency no longer exists and the lease adjustment is known.

(n) Finance income and expense

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss 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, changes in the fair value of financial assets at fair value through profit or loss, dividends on preference shares classified as liabilities, 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.

Foreign currency gains and losses are reported on a net basis.

(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 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. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. 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 substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

3. Significant accounting policies continued

(o) Income tax continued

Tax consolidation

The company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are 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 of assets and liabilities 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 are assumed by the head entity in the tax-consolidated group and are recognised by the company as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the company as an equity contribution or distribution.

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

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

Nature of tax funding arrangements and tax sharing agreements

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

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

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

(p) Goods and services tax

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

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

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

3. Significant accounting policies continued

(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 re-presented 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. The geographic segments are determined based on the group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

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 loans and borrowings and related expenses, corporate assets and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

(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 2008, but have not been applied in preparing this financial report:

- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the group's 31 July 2010 financial statements. The group has not yet determined the potential effect of the revised standard on the group's financial report.

3. Significant accounting policies continued

(t) New standards and interpretations not yet adopted continued

- AASB 8 *Operating Segments* introduces the 'management approach' to segment reporting. AASB 8, which becomes mandatory for the group's 31 July 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the group's chief operating decision maker in order to assess each segment's performance and to allocate resources to them. Currently, the group presents segment information in respect of its geographical segments. This is not expected to change under AASB 8.
- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly 'primary' statement) the 'statement of comprehensive income'. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the group's 31 July 2010 financial statements. The group has not yet determined the potential effect of the revised standard on the group's disclosures.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the group's 31 July 2010 financial statements and will constitute a change in accounting policy for the group. In accordance with the transitional provisions the group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The group has not yet determined the potential effect of the revised standard on future earnings.
- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the group's 31 July 2010 financial statements. The group has not yet determined the potential effect of the revised standard on the group's financial report.
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the group's 31 July 2010 financial statements. The group has not yet determined the potential effect of the amending standard on the group's financial report.
- AI 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. AI 13, which becomes mandatory for the group's 31 July 2009 financial statements, is not expected to have any impact on the financial report.
- AI 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction* clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. AI 14 will become mandatory for the group's 31 July 2009 financial statements, with retrospective application required. The group has not yet determined the potential effect of the interpretation.

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. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4. Determination of fair values continued

(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 and debt 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.

(vi) Derivatives

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

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

(vii) Non-derivative financial liabilities

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

(viii) Financial guarantees

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

notes to the financial statements continued

5. Segment reporting

Segment information is presented in respect of the group's geographic segments. This the primary format of segment reporting based on the group's management and internal reporting structure. The group operates predominantly in one business segment, being the crop protection industry. The business is managed on a worldwide basis, with the major geographic segments for reporting being Australasia, Europe, North America and South America. In prior years, an Americas region only has been reported. However, with the consolidation of the Agripec business in 2007, the Americas has been split between North and South America. The North America region includes Canada, USA, Mexico, the Central American countries and the Andean region. The South America region includes Brazil, Argentina, Chile, Uruguay, Paraguay and Bolivia. The prior year information has been restated to reflect the new segments. 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.

Geographic segments 2008	Australasia $000	Europe $000	North America $000	South America $000	Consolidated $000
Revenue					
Total segment revenue	874,992	554,661	631,383	431,422	2,492,458
Results					
Segment result before associate profit	146,364	54,908	84,336	59,301	344,909
Share of profit of associates	1,228	1,336	134	–	2,698
Segment result	147,592	56,244	84,470	59,301	347,607
Unallocated corporate expenses					(38,738)
Operating result					308,869
Barter trade loss realised on option contracts – Brazil					(34,259)
Net non-cash revaluation profit/(loss) on proceeds from Nufarm Step-up Securities financing					(4,119)
Net financing costs					(80,195)
Income tax expense					(52,176)
Profit for the period					138,120
Assets					
Segment assets	802,727	823,279	599,214	723,851	2,949,071
Investment in associates	10,182	13,628	454	–	24,264
Unallocated assets					240,545
Total assets					3,213,880
Liabilities					
Segment liabilities	311,133	266,017	221,504	80,398	879,052
Unallocated liabilities					1,029,610
Total liabilities					1,908,662
Other segment information					
Capital expenditure	61,400	173,120	119,661	27,628	381,809
Depreciation	17,253	12,889	4,182	2,256	36,580
Amortisation	2,388	5,929	1,399	1,184	10,900

Capital expenditure includes the fixed assets, goodwill and intangibles resulting from the AH Marks and Etigra acquisitions. The AH Marks values are included in Europe and Etigra is included in North America.

5. Segment reporting continued

Geographic segments 2007	Australasia $000	Europe $000	North America $000	South America $000	Consolidated $000
Revenue					
Total segment revenue	685,043	439,615	517,483	122,243	1,764,384
Results					
Segment result before associate profit	101,686	37,372	63,945	17,318	220,321
Share of profit of associates	775	(600)	82	7,799	8,056
Segment result	102,461	36,772	64,027	25,117	228,377
Unallocated corporate expenses					(26,354)
Operating result					202,023
Net non-cash revaluation profit/(loss) on proceeds from Nufarm Step-up Securities financing					885
Net financing costs					(54,434)
Income tax expense					(41,151)
Profit/(loss) of discontinued operations and gain on sale of discontinued operations					41,840
Profit for the period					149,163
Assets					
Segment assets	797,017	556,272	302,834	531,406	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	149,716	306,151	886,041
Unallocated liabilities					523,719
Total liabilities					1,409,760
Other segment information					
Capital expenditure	56,533	26,989	8,270	257,121	348,913
Depreciation	15,983	13,114	4,009	486	33,592
Amortisation	2,742	5,044	660	171	8,617

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

6. Items of material income and expense

	Consolidated 2008 $000	Consolidated 2007 $000
The following material items were included in the period result:		
Gain on sale of businesses	502	41,595
Barter trade loss realised on option contracts – Brazil	(34,259)	–
Net non-cash revaluation profit/(loss) on proceeds from Nufarm Step-up Securities financing	(4,119)	885
Agripec impairment loss on trade receivables	–	(4,606)
Other items, including restructuring	(1,568)	(3,487)
Material items profit/(loss) before tax	(39,444)	34,387
Tax (expense)/benefit thereon	13,483	(5,859)
Material items profit/(loss) after tax	(25,961)	28,528

7. Other income

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Dividends from wholly owned controlled entities	–	–	59,444	53,164
Management fees from controlled entities	–	–	3,240	3,522
Sundry income	5,519	8,567	376	707
Total other income	5,519	8,567	63,060	57,393

8. Other expenses

The following expenses were included in the period result:

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Depreciation and amortisation	(47,480)	(42,209)	(646)	(595)
Impairment gain/(loss) on trade receivables[1]	(533)	251	(43)	–
Movement in stock obsolescence provision	(828)	(138)	(50)	–

1 Excludes items set out in note 6

9. Personnel expenses

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Wages and salaries	(177,724)	(146,156)	(4,278)	(4,474)
Other associated personnel expenses	(30,023)	(26,424)	(309)	(333)
Contributions to defined contribution superannuation funds	(8,590)	(6,133)	(521)	(604)
Expenses related to defined benefit superannuation funds	(3,290)	(3,122)	–	–
Increase in liability for annual leave	(7,106)	(4,513)	(323)	(119)
Increase in liability for long-service leave	(2,180)	(1,891)	–	–
	(228,913)	(188,239)	(5,431)	(5,530)

10. Net financing costs

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Interest income – controlled subsidiaries	–	–	–	4,485
Interest income – external	3,202	5,336	119	2,316
Financial income	3,202	5,336	119	6,801
Interest expense – controlled entities	–	–	(3,129)	(8,727)
Interest expense – external	(75,553)	(54,666)	(54)	(9)
Costs of securitisation program	(7,844)	(5,104)	–	–
Financial expenses	(83,397)	(59,770)	(3,183)	(8,736)
Net financing costs	(80,195)	(54,434)	(3,064)	(1,935)

11. Income tax expense

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Recognised in the income statement				
Current tax expense				
Current year	43,941	73,187	2,016	1,428
Adjustments for prior years	(1,663)	306	87	1
	42,278	73,493	2,103	1,429
Deferred tax expense				
Origination and reversal of temporary differences	12,717	(10,135)	58	19
Reduction in tax rates	283	(1,341)	8	–
Benefit of tax losses recognised	(3,102)	(12,427)	–	–
	9,898	(23,903)	66	19
Total income tax expense in income statement	52,176	49,590	2,169	1,448
Attributable to:				
Continuing operations	52,176	41,151	2,169	1,448
Discontinued operations	–	8,439	–	–
	52,176	49,590	2,169	1,448
Numerical reconciliation between tax expense and pre-tax net profit				
Profit before tax – continuing operations	190,296	148,474	66,867	64,562
Profit before tax – discontinued operations	–	50,279	–	–
Profit before tax	190,296	198,753	66,867	64,562
Income tax using the local corporate tax rate of 30 per cent	57,089	59,626	20,060	19,369
Increase in income tax expense due to:				
Non-deductible expenses	3,601	3,302	281	(139)
Effect on tax rate in foreign jurisdictions	(2,206)	1,171	(63)	101
Effect of changes in the tax rate	(459)	(1,064)	8	–

11. Income tax expense continued

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Decrease in income tax expense due to:				
Effect of tax losses derecognised/(recognised)	–	(3,489)	–	–
Tax exempt income	(300)	(9,602)	(18,204)	(17,884)
Tax incentives not recognised in the income statement	(3,886)	660)	–	–
	53,839	49,284	2,082	1,447
Under/(over) provided in prior years	(1,663)	306	87	1
Income tax expense on pre-tax net profit	52,176	49,590	2,169	1,448
Income tax expense/(benefit) recognised directly in equity				
Relating to actuarial gains on defined benefit plans	221	1,157	–	–
Relating to cost of issuing equity	(699)	(1,928)	–	–
Nufarm Step-up Securities distribution	(7,272)	(2,700)	–	–
	(7,750)	(3,471)	–	–

12. Discontinued operation

There were no discontinued operations in the current year. In the prior year, the group sold its stake in the Nufarm-Coogee joint venture, which owns and operates two industrial chlor alkali plants in Western Australia.

