

## Statement of financial performance

12 months ended 31 July 2005

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

The accompanying notes form an integral part of these financial statements

## Statement of financial position

At 31 July 2005

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

The accompanying notes form an integral part of these financial statements

## Statement of cash flows

12 months ended 31 July 2005

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

The accompanying notes form an integral part of these financial statements

## Notes

Notes to the financial statements (continued)

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

## 2 Financial performance disclosures

Profit from ordinary activities is after crediting the following revenues

### Interest income

Interest

Wholly owned controlled entities	-	-	13,623	14,544
Other unrelated parties	1,501	1,265	7,125	6,101
Total interest income	1,501	1,265	20,748	20,645

### Other revenue

Dividends from wholly owned controlled entities	-	-	40,592	34,699
Management fees from controlled entities	-	-	4,463	4,125
Sundry income	10,573	5,138	1,512	1,893
Gross proceeds from sale of businesses (refer note 25)	95,225	11,672	247	-
Gross proceeds from sale of non-current assets	772	21,018	238	154
Total other revenue	106,570	37,828	47,052	40,871

Profit from ordinary activities is after charging the following expenses

### Depreciation and amortisation

Amortisation of

Goodwill	(7,890)	(10,173)	-	-
Technology rights and trademarks	(11,054)	(6,692)	-	-
Plant and equipment under lease	(245)	(274)	-	-
Deferred expenditure	(3,911)	(3,884)	-	-
Depreciation of				
Buildings and improvements	(3,265)	(3,771)	(387)	(364)
Plant and equipment	(34,834)	(40,013)	(1,753)	(2,080)
Total depreciation and amortisation	(61,199)	(64,807)	(2,140)	(2,444)

### Borrowing costs

Interest paid or payable to

Wholly owned controlled entities	-	-	(22,542)	(21,451)
Other unrelated parties	(36,461)	(29,766)	-	-
Costs of securitisation program	(3,422)	(3,593)	-	-
Finance lease charges	(128)	(244)	-	-
Total borrowing costs	(40,011)	(33,603)	(22,542)	(21,451)

### Operating expenses

Staff expenses	(203,611)	(223,032)	(9,723)	(8,788)
Sales and distribution expenses	(70,476)	(88,775)	(4,033)	(5,229)
Carrying cost of disposed businesses	(66,946)	(10,321)	(4)	-
Plant related expenses	(56,473)	(61,992)	(1,754)	(1,900)
Other operating expenses	(33,863)	(34,722)	(2,767)	(2,681)
Occupancy expenses	(25,871)	(24,984)	(776)	(929)
Insurance	(20,184)	(22,872)	(1,146)	(1,181)
Write-down of non-current assets (refer Note 5)	(19,059)	-	-	-
Travel	(16,576)	(16,701)	(647)	(702)
Research and development costs	(15,812)	(14,132)	(1,014)	(1,038)
Operating lease expenses	(10,062)	(9,992)	(8)	-
Other costs associated with disposal of non-current assets	(5,219)	(3,566)	-	-
Provision for doubtful debts expense	(709)	(4,060)	-	-
Carrying cost of disposed non-current assets	(361)	(5,864)	(205)	(248)
Total operating expenses	(545,222)	(521,013)	(22,077)	(22,696)

## Notes

Notes to the financial statements continued

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

**2 Financial performance disclosures continued**

Operating expenses include

Net foreign exchange gains (losses) from

Hedges on foreign currency earnings for year	-	1,419	-	-
Unhedged receivables and payables	5,394	884	330	(444)
Customer bad debts written off	(92)	(724)	1	32
Net charge to provision for stock obsolescence	(270)	961	(105)	(80)
Donations	(263)	(92)	-	-

Other disclosures

Gain (loss) on disposal of non-current assets	411	11,588	33	(94)
Gain (loss) on sale of businesses (see note 36)	23,060	1,351	243	-
Superannuation contributions - defined benefit fund	(3,169)	(2,913)	-	-
Redundancy Costs (see note 5)	(2,761)	(10,750)	-	-

Consolidated

2005	2004
\$000	\$000

**3 Earnings per share**

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

Number of shares

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

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

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

## Notes

Notes to the financial statements continued

	Crop protection \$000	Industrial chemicals \$000	Corporate \$000	Eliminations \$000	Consolidated \$000
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## 4 Segments