	Consolidated 2008 $000	Consolidated 2007 $000
Revenue	–	29,806
Expenses	–	(16,703)
Results from operating activities	–	13,103
Income tax expense	–	(3,938)
Results from operating activities, net of income tax	–	9,165
Gain on sale of discontinued operation	–	37,176
Income tax expense	–	(4,501)
Gain on sale of discontinued operations after tax	–	32,675
Profit and loss of discontinued operations (per income statement)	–	41,840
Cash flows from discontinuing operations		
Operating	–	9,165
Investing	–	(384)
Financing	–	(934)
Net cash flows attributable to discontinuing operations	–	7,847

12. Discontinued operation continued

	Consolidated 2008 $000	2007 $000
Effect of the disposals on the financial position of the group		
Receivables	–	2,824
Inventories	–	403
Property, plant and equipment	–	13,917
Intangibles	–	–
Deferred tax asset	–	3,914
Trade payables	–	(1,449)
Employee benefits	–	(742)
Income tax payable	–	(5,285)
Finance lease liability	–	–
Deferred tax liability	–	(328)
Net identifiable assets and liabilities	–	13,254
Consideration received, satisfied in cash	–	51,000
Deferred consideration	–	–
Cash disposed of	–	(489)
Net cash inflow	–	50,511
Other costs associated with disposal	–	(81)
Gain on sale of discontinued operations before tax	–	37,176

13. Non-current assets held for sale

There were no assets held for sale at the end of the current or prior financial periods.

14. Acquisition of subsidiaries

Acquisitions during the year include the AH Marks (5 March 2008) and Etigra (31 March 2008) businesses. AH Marks is a manufacturer and supplier of crop protection and industrial products. The company is based at Wyke, UK and the purchase price was £74.6 million, consisting of cash consideration of £46.5 million with £28.1 million in assumed debt. Etigra is a supplier of crop protection products, specialising in the US turf and specialty markets. It is based in North Carolina and the assets of Etigra were acquired for US$65 million.

In the period to 31 July 2008, these businesses contributed profit of $8,411,160 to the consolidated group after tax profit. If the above acquisitions had occurred on 1 August 2007, their full-year contribution to group revenues would have been $182,872,236 and to the consolidated entity's profit after tax would have been $2,866,358. Since the date of acquisition (5 March 2008), AH Marks contributed a profit of $4.5 million. It had made a loss in the period prior to acquisition, which will not occur in the following year.

14. Acquisition of subsidiaries continued

Acquiree's net assets at acquisition date	Recognised values $000	Preliminary fair value adjustments $000 2008	Carrying amounts $000
Cash and cash equivalents	(935)	–	(935)
Receivables	57,877	–	57,877
Inventory	11,905	–	11,905
Property, plant and equipment	75,561	–	75,561
Intangibles	4,059	(3,471)	588
Deferred taxes	(6,391)	–	(6,391)
Trade and other payables	(49,277)	(1,506)	(50,783)
Employee benefits	(6,771)	2,111	(4,660)
Interest bearing loans and borrowings	(40,303)	–	(40,303)
Other liabilities	(10,457)	–	(10,457)
Net identifiable assets and liabilities	35,268	(2,866)	32,402
Acquisition costs			2,407
Identifiable intangibles (registrations and trademarks) acquired on acquisition			94,235
Goodwill on acquisition			39,519
Consideration satisfied in cash			168,563
Deferred consideration at balance date			(11,135)
Cash (acquired)			935
Net cash outflow/(inflow)			158,363

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.

Acquisitions during the prior year included 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.

14. Acquisition of subsidiaries continued

Acquiree's net assets at acquisition date	Recognised values $000	Fair value adjustments $000 2007	Carrying amounts $000
Cash and cash equivalents	50,540	–	50,540
Receivables	150,586	(6,095)	144,491
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	(1,252)	36,038
Other assets	1,707	–	11,707
Trade and other payables	(88,927)	(3,100)	(92,027)
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	(8,323)	178,830
Reversal of equity investment			(216,331)
Acquisition costs			(3,930)
Identifiable intangibles (registrations and trademarks) acquired on acquisition			128,488
Goodwill on acquisition			142,127
Consideration satisfied in cash			229,184
Deferred consideration at balance date			(218,750)
Cash (acquired)			(50,540)
Net cash outflow/(inflow)			(40,106)

15. Cash and cash equivalents

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
Bank balances	12,611	8,704	3,308	15,034
Call deposits	46,532	83,673	–	–
Cash and cash equivalents	59,143	92,377	3,308	15,034
Bank overdrafts repayable on demand	(20,841)	(12,716)	–	(2,667)
Cash and cash equivalents in the statement of cash flows	38,302	79,661	3,308	12,367

16. Trade and other receivables

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Current				
Trade receivables	685,316	666,617	4,713	4,877
Provision for impairment losses	(23,339)	(21,806)	(43)	–
	661,977	644,811	4,670	4,877
Receivables due from controlled entities	–	–	939	50,390
Loans due from controlled entities	–	–	461,389	177,256
Receivables due from associates	362	375	–	–
Receivables due from securitisation program	52,176	57,338	–	–
Derivative financial instruments	26,946	15,114	375	–
Proceeds receivable from sale of businesses	3,306	3,210	–	–
Other receivables and prepayments	95,196	67,061	163	2,659
	839,963	787,909	467,536	235,182
Non-current				
Receivables due from associates	–	344	–	–
Other receivables	22,656	5,909	–	–
Proceeds receivable from sale of businesses	9,491	12,387	–	–
Provision for non-collectibility of sale proceeds	(3,106)	(3,304)	–	–
	29,041	15,336	–	–
Total trade and other receivables	869,004	803,245	467,536	235,182

17. Inventories

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Raw materials	285,340	112,473	–	–
Work in progress	18,560	15,714	336	271
Finished goods	543,804	350,971	17,041	14,459
	847,704	479,158	17,377	14,730
Provision for obsolescence of finished goods	(4,160)	(1,754)	(59)	(9)
Total inventories	843,544	477,404	17,318	14,721

18. Current tax assets and liabilities

The current tax asset for the group of $61,185,329 (2007: $27,347,565) and for the company of $12,860,431 (2007: $11,650,621) represent the amount of income taxes recoverable in respect of prior periods. The current tax liability for the group of $12,461,369 (2007: $23,955,941) and the company of $7,226,722 (2007: $14,096,247) 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.

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19. Investments accounted for using the equity method

The group accounts for investments in associates using the equity method.

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

		Country	Balance date of associate	Ownership and voting interest 2008	2007
Bayer CropScience Nufarm Ltd	Agricultural chemicals manufacturer	UK	31.12.2007	25%	25%
Excel Crop Care Ltd	Agricultural chemicals manufacturer	India	31.3.2008	14.69%	14.69%
F&N joint ventures	Agricultural chemicals distributor	Eastern Europe	31.12.2007	50%	50%

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.

The F&N joint ventures represents the group's interest in three joint ventures with FMC Corporation, which operate in Poland, Czech Republic and Slovakia. The joint ventures sell Nufarm and FMC products within their country.

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
2008						
Bayer CropScience Nufarm Ltd	77,918	(6,760)	101,873	37,273	64,600	16,150
Excel Crop Care Ltd	144,498	6,567	99,559	67,161	32,398	4,759
F&N joint ventures	81,039	1,910	76,356	71,959	4,397	2,199
	303,455	1,717	277,788	176,393	101,395	23,108
2007						
Bayer CropScience Nufarm Ltd	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
F&N joint ventures	75,748	3,375	58,982	57,625	1,357	679
	294,125	5,083	250,557	152,353	98,204	21,731

The financial summary information is from the financial statements as per the balance dates above.

19. Investments accounted for using the equity method continued

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
Carrying value by major associate				
Bayer CropScience Nufarm Ltd	11,471	12,640	–	–
Excel Crop Care Ltd	9,206	8,341	9,206	8,341
F&N joint ventures	2,157	567	–	–
Others	1,430	1,418	–	–
Carrying value of associates	24,264	22,966	9,206	8,341
Share of profit by major associate				
Agripec Quimica e Farmaceutica SA (to 31 May 2007)	–	7,799	–	–
Bayer CropScience Nufarm Ltd	(242)	(969)	–	–
Excel Crop Care Ltd	1,237	788	1,237	788
F&N joint ventures	1,578	534	–	–
Others	125	(96)	–	–
Share of net profits of associates	2,698	8,056	1,237	788

The share of net profits has been derived from the latest management reports as at 31 July 2008 for Bayer CropSciences and the F&N joint ventures. The Excel Crop Care share of net profits is from the 30 June 2008 management accounts.

20. Other investments

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
Investment in controlled entities				
Balance at the beginning of the year	–	–	307,214	247,213
New investments during the year			1,394	60,001
Exchange adjustment	–	–	(7,839)	–
Balance at the end of the year	–	–	300,769	307,214
Investment in other companies (at cost)				
Balance at the beginning of the year	–	233	–	–
Exchange adjustment	–	(3)	–	–
Disposals	–	(167)	–	–
Reclassification to equity investment	–	(63)	–	–
Balance at the end of the year	–	–	–	–
Other investments				
Balance at the beginning of the year	271	270	–	–
Exchange adjustment	7	–	–	–
Movements in investments during the year	76	1	–	–
Loans repaid during the year	–	–	–	–
Balance at the end of the year	354	271	–	–
Total other investments	354	271	300,769	307,214

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	
Consolidated	2008 $000	2007 $000	2008 $000	2007 $000	2008 $000	2007 $000
Property, plant and equipment	11,478	15,731	(17,010)	(11,376)	(5,532)	4,355
Intangible assets	6,428	8,829	(39,528)	(22,296)	(33,100)	(13,467)
Employee benefits	11,956	11,917	–	–	11,956	11,917
Provisions	5,044	3,977	–	(69)	5,044	3,908
Other items	18,501	17,576	(9,406)	(9,575)	9,095	8,001
Tax value of losses carried forward	48,568	43,970	–	–	48,568	43,970
Tax assets/(liabilities)	101,975	102,000	(65,944)	(43,316)	36,031	58,684
Set off of tax	(8,705)	(8,423)	8,705	8,423	–	–
Net tax assets/(liabilities)	93,270	93,577	(57,239)	(34,893)	36,031	58,684

	Assets		Liabilities		Net	
Company	2008 $000	2007 $000	2008 $000	2007 $000	2008 $000	2007 $000
Property, plant and equipment	–	–	(73)	(2)	(73)	(2)
Employee benefits	118	369	–	–	118	369
Provisions	31	9	–	–	31	9
Other items	1,454	701	(1)	–	1,453	701
Net tax assets/(liabilities)	1,603	1,079	(74)	(2)	1,529	1,077

Movement in temporary differences during the year

Consolidated 2008	Balance 31.07.07 $000	Recognised in income $000	Recognised in equity $000	Currency adjustment $000	Other movement $000	Balance 31.07.08 $000
Property, plant and equipment	4,355	(10,160)	–	250	23	(5,532)
Intangible assets	(13,467)	(20,130)	–	497	–	(33,100)
Employee benefits	11,917	404	(221)	(144)	–	11,956
Provisions	3,908	984	–	(163)	315	5,044
Other items	8,001	1,459	–	880	(1,245)	9,095
Tax value of losses carried forward	43,970	2,956	–	1,642	–	48,568
	58,684	(24,487)	(221)	2,962	(907)	36,031

21. Deferred tax assets and liabilities continued

Movement in temporary differences during the year continued

Consolidated 2007	Balance 31.07.06 $000	Recognised in income $000	Recognised in equity $000	Currency adjustment $000	Other movement $000	Balance 31.07.07 $000
Property, plant and equipment	(377)	3,785	–	555	392	4,355
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

Company 2008	Balance 31.07.07 $000	Recognised in income $000	Recognised in equity $000	Currency adjustment $000	Other movement $000	Balance 31.07.08 $00
Property, plant and equipment	(2)	(71)	–	–	–	(73)
Employee benefits	369	(235)	–	(16)	–	118
Provisions	9	26	–	(4)	–	31
Other items	701	226	–	–	526	1,453
	1,077	(54)	–	(20)	526	1,529

Consolidated 2007	Balance 31.07.06 $000	Recognised in income $000	Recognised in equity $000	Currency adjustment $000	Other movement $000	Balance 31.07.07 $000
Property, plant and equipment	(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

At 31 July 2008, a deferred tax liability of $25,024,580 (2007: $23,789,596) 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	
	2008 $000	2007 $000	2008 $000	2007 $000
Tax losses	8,979	–	–	–
	8,979	–	–	–

The 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	
	2008 $000	2007 $000	2008 $000	2007 $000
Derivative financial instrument	8,504	7,216	–	–
Other	–	9	–	–
	8,504	7,225	–	–

The derivative financial instrument is the market value of the interest rate cap relating to the NSS distribution base rate.

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			2008		
Cost					
Balance at 1 August 2007	185,156	471,845	1,361	27,035	685,397
Additions	3,503	9,684	258	56,064	69,509
Additions through business combinations	1,581	144,132	14,237	–	159,950
Disposals	(5,109)	(15,447)	(359)	–	(20,915)
Other transfers	15,977	37,254	(315)	(52,916)	–
Exchange adjustment	(102)	(1,350)	(26)	212	(1,266)
Balance at 31 July 2008	201,006	646,118	15,156	30,395	892,675
Depreciation and impairment losses					
Balance at 1 August 2007	(53,586)	(297,404)	(630)	–	(351,620)
Depreciation charge for the year	(6,332)	(30,241)	(248)	–	(36,821)
Additions through business combinations	(90)	(83,658)	(641)	–	(84,389)
Disposals	1,187	11,421	191	–	12,799
Other transfers	(92)	(48)	140	–	–
Exchange adjustment	224	229	15	–	468
Balance at 31 July 2008	(58,689)	(399,701)	(1,173)	–	(459,563)
Net property, plant and equipment at 31 July 2008	142,317	246,417	13,983	30,395	433,112

23. Property, plant and equipment continued

Consolidated	Land and buildings $000	Plant and machinery $000	Leased plant and machinery $000	Capital work in progress $000	Total $000
			2007		
Cost					
Balance at 1 August 2006	151,790	440,619	1,536	18,472	612,417
Additions	1,080	10,226	360	51,565	63,231
Additions through business combinations	22,408	9,647	–	2,668	34,723
Disposals	(846)	(8,501)	–	–	(9,347)
Other transfers	15,466	30,389	(548)	(45,307)	–
Exchange adjustment	(4,742)	(10,535)	13	(363)	(15,627)
Balance at 31 July 2007	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

Assets pledged as security for finance leases $0.7 million (2007: $0.7 million).

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

23. Property, plant and equipment continued

Company	Land and buildings $000	Plant and machinery $000	Leased plant and machinery $000	Capital work in progress $000	Total $000
			2008		
Cost					
Balance at 1 August 2007	3,133	3,704	–	318	7,155
Additions	–	–	–	1,524	1,524
Disposals	–	(207)	–	–	(207)
Other transfers	828	622	–	(1,450)	–
Exchange adjustment	(406)	(489)	–	(40)	(935)
Balance at 31 July 2008	3,555	3,630	–	352	7,537
Depreciation and impairment losses					
Balance at 1 August 2007	(275)	(1,846)	–	–	(2,121)
Depreciation charge for the year	(123)	(489)	–	–	(612)
Disposals	–	153	–	–	153
Exchange adjustment	46	280	–	–	326
Balance at 31 July 2008	(352)	(1,902)	–	–	(2,254)
Net property, plant and equipment at 31 July 2008	3,203	1,728	–	352	5,283

Company	Land and buildings $000	Plant and machinery $000	Leased plant and machinery $000	Capital work in progress $000	Total $000
			2007		
Cost					
Balance at 1 August 2006	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

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	Intellectual property Definite life $000	Capitalised development costs $000	Computer software $000	Total $000
Consolidated			2008			
Cost						
Balance at 1 August 2007	299,288	285,750	55,873	54,706	17,130	712,747
Additions	13,359	38,643	30,111	16,679	1,206	99,998
Additions through business combinations	41,386	94,775	–	1,268	25	137,454
Disposals	–	(2,402)	–	(1,594)	(3)	(3,999)
Other transfers	–	15,696	(11,666)	3,894	–	7,924
Exchange adjustment	6,294	8,871	1,623	633	(194)	17,227
Balance at 31 July 2008	360,327	441,333	75,941	75,586	18,164	971,351
Amortisation and impairment losses						
Balance at 1 August 2007	(74,248)	(10,263)	(25,017)	(12,566)	(9,932)	(132,026)
Amortisation charge for the year	–	–	(4,000)	(4,685)	(1,973)	(10,658)
Additions through business combinations	–	–	–	(705)	–	(705)
Disposals	–	–	–	1,201	–	1,201
Other transfers	–	–	360	(8,284)	–	(7,924)
Exchange adjustment	945	56	(697)	(204)	161	261
Balance at 31 July 2008	(73,303)	(10,207)	(29,354)	(25,243)	(11,744)	(149,851)
Intangibles carrying amount at 31 July 2008	287,024	431,126	46,587	50,343	6,420	821,500

24. Intangible assets continued

	Goodwill $000	Intellectual property Indefinite life $000	Intellectual 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)
Transferred to discontinued businesses	–	–	–	–	(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

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.

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 $307 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 forecast growth over the next 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, which is the company's weighted average cost of capital. At 31 July 2008, the recoverable amount exceeded the carrying amount for all CGUs.

		Intellectual property				
	Goodwill $000	Indefinite life $000	Definite life $000	Capitalised development costs $000	Computer software $000	Total $000
Company			2008			
Cost						
Balance at 1 August 2007	–	–	–	–	84	84
Additions	–	–	–	–	62	62
Transfer	–	–	–	–	6	6
Exchange adjustment	–	–	–	–	(12)	(12)
Balance at 31 July 2008	–	–	–	–	140	140
Amortisation and impairment losses						
Balance at 1 August 2007	–	–	–	–	(60)	(60)
Amortisation charge for the year	–	–	–	–	(34)	(34)
Transfer	–	–	–	–	(6)	(6)
Exchange adjustment	–	–	–	–	9	9
Balance at 31 July 2008	–	–	–	–	(91)	(91)
Intangibles carrying amount at 31 July 2008	–	–	–	–	49	49

24. Intangible assets continued

	Goodwill $000	Intellectual property Indefinite life $000	Intellectual property Definite life $000	Capitalised development costs $000	Computer software $000	Total $000
Company			2007			
Cost						
Balance at 1 August 2006	–	–	–	–	66	66
Disposals through sale of entities	–	–	–	–	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

25. Trade and other payables

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Current payables				
Trade creditors and accruals – unsecured	619,525	386,950	11,324	8,310
Payables due to controlled entities	–	–	8,310	4,228
Loans due to controlled entities	–	–	114,037	106,339
Payable in respect of Agripec acquisition	–	218,750	–	–
Payables due to associated entities	829	961	–	–
Derivative financial instruments	90	2,274	–	340
Securitisation payables	157,616	203,401	–	–
	778,060	812,336	133,671	119,217
Non-current payables				
Creditors and accruals	13,283	–	–	–
Payables – acquisitions	26,559	15,200	–	–
	39,842	15,200	–	–

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. Amounts that are to be collected on their behalf are included as part of trade receivables. Refer note 16.

26. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the group's and the company's interest-bearing loans and borrowings.

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
Current liabilities				
Bank loans – unsecured	587,171	359,662	–	–
Finance lease liabilities – secured	441	399	–	–
	587,612	360,061	–	–
Non-current liabilities				
Bank loans – unsecured	335,962	90,955	–	–
Other loans – unsecured	1,028	854	–	–
Finance lease liabilities – secured	14,466	283	–	–
	351,456	92,092	–	–

	Consolidated		Company	
	Accessible $000	Utilised $000	Accessible $000	Utilised $000
2008				
Financing facilities				
The group has access to the following facilities with a number of financial institutions.				
Bank loan facilities	1,614,589	943,974	–	–
Other facilities	1,028	1,028	–	–
Receivables securitisation-type facilities	157,616	157,616	–	–
Total financing facilities	1,773,233	1,102,618	–	–
2007				
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

Financing arrangements

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.