## Business segments

2005

## Revenue

Sales to outside customers	1,580,789	90,240	-	-	1,671,029
Inter segment sales	1,216	2,979	-	(4,195)	-
Sales revenue	1,582,005	93,219	-	(4,195)	1,671,029
Other revenue	31,271	73,138	2,161	-	106,570
Total segment revenue	1,613,276	166,357	2,161	(4,195)	1,777,599
Unallocated revenue					1,501
Total consolidated revenue					1,779,100

## Results

Segment result - operating	191,915	9,453	(1,854)	-	199,514
Segment result - non operating	(13,100)	17,072	(920)	-	3,052
Segment result - total	178,815	26,525	(2,774)	-	202,566
Unallocated expenses					(63,386)
Profit from ordinary activities before taxation					139,180
Income tax expense					(33,333)
Net profit					105,847

## Assets

Segment assets	1,307,283	71,616	14,723	-	1,393,622
Unallocated assets					154,800
Total assets					1,548,422

## Liabilities

Segment liabilities	335,366	18,425	5,567	-	359,358
Unallocated liabilities					572,419
Total liabilities					931,777

## Other segment information

Equity accounted investments included in segment assets	209,399	1,021	-	-	210,420
Acquisition of property, plant and equipment, intangible assets and other non-current assets	227,097	7,645	30	-	234,772
Depreciation	31,946	5,879	274	-	38,099
Amortisation	21,467	308	1,325	-	23,100
Other non-cash expenses	7,789	1,340	805	-	9,934

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

	Australasia \$000	Europe \$000	Americas \$000	Consolidated \$000
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## Geographic segments

## Revenue

Sales to outside customers	822,159	389,680	459,190	1,671,029
Other revenue	17,120	49,438	40,012	106,570
Total segment revenue	839,279	439,118	499,202	1,777,599

## Assets

Segment assets	625,588	504,454	418,380	1,548,422
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## Other segment information

Acquisition of property, plant and equipment, intangible assets and other non-current assets	44,277	24,190	166,305	234,772
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## Notes

Notes to the financial statements continued

	Crop protection \$000	Industrial chemicals \$000	Corporate \$000	Eliminations \$000	Consolidated \$000
<b>4 Segments</b>					
<b>Business segments</b>					
<b>2004</b>					
<b>Revenue</b>					
Sales to outside customers	1,452,861	142,445	462	-	1,595,768
Inter segment sales	2,026	3,045	-	(5,071)	-
Sales revenue	1,454,887	145,490	462	(5,071)	1,595,768
Other revenue	25,634	1,367	10,827	-	37,828
Total segment revenue	1,480,521	146,857	11,289	(5,071)	1,633,596
Unallocated revenue					1,265
Total consolidated revenue					1,634,861
<b>Results</b>					
Segment result - operating	163,468	14,936	(7,092)	-	171,312
Segment result - non operating	(1,546)	339	(190)	-	(1,397)
Segment result - total	161,922	15,275	(7,282)	-	169,915
Unallocated expenses					(60,018)
Profit from ordinary activities before taxation					109,897
Income tax expense					(31,621)
Net profit					78,276
<b>Assets</b>					
Segment assets	1,121,169	158,079	21,927	-	1,301,175
Unallocated assets					130,403
Total assets					1,431,578
<b>Liabilities</b>					
Segment liabilities	385,472	37,482	5,354	-	428,308
Unallocated liabilities					442,776
Total liabilities					871,084
<b>Other segment information</b>					
Equity accounted investments included in segment assets	24,000	953	-	-	24,953
Acquisition of property, plant and equipment, intangible assets and other non-current assets	122,223	15,898	318	-	138,439
Depreciation	34,732	8,844	208	-	43,784
Amortisation	18,851	488	1,684	-	21,023
Other non-cash expenses	9,918	1,930	4,070	-	15,918
		Australasia \$000	Europe \$000	Americas \$000	Consolidated \$000
<b>Geographic segments</b>					
<b>Revenue</b>					
Sales to outside customers		762,437	392,981	440,350	1,595,768
Other revenue		15,866	21,719	243	37,828
Total segment revenue		778,303	414,700	440,593	1,633,596
<b>Assets</b>					
Segment assets		582,723	610,338	238,517	1,431,578
<b>Other segment information</b>					
Acquisition of property, plant and equipment, intangible assets and other non-current assets		31,938	85,502	20,999	138,439