26. Interest-bearing loans and borrowings continued

	Consolidated		Company	
Repayment of borrowings (excluding finance leases)	2008 $000	2007 $000	2008 $000	2007 $000
Period ending 31 July 2008	–	372,661	–	–
Period ending 31 July 2009	608,011	62,748	–	–
Period ending 31 July 2010	100,040	27,924	–	–
Period ending 31 July 2011	235,923	–		
No specified repayment date	1,028	854	–	–

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 plant and equipment. Rentals are fixed for the duration of these leases. Lease commitments for capitalised finance leases are payable as follows:

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
Not later than one year	502	452	–	–
Later than one year but not later than two years	243	302	–	–
Later than two years but not later than five years	15,247	19	–	–
	15,992	773	–	–
Less future finance charges	(1,085)	(91)	–	–
	14,907	682	–	–

Finance lease liabilities are secured over the relevant leased plant.

	Consolidated		Company	
	2008 %	2007 %	2008 %	2007 %
Nufarm Step-up Securities	8.78	8.35	–	–
Bank loans	7.32	6.6	–	–
Other loans	9.25	9.48	–	–
Finance lease liabilities – secured	6.79	13.2	–	–

27. Employee benefits

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
Current				
Liability for annual leave	16,849	15,328	342	317
	16,849	15,328	342	317
Non-current				
Present value of wholly unfunded obligations	8,201	8,440	–	–
Present value of wholly funded obligations	110,487	50,847	–	–
Fair value of fund assets – funded	(93,786)	(39,732)	–	–
Recognised liability for defined benefit fund obligations	24,902	19,555	–	–
Liability for long service leave	13,216	12,187	52	52
	38,118	31,742	52	52
Total employee benefits	54,967	47,070	394	369

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				
Historical information	2008 $000	2007 $000	2006 $000	2005 $000	2004 $000
Present value of defined benefit obligation	(118,688)	(59,287)	(62,587)	(57,881)	(56,466)
Fair value of plan assets	93,786	39,732	35,477	30,534	27,693
Surplus/(deficit)	(24,902)	(19,555)	(27,110)	(27,347)	(28,773)
Experience adjustments arising on plan liabilities	700	321	961	3,640	58
Experience adjustments arising on plan assets	(10,088)	1,687	586	4,086	(433)

	Consolidated	
	2008 $000	2007 $000
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	59,287	62,587
Liability assumed with AH Marks business	65,017	–
Indonesia defined benefit plan inclusion	–	382
Service cost	2,952	2,696
Interest cost	4,609	3,109
Actuarial gains	(6,617)	(5,087)
Plan changes	–	404
Past service cost	5	6
Losses/(gains) on curtailment	–	(932)
Contributions	355	(808)
Benefits paid	(3,508)	(1,166)
Exchange differences on foreign funds	(3,412)	(1,904)
Closing defined benefit obligation	118,688	59,287

27. Employee benefits continued

	Consolidated 2008 $000	2007 $000
Changes in the fair value of fund assets are as follows:		
Opening fair value of fund assets	39,732	35,477
Assets assumed with AH Marks business	60,286	–
Expected return	4,276	2,161
Actuarial gains/(losses)	(9,079)	1,687
Contributions by employer	3,964	2,018
Distributions	(2,674)	(409)
Exchange differences on foreign funds	(2,719)	(1,202)
Closing fair value of fund assets	93,786	39,732

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

	2008 $000	2007 $000
Expense recognised in profit or loss		
Current service costs	2,952	2,696
Interest on obligation	4,609	3,109
Expected return on fund assets	(4,276)	(2,161)
Past service cost	5	6
Plan changes	–	404
Losses/(gains) on curtailment	–	(932)
	3,290	3,122
The expense is recognised in the following line items in the income statement:		
Cost of sales	2,044	1,776
Sales, marketing and distribution expenses	577	617
General and administrative expenses	450	583
Research and development expenses	219	146
	3,290	3,122
Actuarial gains/(losses) recognised directly in equity (net of tax)		
Cumulative amount at 1 August	3,380	(713)
Recognised during the period	(2,451)	4,093
Cumulative amount at 31 July	929	3,380

27. Employee benefits continued

	Consolidated 2008 %	2007 %
The major categories of fund assets as a percentage of total fund assets are as follows:		
European equities	60.7%	58.7%
European bonds	36.9%	31.3%
Property	2.3%	2.8%
Cash	0.1%	7.2%
Principal actuarial assumptions at the reporting date (expressed as weighted averages):		
Discount rate at 31 July	6.4%	5.5%
Expected return on fund assets at 31 July	6.9%	6.6%
Future salary increases	3.5%	3.4%
Future pension increases	3.3%	2.9%

The overall expected long term rate of return on assets is 6.9 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 $3,880,000 in contributions to defined benefit plans in 2009.

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. All outstanding amounts were fully repaid during the current year (2007: $21,740). Each executive is entitled to exercise voting rights attached to the shares allocated. As the outstanding amounts have been fully repaid, the trustees of the Executive Share Purchase Scheme (1984) held no ordinary shares at 31 July 2008 (2007: 25,000) and there are no remaining participants (2007: four participants) in the scheme.

The Nufarm Executive Share Plan (2000) offers shares 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 10 years without board approval. An independent trustee holds the shares and options on behalf of the executives. At 31 July 2008 there were 58 participants (2007: 63 participants) in the scheme and 1,522,934 shares (2007: 1,635,832) were allocated and held by the trustee on behalf of the participants. The cost of issuing shares is expensed in the year of issue.

The Global Share Plan commenced in 2001, and is available to all permanent employees. Participants contribute a proportion of their salary to purchase shares. The company will contribute an amount equal to 10 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 2008 there were 749 participants (2007: 751 participants) in the scheme and 1,604,742 shares (2007: 1,527,135) 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 2008 was $1,037,967 (2007: $1,241,729).

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

29. Provisions

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Current				
Restructuring	–	128	–	–
Other	6,184	6,536	–	–
Provision for dividends	–	4,772	–	–
	6,184	11,436	–	–

	Consolidated			
	Dividends $000	Restructuring $000	Other provisions $000	Total $000
Movement in provisions				
Balance at 1 August 2007	4,772	128	6,536	11,436
Provisions made during the year	–	–	878	878
Provisions used during the year	(4,772)	(131)	(1,291)	(6,194)
Exchange adjustment	–	3	61	64
Balance at 31 July 2008	–	–	6,184	6,184

The other provisions consist of contingent liabilities recognised with the Agripec acquisition ($4.4 million) and provisions for employee litigation in France ($1.8 million).

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 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	–	–	–
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/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
Balance at 1 August 2007	240,886	(24,344)	33,627
Foreign exchange translation differences	–	(2,461)	–
Actuarial gains/(losses) on defined benefit plans	–	–	–
Share issued to employees	1,805	–	–
Accrual and issue of shares under global share plan	948	–	–
Shares issued under private placement (net of costs)	197,755	–	–
Shares issued under share purchase plan	10,791	–	–
Shares issued as consideration for business acquisition	3,986	–	–
Tax benefit on share issue costs	699	–	–
Transfer to/from reserves	–	–	–
Profit for the period	–	–	–
Dividends paid to shareholders	–	–	–
Distributions to Nufarm Step-up Security holders	–	–	–
Balance at 31 July 2008	456,870	(26,805)	33,627

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
(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
–	(91)	531,124	246,932	1,017	1,029,151
–	–	–	–	(30)	(2,491)
–	–	(2,451)	–	–	(2,451)
–	–	–	–	–	1,805
–	91	–	–	–	1,039
–	–	–	–	–	197,755
–	–	–	–	–	10,791
–	–	–	–	–	3,986
–	–	–	–	–	699
–	–	56	–	–	56
–	–	137,915	–	205	138,120
					–
–	–	(58,322)	–	(156)	(58,478)
–	–	(14,764)	–	–	(14,764)
–	–	593,558	246,932	1,036	1,305,218

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 2006	240,760	(325)	40,074
Foreign exchange translation differences	–	5,477	–
Foreign exchange movement taken to hedging reserve	–	–	–
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	5,152	40,074
Balance at 1 August 2007	240,886	5,152	40,074
Foreign exchange translation differences	–	(7,871)	–
Share issued to employees	1,805	–	–
Accrual and issue of shares under global share plan	948	–	–
Shares issued under private placement (net of costs)	197,755	–	–
Shares issued under share purchase plan	10,791	–	–
Shares issued as consideration for business acquisition	3,986	–	–
Tax benefit on share issue costs	699	–	–
Transfer to/from reserves	–	–	–
Profit for the period	–	–	–
Dividends paid to shareholders	–	–	–
Balance at 31 July 2008	456,870	(2,719)	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
50	–	171,417	–	–	451,976
–	–	–	–	–	5,477
(50)	–	–	–	–	(50)
–	(91)	–	–	–	(91)
–	–	–			99
–	–	–	–	–	27
–	–	57,636	–	–	57,636
–	–	(53,145)	–	–	(53,145)
–	(91)	175,908	–	–	461,929
–	(91)	175,908	–	–	461,929
–	–	–	–	–	(7,871)
–	–	–	–	–	1,805
–	91	–	–	–	1,039
–	–	–	–	–	197,755
–	–	–	–	–	10,791
–	–	–	–	–	3,986
–	–	–	–	–	699
–	–	57	–	–	57
–	–	64,698	–	–	64,698
–	–	(58,322)	–	–	(58,322)
–	–	182,341	–	–	676,566

30. Capital and reserves continued

The parent company has a branch and division based in New Zealand. The functional currency of the branch and division is New Zealand dollars. This creates a translation reserve when the results of the branch and division are translated to the reporting currency of Australian dollars. In the prior year, this translation difference was incorrectly taken to the income statement when it should have been taken to translation reserve. This has been corrected in the current reporting year. The correction has the effect of reducing the prior year profit from $63,114,000 to $57,636,000 as shown on the face of the income statement. The difference of $5,477,000 is shown as a foreign translation reserve difference above. There was no impact to the consolidated group results or the net assets of the company.