## Notes

Notes to the financial statements continued

**4 Segments continued**

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

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

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

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

	Consolidated		Parent	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
<b>5 Non-operating income and expenses</b>				
Gain on sale of businesses (refer note 36)	23,060	2,008	243	-
Gain on sale of building - France	-	14,801	-	-
Write down of UK fixed assets & remediation costs	(15,967)	-	-	-
Write down of intangibles	(2,709)	(2,930)	-	-
Restructuring costs - Europe	(2,761)	(11,540)	-	-
Plant closure costs - France	-	(3,736)	-	-
Net proceeds from insurance claim	1,429	-	-	-
Non-operating profit before tax	3,052	(1,397)	243	-
Tax thereon	(2,229)	(1,036)	-	-
Non-operating profit after tax	823	(361)	243	-

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

**6 Taxation****a) Income tax expense**

Reconciliation to income tax expense provided in the financial statements

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

## Notes

Notes to the financial statements continued

	Consolidated		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>6 Taxation continued</b>				
<b>b) Tax assets</b>				
Attributable to carry forward tax losses that have accumulated in several tax jurisdictions. These losses will be utilised against future profits in those jurisdictions. Tax losses offset against current tax liabilities and deferred tax liabilities	32,600	25,607	1,265	3,791
	(8,323)	(9,718)	-	-
	24,277	15,889	1,265	3,791
Attributable to timing differences				
Depreciation	15,092	10,713	855	835
Provision for employee entitlements	5,525	4,936	190	196
Provision for doubtful debts	1,198	1,342	-	27
Provision for stock obsolescence	792	548	155	121
Balances of tax consolidation group entities transferred to parent entity	-	-	20,218	18,022
Other	6,090	7,732	(35)	(35)
	52,974	41,160	22,648	22,957
Current portion	8,138	6,858	-	1,583
Non-current portion	44,836	34,302	22,648	21,374
<b>Income tax losses</b>				
Deferred tax benefits arising from tax losses of a controlled entity have not been recognised as realisation of the benefit is not considered virtually certain.	7,156	12,128	-	-
The potential tax losses will only be utilised if: (a) the relevant company derives future assessable income of a nature and amount sufficient to enable the benefit to be realised; (b) the relevant company continues to comply with the conditions for deductibility imposed by the law; and (c) no changes in tax legislation adversely affect the relevant company in realising the benefit.				
<b>c) Deferred tax</b>				
Attributable to timing differences				
Depreciation and amortisation	20,111	31,010	-	-
Prepayments and deferred expenses	378	(70)	-	-
Balances of tax consolidation group entities transferred to parent entity	-	-	1,731	2,018
Other	2,254	1,451	-	-
Tax asset offset	(8,323)	(9,718)	-	-
Total deferred tax	14,420	22,673	1,731	2,018
<b>7 Receivables</b>				
Trade debtors and other receivables are non - interest bearing and are generally for less than 90 day terms				
Trade debtors	130,680	146,438	9,180	8,670
Provision for doubtful debts	(2,423)	(3,237)	-	(82)
	128,257	143,201	9,180	8,588
Other amounts owing by wholly owned controlled entities				
Current	-	-	202,974	188,750
Non Current	-	-	161,798	174,255
Hedge receivables	45,592	32,417	45,592	34,180
Other receivables owing by associated entities	49,868	56,202	-	-
Other	42,903	31,551	676	625
Proceeds receivable from sale of businesses and non-current assets	28,262	10,895	-	-
Provision for non-collectibility of sale proceeds	(3,205)	(3,213)	-	-
Total receivables	291,677	271,053	420,220	406,398
Current portion	225,268	232,518	212,830	197,963
Non-current portion	66,409	38,535	207,390	208,435

## Notes

Notes to the financial statements continued

	Consolidated		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>8 Inventories</b>				
Raw materials	105,062	111,851	3,464	2,332
Work in progress	6,492	11,906	708	728
Finished goods	318,005	314,706	12,220	12,916
	429,559	438,463	16,392	15,976
Provision for obsolescence of finished goods	(5,613)	(6,324)	(468)	(366)
Total inventories	423,946	432,139	15,924	15,610
		Cost	Retained earnings	Carrying value
		\$000	\$000	\$000

**9 Equity accounted investments****Aggregate carrying amount of associates**

	2005		
Balance at the beginning of the year	9,190	15,763	24,953
Exchange adjustment	2,348	809	3,157
Share of net profit	-	25,617	25,617
New investment	162,469	-	162,469
Elimination of profit in transaction with associate	(2,812)	-	(2,812)
Dividends received	-	(2,964)	(2,964)
Balance at the end of the year	171,195	39,225	210,420

**2004**

Balance at the beginning of the year	2,916	15,365	18,281
Exchange adjustment	(67)	452	385
Share of net profit	-	3,415	3,415
New investment	6,341	-	6,341
Dividends received	-	(3,469)	(3,469)
Balance at the end of the year	9,190	15,763	24,953

**Consolidated**

2005 2004  
\$000 \$000

**Share of associates profits**

Operating profits before income tax	34,362	5,075
Income tax expense	(8,745)	(1,660)
Share of net profits of associates	25,617	3,415

**Share of profit by major associate**

Agripec Quimica e Farmaceutica SA	22,611	-
Bayer CropScience Nufarm Ltd	2,001	3,001
Excel Crop Care Ltd	997	-
Others	8	414
Share of net profits of associates	25,617	3,415

**Financial summary of material associate****Agripec Quimica e Farmaceutica SA**

During the year the group acquired 49.9% of Agripec Quimica e Farmaceutica SA, a crop protection company based in Brazil. Acquisition cost of this investment was \$161 million. Agripec's contribution to profit for the period is as follows:

Group's share of profit from ordinary activities before tax	37,524	-
Notional goodwill amortisation	(7,814)	-
Income tax on ordinary activities	(7,099)	-
Profit share of associate in equity income	22,611	-
Financing expense (after tax)	(3,519)	-
Profit share of associate in net profit after tax	19,092	-
Total assets	136,533	-
Total liabilities	64,608	-

## Notes

Notes to the financial statements continued

2005  
\$000

2004  
\$000

**9 Equity accounted investments continued****Financial summary of material associate**

## Bayer CropScience Nufarm Limited

Total assets	18,644	27,814
Total liabilities	3,967	10,289
Share of profits of associate	2,001	3,001

## Agchem Receivables Corp

Total assets	20,266	21,270
Total liabilities	20,147	21,178
Share of profits of associate	29	35

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

Associated entities have the following commitments.

Nufarm's share of capital commitments is \$533,100 (2004: \$Nil)

and share of finance lease commitments is \$Nil (2004: \$Nil).

A contingent liability exists in Agripec relating to income tax.

Nufarm's share of the contingent liability is \$954,000.

**10 Other financial assets****Investment in controlled entities**

	Consolidated		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Balance at the beginning of the year	-	-	247,212	245,210
Reinstatement to Parent entity	-	-	-	2,002
Balance at the end of the year	-	-	247,212	247,212

**Investment in other companies (at cost)**

Balance at the beginning of the year	1,073	1,083	6,341	6,341
Exchange adjustment	(60)	(10)	(77)	-
Pre-acquisition dividend	-	-	(121)	-
Balance at the end of the year	1,013	1,073	6,143	6,341

The investment above consists of three 50% joint ventures with FMC Corporation in Poland, Slovakia and the Czech Republic, for the distribution of crop protection products.