	Consolidated	
	Number of ordinary shares 2008	Number of ordinary shares 2007
Share capital		
Balance at 1 August	171,501,253	171,492,251
Issue of shares	14,381,080	9,002
Balance at 31 July	185,882,333	171,501,253

On 15 October 2007, 131,000 shares at a price of $13.78 were issued under the executive share plan. On 13 December 2007, 65,000 shares at a price of $14.60 were issued under the global share plan. On 12 March 2008, 13,245,034 were issued at a price of $15.10 under a private placement to fund the AH Marks and Etigra acquisitions. On 9 April 2008, 714,614 share were issued at $15.10 under a share placement plan to existing shareholders on the same terms as the private placement. On 7 May 2008, 225,432 shares at $17.68 were issued as part of the acquisition cost of Etigra.

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.

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 stepped 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.

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
2008				
Interim 2008 ordinary	12.0	22,279	Franked	2 May 2008
Final 2007 ordinary	21.0	36,043	Franked	9 Nov 2007
Total amount		58,322		
2007				
Interim 2007 ordinary	11.0	18,894	Franked	27 Apr 2007
Final 2006 ordinary	20.0	34,251	Franked	10 Nov 2006
Total amount		53,145		

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
2008			
Distribution	8.95%	11,263	15 Apr 2008
Distribution	8.56%	10,772	15 Oct 2007
2007			
Distribution	8.35%	8,184	16 Apr 2007

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 $14.764 million (2007: $5.484 million).

30. Capital and reserves continued

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $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 (2007: 30 per cent)	7,742	13,163	7,742	13,163
Franking credits that will arise from the payment of income tax payable as at the end of the year	(2,721)	(2,769)	(2,721)	(2,769)
Balance at 31 July	5,021	10,394	5,021	10,394

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 $17,526,048 (2007: $15,435,113). In accordance with the tax consolidation legislation, the company as the head entity in the tax-consolidated group has also assumed the benefit of $5,021,081 (2007: $10,394,000) franking credits.

31. Earnings per share

	Consolidated 2008 $000	Consolidated 2007 $000
Net profit for the year	138,120	149,163
Net profit attributable to minority interest	(205)	(367)
Net profit attributable to equity holders of the parent	137,915	148,796
Nufarm Step-up Securities distribution	(14,764)	(5,484)
Earnings used in the calculations of basic and diluted earnings per share	123,151	143,312
Earnings from continuing operations	123,151	101,472
Earnings from discontinued operations	–	41,840
	123,151	143,312
Subtract items of material income/(expense) (refer note 6)	(25,961)	34,387
Earnings excluding items of material income/(expense) used in the calculation of operating earnings per share	149,112	108,925

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

31. Earnings per share continued

	Number of shares	
	2008	2007
Weighted average number of ordinary shares used in calculation of basic earnings per share	177,021,657	171,498,071
Weighted average number of ordinary shares used in calculation of diluted earnings per share	177,021,657	171,498,071

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	
	2008	2007
Earnings per share for continuing and discontinued operations		
Basic earnings per share		
From continuing operations	69.7	59.2
From discontinued operations	0.0	24.4
	69.7	83.6
Diluted earnings per share		
From continuing operations	69.7	59.2
From discontinued operations	0.0	24.4
	69.7	83.6
Earnings per share (excluding items of material income/expense – see note 6)		
Basic earnings per share	84.3	66.9
Diluted earnings per share	84.3	66.9

32. Financial risk management

The group and the company have exposure to the following financial risks:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the group and company's exposure to each type of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The board of directors has responsibility to identify, assess, monitor and manage the material risks facing the group and to ensure that adequate identification, reporting and risk minimisation mechanisms are established and working effectively. 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 system-based analyses of the internal controls in major business systems operating within all significant company entities worldwide.

The general manager global risk management reports 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.

32. Financial risk management continued

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers and investment securities. For the company, it primarily arises from receivables due from subsidiaries.

Exposure to credit risk

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the group's customer base, including the default risk of the industry and country in which the customers operate, has less of an influence on credit risk.

The group has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers before the group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring further management approval.

The group and company's maximum exposure to credit risk at the reporting date was:

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
Carrying amount				
Trade and other receivables	842,058	788,131	4,833	7,536
Receivables due from controlled entities	–	–	939	50,390
Loans due from controlled entities	–	–	461,389	177,256
Cash and cash equivalents	59,143	92,377	3,308	15,034
Interest rate cap:				
Assets	8,504	7,225	–	–
Forward exchange contracts				
Assets	26,946	15,114	375	–
	936,651	902,847	470,844	250,216
Carrying amount				
The group and company's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:				
Australasia	164,988	327,212	4,833	7,536
Europe	263,754	179,620	–	–
North America	130,177	86,659	–	–
South America	283,139	194,640	–	–
	842,058	788,131	4,833	7,536

The group's top five customers account for $116.4 million of the trade receivables carrying amount at 31 July 2008 (2007: $196.8 million). These top five customer represents 17 per cent (2007: 29.5 per cent) of the total receivables balance.

32. Financial risk management continued

In Brazil, barter trade is used to partially offset the customer credit risk by allowing settlement through the delivery of soybeans from the customer's crop. In 2007, options were taken out on the soybean price to hedge movements between the date of sale and the date of settlement. These options resulted in a loss as disclosed in note 6. There were no soybean options in 2008.

Impairment losses

The ageing of the group's trade receivables at the reporting date was:

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
Receivables ageing				
Current	593,034	577,847	3,978	4,329
Past due – 0 to 90 days	53,372	44,458	523	340
Past due – 90 to 180 days	12,454	13,293	212	208
Past due – 180 to 360 days	5,775	10,154	–	–
Past due – more than one year	20,681	20,865	–	–
	685,316	666,617	4,713	4,877
Provision for impairment	(23,339)	(21,806)	(43)	–
	661,977	644,811	4,670	4,877

Some of the past due receivables are secured by collateral such as directors guarantees, bank guarantees and charges on fixed assets. The past due receivables not impaired relate to customers that have a good credit history with the group. Historically, the bad debt write-off from trade receivables has been very low. Over the past six years, the bad debt write-off amount has averaged 0.03 per cent of sales, with no greater than 0.05 per cent of sales written off in any one year.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
Balance at 1 August	21,806	3,243	–	–
Provisions made during the year	522	621	43	–
Provisions used during the year	(534)	(335)	–	–
Provisions reversed during the year	–	(874)	–	–
Provisions acquired through business combinations	–	19,209	–	–
Exchange adjustment	1,545	(58)	–	–
Balance at 31 July	23,339	21,806	43	–

In the crop protection industry, it is normal practice to vary the terms of sales depending on the climatic conditions experienced in each country.

The allowance account for trade receivables is used to record the impairment losses unless the group is satisfied that no recovery of the amount owing is possible: at that point the amount is considered irrecoverable and is written off against the receivable directly.

32. Financial risk management continued

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Most group 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. See note 36 for the listing of entities who are a party to the deed. The deed of negative pledge allows all borrowings with group lenders to be on an unsecured basis.

The following are the contractual maturities of the group's financial liabilities:

	Carrying amount $000	Contractual cash flows $000	Less than 1 year $000	1–2 years $000	More than 2 years $000
Consolidated			2008		
Non-derivative financial liabilities					
Bank overdrafts	20,841	20,841	20,841	–	–
Trade and other payables	817,812	817,812	777,970	2,000	37,842
Bank loans – unsecured	923,133	923,133	587,171	100,040	235,922
Other loans – unsecured	1,028	1,028	–	–	1,028
Finance lease liabilities – secured	14,907	14,907	441	213	14,253
Derivative financial liabilities					
Forward exchange contracts:					
Outflow	90	73,872	73,872	–	–
Inflow	–	(73,782)	(73,782)	–	–
Derivative financial assets					
Forward exchange contracts:					
Outflow	–	269,391	24,003	–	245,388
Inflow	(26,946)	(296,337)	(25,661)	–	(270,676)
	1,750,865	1,750,865	1,384,855	102,253	263,757

notes to the financial statements continued

32. Financial risk management continued

	Carrying amount $000	Contractual cash flows $000	Less than 1 year $000	1–2 years $000	More than 2 years $000
Consolidated			2007		
Non-derivative financial liabilities					
Bank overdrafts	12,716	12,716	12,716	–	–
Trade and other payables	825,262	825,262	810,062	2,000	13,200
Bank loans – unsecured	450,617	450,617	359,662	62,748	28,207
Other loans – unsecured	854	854	–	–	854
Finance lease liabilities – secured	682	682	399	266	17
Derivative financial liabilities					
Forward exchange contracts:					
Outflow	2,274	138,036	138,036	–	–
Inflow	–	(135,762)	(135,762)	–	–
Derivative financial assets					
Forward exchange contracts:					
Outflow	–	273,731	18,153	–	255,578
Inflow	(15,114)	(288,845)	(18,169)	–	(270,676)
	1,277,291	1,277,291	1,185,097	65,014	27,180

The following are the contractual maturities of the company's financial liabilities:

	Carrying amount $000	Contractual cash flows $000	Less than 1 year $000	1–2 years $000	More than 2 years $000
Company			2008		
Non-derivative financial liabilities					
Trade and other payables	133,671	133,671	133,671	–	–
Derivative financial assets					
Forward exchange contracts					
Outflow	–	9,594	9,594	–	–
Inflow	(375)	(9,969)	(9,969)	–	–
	133,296	133,296	133,296	–	–

32. Financial risk management continued

	Carrying amount $000	Contractual cash flows $000	Less than 1 year $000	1–2 years $000	More than 2 years $000
Company			2007		
Non-derivative financial liabilities					
Bank overdrafts	2,667	2,667	2,667	–	–
Trade and other payables	118,877	118,877	118,877	–	–
Derivative financial liabilities					
Forward exchange contracts					
Outflow	340	13,345	13,345	–	–
Inflow	–	(13,005)	(13,005)	–	–
	121,884	121,884	121,884	–	–

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the group. This provides an economic hedge and no derivatives are entered into.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The consolidated entity uses derivative financial instruments to manage specifically identified foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the individual group entity. 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 consolidated entity uses foreign exchange contracts to manage 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 consolidated entity 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 2008 was $26,856,120 (2007: $12,840,418) comprising assets of $26,946,301 (2007: $15,114,295) and liabilities of $90,181 (2007: $2,273,877) that were recognised as derivatives measured at fair value. The net fair value of forward exchange contracts in the company at 31 July 2008 was $374,991 (2007: $340,150) comprising assets of $374,991 (2007: nil) and liabilities of $nil (2007: $340,150) that were recognised as derivatives measured at fair value.

32. Financial risk management continued

Currency risk (continued)

Exposure to currency risk

The consolidated entity's exposure to major foreign currency risks at balance date was as follows, based on notional amounts:

Consolidated 31 July 2008	AUD $000	USD $000	Euro $000	GBP $000
Cash and cash equivalents	357	5,764	1,152	–
Trade and other receivables	1,034	139,893	4,956	–
Bank overdraft	–	(3,935	(23)	(113)
Trade and other payables	(3,588)	(74,543)	(14,701)	(277)
Loans and borrowings	–	(114,168)	(4,555)	–
Gross balance sheet exposure	(2,197)	(46,989)	(13,171)	(390)
Forward exchange contracts	786	37,826	(2,015)	1,756
Net exposure	(1,411)	(9,163)	(15,186)	1,366

Consolidated 31 July 2007	AUD $000	USD $000	Euro $000	GBP $000
Cash and cash equivalents	290	3,327	2,517	–
Trade and other receivables	1,632	132,813	2,845	–
Bank overdraft	–	(3,883)	–	(197)
Trade and other payables	(3,311)	(69,930)	(10,568)	–
Loans and borrowings	–	(11,209)	(285)	–
Gross balance sheet exposure	(1,389)	51,118	(5,491)	(197)
Forward exchange contracts	4,505	20,236	(3,605)	–
Net exposure	3,116	71,354	(9,096)	(197)

The company's exposure to major foreign currency risks at balance date was as follows, based on notional amounts:

Company 31 July 2008	AUD $000	USD $000	Euro $000	GBP $000
Cash and cash equivalents	357	205	150	–
Trade and other receivables	180	–	–	–
Trade and other payables	(3,441)	(3,438)	(591)	–
Gross balance sheet exposure	(2,904)	(3,233)	(441)	–
Forward exchange contracts	–	9,627	–	–
Net exposure	(2,904)	6,394	(441)	–

32. Financial risk management continued

Currency risk (continued)

Company 31 July 2007	AUD $000	USD $000	Euro $000	GBP $000
Cash and cash equivalents	290	457	100	–
Trade and other receivables	248	72	–	–
Trade and other payables	(172)	(218)	(662)	–
Gross balance sheet exposure	366	311	(562)	–
Forward exchange contracts	4,505	5,932	742	–
Net exposure	4,871	6,243	180	–

The following significant exchange rates applied during the year:

	Average rate		Reporting date	
AUD	2008	2007	2008	2007
US dollar	0.911	0.798	0.944	0.859
Euro	0.608	0.604	0.605	0.623
GBP	0.454	0.408	0.476	0.421
BRL	1.578	1.653	1.478	1.610

Sensitivity analysis

A 10 per cent strengthening or weakening of the Australian dollar against the following currencies at 31 July would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes all other variables, including interest rates, remain constant. The analysis also assumes that any increases in raw material costs arising from changes in exchange rates are not passed on to customers in their selling prices. In the market place, nearly all raw material cost increases are passed onto customers and therefore, the profit or loss impact below is not truly reflective of the full profit or loss impact of changes in exchange rates. The analysis is performed on the same basis for 2007.

	10 per cent strengthening		10 per cent weakening	
	Consolidated profit or loss $000	Company profit or loss $000	Consolidated profit or loss $000	Company profit or loss $000
31 July 2008				
US dollar	882	(616)	(971)	677
Euro	2,282	66	(2,510)	(73)
GBP	(261)	–	287	–
31 July 2007				
US dollar	(7,551)	(661)	8,307	727
Euro	1,327	(26)	(1,460)	29
GBP	43	–	(47)	–

32. Financial risk management continued

Interest rate risk

The group has the ability to use 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. However, at 31 July 2008 and at 31 July 2007, there were no interest rate swaps in place.

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.

Profile

At the reporting date the interest rate profile of the group and company's interest-bearing financial instruments was:

	Consolidated Carrying amount		Company Carrying amount	
	2008 $000	2007 $000	2008 $000	2007 $000
Variable rate instruments				
Financial assets	46,532	83,673	–	–
Financial liabilities	(939,068)	(452,153)	–	–
	(892,536)	(368,480)	–	–

There were no fixed interest rate instruments during the year ended 31 July 2008.

Sensitivity analysis for fixed rate instruments

The group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and therefore, a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The sensitivity is calculated on the debt at 31 July. Due to the seasonality of the crop protection business, debt levels can vary during the year. This analysis is performed on the same basis for 2007.

	Profit or loss	
	100bp increase $000	100bp decrease $000
31 July 2008		
Variable rate instruments	(9,134)	9,134
Total sensitivity	(9,134)	9,134
31 July 2007		
Variable rate instruments	(3,812)	3,812
Total sensitivity	(3,812)	3,812

32. Financial risk management continued

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated	Note	Carrying amount 2008 $000	Fair value 2008 $000	Carrying amount 2007 $000	Fair value 2007 $000
Cash and cash equivalents	15	59,143	59,143	92,377	92,377
Trade and other receivables	16	842,058	842,058	788,131	788,131
Interest rate cap:					
Payable maturities – one to five years	22	8,504	8,504	7,225	7,225
Forward exchange contracts:					
Assets	16	26,946	26,946	15,114	15,114
Liabilities	25	(90)	(90)	(2,274)	(2,274)
Bank overdraft	15	(20,841)	(20,841)	(12,716)	(12,716)
Unsecured bank loans	26	(923,133)	(923,133)	(450,617)	(450,617)
Other loans	26	(1,028)	(1,028)	(854)	(854)
Finance leases	26	(14,907)	(14,907)	(682)	(682)
		(23,348)	(23,348)	435,704	435,704

Company	Note	Carrying amount 2008 $000	Fair value 2008 $000	Carrying amount 2007 $000	Fair value 2007 $000
Cash and cash equivalents	15	3,308	3,308	15,034	15,034
Trade and other receivables	16	4,833	4,833	7,536	7,536
Receivables due from controlled entities	16	939	939	50,390	50,390
Loans due from controlled entities	16	461,389	461,389	177,256	177,256
Forward exchange contracts:					
Asset/(liabilities)	16,25	375	375	(340)	(340)
Bank overdraft	15	–	–	(2,667)	(2,667)
		470,844	470,844	247,209	247,209

Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the group's return on funds employed (ROFE). Return is calculated on the group's earnings before interest and tax and adjusted for any non-operating items. Funds employed is defined as shareholder's funds plus total interest bearing debt. The board of directors determines the level of dividends to ordinary shareholders. The board also reviews the group's total shareholder return with relevant comparator groups.

The board believes ROFE is an appropriate performance condition as it 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 group's target ROFE is 17.25 per cent; during the year ended 31 July 2008 the return was 17.2 per cent (2007: 16.6 per cent).

There were no changes in the group's approach to capital management during the year.

33. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
Not later than one year	6,763	5,726	–	–
Later than one year but not later than two years	6,526	4,560	–	–
Later than two years but not later than five years	18,232	9,801	–	–
Later than five years	183,339	4,664	–	–
	214,860	24,751	–	–

Operating leases are generally entered to access the use of shorter term assets such as motor vehicles, mobile plant and 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.

The increase in operating lease rentals compared to the prior year is due to the 50 year operating lease for the land at the Wyke site of AH Marks. The lease was assumed as part of the AH Marks acquisition.

34. Capital and other commitments

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
Capital expenditure commitments				
Plant and equipment				
Contracted but not provided for and payable:				
Within one year	14,078	17,717	–	–

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	
	2008 $000	2007 $000	2008 $000	2007 $000
Guarantee facility for Eastern European joint ventures with FMC Corporation.	4,222	5,680	–	–
Environmental guarantee given to the purchaser of land and buildings at Genneviliers for EUR 8.5 million.The guarantee expires in 2014, 18 months after the expiry of the business tenancy contract.	14,050	13,710	–	–
Guarantee upon sale of a business limited to EUR 2.29 million on account of possible remediation costs for soil and groundwater contamination. This guarantee decreases from 2004 progressively to nil in 2011.	3,785	4,419	–	–
Insurance bond for EUR 2.7 million established to make certain capital expenditures at Gaillon plant in France. The insurance bond is for a three year term.	4,463	–	–	–
	26,520	23,809	–	–

36. Group entities

	Notes	Place of incorporation	Percentage of shares held 2008	2007
Parent entity				
Nufarm Limited – ultimate controlling entity				
Subsidiaries				
Access Genetics Pty Ltd		Australia	100	100
ACN000425927 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	(b)	Brazil	100	100
Agryl Holdings Limited	(a),(b)	Australia	100	100
Ag-seed Research Pty Ltd	(a)	Australia	100	100
AH Marks (New Zealand) Limited		New Zealand	100	–
AH Marks Australia Pty Ltd		Australia	100	–
AH Marks Holdings Limited	(b)	United Kingdom	100	–
Artfern Pty Ltd	(a)	Australia	100	100
Australis Services Pty Ltd	(a)	Australia	100	100
Bestbeech Pty Ltd	(a)	Australia	100	100
Chemicca Limited	(a)	Australia	100	100
CNG Holdings BV		Netherlands	100	100
Crop Care Australasia Pty Ltd	(a),(b)	Australia	100	100
Crop Care Holdings Limited		New Zealand	100	100
Croplands Equipment Limited	(b)	New Zealand	100	100
Croplands Equipment Pty Ltd	(a),(b)	Australia	100	100
CSRPAR Participacoes LTDA (merged into Agripec)	(b)	Brazil	–	100
Danestoke Pty Ltd		Australia	100	100
Fchem (Aust) Limited	(a),(b)	Australia	100	100
Fernz Canada Limited	(b)	Canada	100	100
Fernz Singapore Pte Ltd	(b)	Singapore	100	100
Fidene Limited		New Zealand	100	100
Finotech BV	(b)	Netherlands	100	100
Framchem SA	(b)	Egypt	100	100
Frost Technology Corporation		USA	100	100
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 Anomima		Guatemala	100	100
Marman de Mexico Sociedad Anomima 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

36. Group entities continued

	Notes	Place of incorporation	Percentage of shares held 2008	2007
Medisup International NV		N. Antillies	100	100
Medisup Securities Limited	(a),(b)	Australia	100	100
Nufarm (Asia) Pte Ltd	(b)	Singapore	100	100
Nufarm Agriculture (Pty) Ltd		South Africa	100	100
Nufarm Agriculture Inc	(b)	Canada	100	100
Nufarm Agriculture 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 Colombia S.A. (formerly Agrogen de Nufarm Colombia SA)	(b)	Colombia	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 Crop Products UK Limited	(b)	United Kingdom	100	100
Nufarm de Costa Rica		Costa Rica	100	100
Nufarm de Guatemala SA		Guatemala	100	100
Nufarm de Mexico Sa de CV		Mexico	100	100
Nufarm de Panama SA		Panama	100	100
Nufarm de Venezuela SA		Venezuela	100	100
Nufarm del Ecuador SA		Ecuador	100	100
Nufarm Deutschland GmbH	(b)	Germany	100	100
Nufarm do Brazil LTDA		Brazil	100	100
Nufarm Espana SA	(b)	Spain	100	100
Nufarm Finance (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 Hungaria Kft		Hungary	100	–
Nufarm Inc.	(b)	USA	100	100
Nufarm Insurance Pte Ltd		Singapore	100	100
Nufarm Investments Cooperatie WA	(b)	Netherlands	100	100
Nufarm Italia Holding srl	(b)	Italy	100	100
Nufarm Italia srl	(b)	Italy	100	100
Nufarm KK		Japan	100	100
Nufarm Labuan Pte Ltd	(b)	Malaysia	100	100
Nufarm Limited (formerly AH Marks & Co, Ltd)	(b)	United Kingdom	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

36. Group entities continued

	Notes	Place of incorporation	Percentage of shares held 2008	2007
Nufarm s.a.s	(b)	France	100	100
Nufarm SA	(b)	Argentina	100	100
Nufarm Srl		Romania	100	100
Nufarm Switzerland LLC		Switzerland	100	–
Nufarm Technologies (M) Sdn Bhd		Malaysia	51	51
Nufarm Technologies USA		New Zealand	100	100
Nufarm Technologies USA Pty Ltd		Australia	100	100
Nufarm Treasury Pty Ltd	(a),(b)	Australia	100	100
Nufarm UK Limited	(b)	United Kingdom	100	100
Nugrain Pty Ltd		Australia	100	100
Nuseed Pty Ltd		Australia	100	100
Nutrihealth Grains Pty Ltd		Australia	100	100
Nutrihealth Pty Ltd		Australia	100	100
Opti-Crop Systems Pty Ltd	(b)	Australia	75	75
Pharma Pacific Pty Ltd	(a)	Australia	100	100
PT Crop Care		Indonesia	100	100
PT Nufarm Indonesia	(b)	Indonesia	100	100
Safepak Industries Sdn Bhd (liquidated)		Malaysia	–	70
Selchem Pty Ltd	(a)	Australia	100	100
TPL Limited (amalgamated into Nufarm Holdings (NZ) Ltd)	(b)	New Zealand	–	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 2008 is set out as follows:

37. Deed of cross guarantee continued

	Consolidated 2008 $000	Consolidated 2007 $000
Summarised income statement and retained profits		
Profit before income tax expense	65,100	81,236
Income tax expense	(20,201)	(12,021)
Net profit attributable to members of the closed group	44,899	69,215
Retained profits at the beginning of the period	299,730	283,660
Dividends paid	(58,322)	(53,145)
Retained profits at the end of the period	286,307	299,730
Statement of financial position		
Current assets		
Cash and cash equivalents	3,632	12,543
Trade and other receivables	216,307	238,460
Inventories	281,801	185,590
Current tax assets	19,265	23,677
Total current assets	521,005	460,270
Non-current assets		
Equity accounted investments	12,749	9,408
Other investments	527,716	620,190
Deferred tax assets	23,687	25,028
Property, plant and equipment	162,959	154,244
Intangible assets	91,039	85,296
Total non-current assets	818,150	894,166
TOTAL ASSETS	1,339,155	1,354,436
Current liabilities		
Bank overdraft	3,680	5,584
Trade and other payables	386,779	611,963
Interest bearing loans and borrowings	84,500	57,800
Employee benefits	8,509	7,674
Current tax payable	11,169	28,294
Total current liabilities	494,637	711,315
Non-current liabilities		
Interest bearing loans and borrowings	14,000	23,500
Deferred tax liabilities	13,090	7,918
Employee benefits	9,173	8,605
Provisions	4,000	6,000
Total non-current liabilities	40,263	46,023
TOTAL LIABILITIES	534,900	757,338
NET ASSETS	804,255	597,098
Equity		
Share capital	456,870	248,086
Reserves	61,078	49,282
Retained earnings	286,307	299,730
TOTAL EQUITY	804,255	597,098

38. Reconciliation of cash flows from operating activities

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
Cash flows from operating activities				
Profit for the period	138,120	149,163	64,698	63,114
Dividend from associated company	373	171	373	171
Non-cash items:				
Amortisation	10,900	8,454	34	10
Depreciation	36,580	33,755	612	585
Gain on disposal of non current assets	(135)	(1,063)	(16)	(18)
Gain on sale of discontinued operation	–	(37,176)	–	–
Write-down of non current assets	165	–	–	–
Share of profits of associates net of tax	(2,698)	(8,056)	(1,237)	(788)
Movement in provisions for:				
Deferred tax	15,956	6,804	71	(53)
Tax assets	(33,530)	(16,390)	(1,734)	(11,216)
Deferred product development expenses	–	–	–	–
Exchange rate change on foreign controlled entities provisions	1,851	589	(220)	54
Operating profit before changes in working capital and provisions	167,582	136,251	62,581	51,859
Movements in working capital items:				
(Increase)/decrease in receivables	(8,728)	(136,362)	2,286	19,911
(Increase)/decrease in inventories	(354,235)	(2,559)	(2,597)	(1,123)
Increase/(decrease) in payables	68,583	56,848	2,742	(578)
Increase/(decrease) in income tax payable	(4,223)	14,742	(6,869)	5,897
Exchange rate change on foreign controlled entities working capital items	3,619	(6,322)	(1,901)	484
Movements in intercompany balances relating to cash transactions	–	–	–	–
	(294,984)	(73,653)	(6,339)	24,591
Net operating cash flows	(127,402)	62,598	56,242	76,450

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 (retired 5 Dec 2007)

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 marketing and president North America
RF Ooms – Group general manager chemicals
DA Pullan – Group general manager operations
RG Reis – Group general manager corporate strategy and external affairs

Executive director
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	
	2008 $	2007 $	2008 $	2007 $
Short term employee benefits	9,435,389	5,580,527	777,661	574,333
Post employment benefits	610,127	647,613	113,516	259,833
Equity compensation benefits	50,000	1,332,003	50,000	143,000
Other long term benefits	294,795	170,224	–	–
	10,390,311	7,730,367	941,177	977,166

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 31 July 2008.

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.

39. Key management personnel disclosures continued

Options and rights over equity instruments granted as compensation

No options or other equity instruments were granted to key management personnel during the current or prior year 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 2007	Granted as remuneration	Exercise of options	Net change other	Balance at 31 July 2008
2008					
Directors					
KM Hoggard[1]	2,383,614	–	–	–	2,383,614
DJ Rathbone	29,912,610	–	–	(4,000,000)	25,912,610
GDW Curlewis	43,787	415	–	331	44,533
Dr WB Goodfellow[1,2]	662,914	549	–	2,383	665,846
GA Hounsell[1]	61,959	549	–	(17,338)	45,170
DG McGauchie[1]	16,376	–	–	662	17,038
Dr JW Stocker[1]	40,973	549	–	–	41,522
RFE Warburton[3]	66,938	–	–	662	67,600
Executives					
BF Benson	159,429	–	–	(9,669)	149,760
R Heath	209,001	–	–	–	209,001
KP Martin	402,673	–	–	–	402,673
DA Mellody	16,491	–	–	–	16,491
RF Ooms	356,820	–	–	(25,665)	331,155
DA Pullan	225,392	–	–	(87,208)	138,184
RG Reis	180,319	–	–	(51,750)	128,569
Total	34,739,296	2,062	–	(4,187,592)	30,553,766

1 Messrs Hoggard, Curlewis, Goodfellow, Hounsell, McGauchie, and Stocker 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 (430,186 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 (113,947 shares); and

(iii) Auckland Medical Research Foundation (25,462 step-up securities). Dr Goodfellow does not have a beneficial interest in the step-up securities.

3 Mr RFE Warburton retired as a director on 5 December 2007.

39. Key management personnel disclosures continued

Movements in shares continued

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
DJ Rathbone	29,912,610	–	–	–	29,912,610
GDW Curlewis	42,787	–	–	1,000	43,787
Dr WB Goodfellow[1,2]	1,468,296	1,657	–	(807,039)	662,914
GA Hounsell[1]	60,302	1,657	–	–	61,959
DG McGauchie[1]	14,719	1,657	–	–	16,376
Dr JW Stocker[1]	30,314	1,657	–	9,002	40,973
RFE Warburton[1]	65,281	1,657	–	–	66,938
Executives					
BF Benson	157,694	20,080	–	(18,345)	159,429
R Heath	197,790	11,211	–	–	209,001
KP Martin	381,610	21,063	–	–	402,673
DA Mellody	5,196	11,295	–	–	16,491
RF Ooms	335,757	21,063	–	–	356,820
DA Pullan	232,132	22,393	–	(29,133)	225,392
RG Reis	166,096	14,223	–	–	180,319
Total	35,450,010	133,801	–	(844,515)	34,739,296

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, Curlewis, Goodfellow, Hounsell, McGauchie, and Stocker 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 (430,186 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 (113,947 shares); and

(iii) Auckland Medical Research Foundation (25,462 step-up securities). Dr Goodfellow does not have a beneficial interest in the step-up securities.

3 Mr RFE Warburton retired as a director on 5 December 2007.

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 2008 $000	Consolidated 2007 $000
Bayer CropScience Nufarm Limited	sales to	13,859	11,734
	purchases from	13,875	14,342
	trade receivable	1,651	41
	trade payable	5,930	3,949
SRFA LLC	sales to	2,238	2,159
	loan receivable	–	582
	interest received	16	19
	trade receivable	486	60
Excel Crop Care Ltd	purchases from	1,015	2,610
	trade payable	247	573
F&N joint ventures	sales to	65,087	48,638
	trade payable	248	–
	trade receivable	29,140	21,170

These transactions were undertaken on commercial terms and conditions.

41. Subsequent events

On 25 September 2008, the directors declared a final dividend of 23 cents per share, fully franked, payable 17 November 2008. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 31 July 2008 and will be recognised in the subsequent financial reports. The declaration and subsequent payment of dividends has no income tax consequences for the company. The directors have also approved a dividend reinvestment plan. For the final dividend, shareholders will be given the opportunity to reinvest dividends in Nufarm shares at a 2.5 per cent discount to the volume weighted average share price calculated over a period and on a basis to be determined by the board. Details of the plan and election notices will be mailed to all shareholders.

As announced by the company on 1 September 2008, the UK Competition Commission has initiated an investigation into possible competition concerns that might arise as a result of the acquisition of AH Marks. The review is expected to be completed by mid-February, 2009. Combined Nufarm and AH Marks annual sales of the main products under investigation amount to £4 million, with AH Marks sales of those products totalling less than £1.5 million. Nufarm is cooperating fully with the Competition Commission in an effort to clarify and address such concerns. Regulators in other jurisdictions are also reviewing certain aspects of the acquisition. Certain restructuring proposals for the business have been delayed pending completion of this review.

On 24 September 2008, Nufarm signed an agreement to acquire Lefroy Seeds Pty Ltd, based in Toowoomba, Queensland. Lefroy Seeds specialises in hybrid breeding, production and commercialisation activities in sunflower and sorghum. The company has established registrations, sales and commercial partnerships in Australia, Argentina, South Africa, China, Pakistan, Thailand and various countries in Europe. The acquisition involves total consideration of $11.5 million, the majority of which will be paid in Nufarm equity.

42. Auditors' remuneration

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
Audit services				
KPMG Australia				
Audit and review of group financial report	385	384	–	–
Audit of superannuation fund	–	65	–	–
Overseas KPMG firms				
Audit and review of group financial report	941	670	63	44
Audit and review of local statutory reports	188	166	64	47
	1,514	1,285	127	91
Other auditors				
Audit and review of financial reports	155	87	–	–
	1,669	1,372	127	91
Other services				
KPMG Australia				
Transaction due diligence services	12	120	–	–
Other assurance services	14	6	–	–
Overseas KPMG firms				
Other assurance services	35	46	–	9
	61	172	–	9

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 2008 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); and
   (c) 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 36 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 2008.

Signed in accordance with a resolution of the directors:

Dated at Melbourne this 25th day of September 2008

KM Hoggard
Director

DJ Rathbone
Director

independent audit report

KPMG

Independent auditor's report to the members of Nufarm Limited

Report on the financial report

We have audited the accompanying financial report of Nufarm Limited (the company), which comprises the balance sheets as at 31 July 2008, 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 42 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.

Directors' responsibility for the financial 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, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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.

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

independent audit report continued

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

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 2008 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 also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the remuneration disclosures included under the heading 'remuneration report' in the directors' report for the year ended 31 July 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Nufarm Limited for the year ended 31 July 2008 complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

Paul J McDonald

Paul J McDonald
Partner

Melbourne
25 September 2008

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

shareholder and statutory information

Details of shareholders, shareholdings and top 20 shareholders

Listed securities – 25 September 2008	Number of holders	Number of securities	Percentage held by top 20
Fully paid ordinary shares	9,929	185,882,333	74.76

Twenty largest shareholders	Ordinary shares as at 25.09.08	Percentage of issued capital as at 25.09.08
Falls Creek No 2 Pty Ltd	24,130,987	12.98
HSBC Custody Nominees (Australia) Limited	23,060,243	12.41
JP Morgan Nominees Australia Limited	22,981,994	12.36
National Nominees Limited	18,244,821	9.82
Amalgamated Dairies Limited	15,111,068	8.13
ANZ Nominees Limited <Cash Income A/C>	7,168,450	3.86
Citicorp Nominees Pty Limited	4,573,622	2.46
Challenge Investment Company Limited	2,983,199	1.60
UBS Nominees Pty Ltd	2,715,502	1.46
Mr Edgar William Preston & Mr Paul Gerard Keeling <Avakib A/C>	2,491,779	1.34
Cogent Nominees Pty Limited	2,285,542	1.23
RAM Custodian Limited & GBH Trustee Services Limited	2,243,750	1.21
Australian Foundation Investment Company Limited	1,910,785	1.03
AMP Life Limited	1,765,790	0.95
Pacific Custodians Pty Ltd <Nufarm Share Plan A/C>	1,609,118	0.87
CPU Share Plans Pty Ltd <Nufarm ESP Control A/C>	1,489,105	0.80
Grantali Pty Ltd	1,283,846	0.69
Citicorp Nominees Pty Limited <CFSIL Cwlth Aust Shs 19 A/C>	1,023,331	0.55
Cogent Nominees Pty Limited <SL Non Cash Collateral A/C>	974,000	0.52
Douglas Industries Limited	916,896	0.49

Distribution of shareholders	Number of holders as at 25.09.08	Ordinary shares held as at 25.09.08
Size of holding		
1 – 1,000	4,028	2,112,373
1,001 – 5,000	4,435	10,613,220
5,001 – 10,000	833	5,736,310
10,001 – 100,000	553	11,590,956
100,001 and over	80	155,829,474

Of these, 80 shareholders held less than a marketable parcel of shares of $500 worth of shares (33 shares). In accordance with the ASX Listing Rules, the last sale price of the company's shares on the ASX on 25 September 2008 was used to determine the number of shares in a marketable parcel.

Securities exchanges on which securities are listed

Ordinary shares: Australian Securities Exchange Limited.

shareholder and statutory information continued

Substantial shareholders

In accordance with section 671B of the Corporations Act, as at 25 September 2008, 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:

		Number and percentage of shares in which interest held at date of notice	
	Date of notice	Number	Interest %
Amalgamated Dairies Ltd	11 March 2008	15,110,737	8.17
Khyber Pass Ltd[1]	11 March 2008	15,128,819	8.18
Glade Building Ltd[2]	11 March 2008	15,490,607	8.37
Hauraki Trading Ltd[3]	11 March 2008	15,846,421	8.57
Oxford Trustees (Paul Gerard Keeling and Edgar William Preston)[4]	11 March 2008	15,508,689	8.38
Douglas John Rathbone	11 March 2008	25,912,610	14.01

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 Thursday 4 December 2008 at 10.00am in the Telstra Conference Centre, Level 1, 242 Exhibition Street, 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.investorvote.com.au and following the instructions provided, or via post by completing the proxy form and sending it back in the return envelope.

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.

Securities 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.

shareholder and statutory information continued

Shareholder details

The Nufarm Limited Share Register is managed by Computershare Investor Services. You can gain access to your shareholding information in the following ways.

Online via investor centre

Step 1 Go to www.computershare.com/au/investors
Step 2 Select 'access a single holding'
Step 3 Enter NUF or Nufarm Limited
Step 4 Enter your Securityholder Reference Number (SRN) or Holder Identification Number (HIN), postcode or country if outside Australia
Step 5 Enter the security code that appears and agree to the terms and conditions
Step 6 Select 'submit'

Alternatively, manage your portfolio by becoming a member of Investor Centre and register for a username and password at www.computershare.com/au/investors

By telephone via InvestorPhone (Australian shareholders only)

InvestorPhone provides telephone access 24 hours a day seven 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 communications

You can choose to receive shareholder communications electronically. Register for this initiative at www.eTree.com.au/nufarm and a donation of $1 will go to Landcare to support urgent reforestation projects in Australia and New Zealand.

The default for receiving the annual report is now via the Company's website – www.nufarm.com

Shareholder enquires

Contact:
Computershare Investor Services
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067

GPO Box 2975
Melbourne Victoria 3001

Telephone: 1300 652 479 (within Australia)
+61 3 9415 4360 (outside Australia)
Email: web.queries@computershare.com.au

shareholder and statutory information continued

Dividends

A final dividend of 23 cents per share will be paid on 17 November 2008 to shareholders registered on 24 October 2008.

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

– 24 October 2008
  Record date (books closing) for 2007–08 final dividend

– 17 November 2008
  Final dividend for 2007–08 payable

– 29 October 2008*
  Annual report sent to shareholders

– 4 December 2008
  Annual general meeting

– 26 March 2009*
  Announcement of profit result for half year ending 31 January 2009

– 31 July 2009
  End of financial year

* Subject to confirmation.

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

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

Written correspondence should be directed to:

Corporate Affairs Office
Nufarm Limited
PO Box 103
Laverton Victoria 3028 Australia
Nufarm Limited

directory

Directors

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

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Step-up securities registrar

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Website

http://www.nufarm.com

Nufarm Limited
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Produced by Gillian Sweetland. Designed by MDM Design. Photographers include: Alex Craig, Melissa Powell and Doug Wilson.

Nufarm