**Other loans** including loans to the staff share purchase schemes (Refer note 32).

Balance at the beginning of the year	2,640	5,089	-	-
Exchange adjustment	(46)	(44)	-	-
New investments during the year	15	58	-	-
Disposals	(481)	-	-	-
Loans repaid during the year	(1,198)	(2,463)	-	-
Balance at the end of the year	930	2,640	-	-
Total other financial assets	1,943	3,713	253,355	253,553

## Notes

Notes to the financial statements continued

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

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

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

## Notes

Notes to the financial statements continued

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

## Notes

Notes to the financial statements continued

	Consolidated		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>12 Intangible assets</b>				
<b>Goodwill</b>				
Balance at the beginning of the year	85,406	103,835	-	-
Exchange adjustment	(4,952)	(3,873)	-	-
Acquired during the year	5,448	-	-	-
Disposals during the year	(1,443)	(4,383)	-	-
Transferred to intellectual property	(14,944)	-	-	-
Amortised during the year	(7,890)	(10,173)	-	-
Balance at the end of the period	61,625	85,406	-	-
<b>Intellectual property</b>				
Balance at the beginning of the year	110,615	37,023	-	-
Exchange adjustment	(5,910)	(163)	-	-
Acquired during the year	3,717	80,490	-	-
Disposals during the year	(8,576)	(43)	-	-
Transferred from goodwill	14,944	-	-	-
Transferred to deferred costs	(756)	-	-	-
Amortised during the year	(11,054)	(6,692)	-	-
Balance at the end of the year	102,980	110,615	-	-
<b>Major projects development expenditure</b>				
Balance at the beginning of the year	-	3,693	-	-
Expenditure capitalised during the year	-	240	-	-
Disposals during the year	-	(3,933)	-	-
Balance at the end of the year	-	-	-	-
Total intangible assets	164,605	196,021	-	-
<b>13 Other non-current assets</b>				
<b>Deferred product development expenditure</b>				
Balance at the beginning of the year	18,248	16,285	-	-
Exchange adjustment	(714)	(283)	-	-
Expenditure capitalised during the year	5,482	4,539	-	-
Transferred from intangibles	756	-	-	-
Disposals during the year	(1,854)	(38)	-	-
Written off during the year	(575)	-	-	-
Amortised during the year	(2,601)	(2,255)	-	-
Balance at the end of the year	18,742	18,248	-	-
<b>Borrowing costs</b>				
Balance at the beginning of the year	2,882	4,396	-	-
Exchange adjustment	(5)	37	-	-
Expenditure capitalised during the year	-	78	-	-
Amortised during the year	(1,310)	(1,629)	-	-
Balance at the end of the year	1,567	2,882	-	-
Total other non-current assets	20,309	21,130	-	-
<b>14 Payables</b>				
Trade creditors and other accruals are non - interest bearing and are generally for less than 90 day terms				
Trade creditors and accruals - unsecured	331,896	396,262	7,816	9,866
Amounts owing to				
Wholly owned controlled entities	-	-	59,346	61,179
Associated entities	1,287	1,677	-	-
Total payables	333,183	397,939	67,162	71,045

## Notes

Notes to the financial statements continued

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

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

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

All unsecured bank borrowings are provided by banks that are parties to the Group Negative Pledge Deed. The assets of all the entities included in the Negative Pledge Deed (Note 26) are in excess of their related borrowings.

Finance lease liabilities are secured over relevant leased plant.

	Consolidated		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>16 Provisions</b>				
Employee entitlements	25,969	26,352	576	594
Restructuring	3,014	7,025	-	-
Other	2,283	2,103	-	-
	<u>31,266</u>	<u>35,480</u>	<u>576</u>	<u>594</u>
Less current portion				
Employee entitlements	15,196	15,983	521	544
Restructuring	3,014	7,025	-	-
Other	1,737	2,103	-	-
	<u>19,947</u>	<u>25,111</u>	<u>521</u>	<u>544</u>
Total current provisions				
Total non-current provisions	<u>11,319</u>	<u>10,369</u>	<u>55</u>	<u>50</u>

	Consolidated		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>16 Provisions continued</b>				
<b>Other provisions</b>				
Balance at the beginning of the year	2,103	3,148	-	107
Exchange adjustment	(123)	(9)	-	(1)
Additional provision	2,076	1,843	-	-
Amounts utilised during the year	(1,773)	(2,879)	-	(106)
Balance at the end of the year	2,283	2,103	-	-
<b>Provision for redundancy and restructuring costs</b>				
Balance at the beginning of the year	7,025	-	-	-
Exchange adjustment	(368)	-	-	-
Additional provision	3,346	11,789	-	-
Amounts utilised during the year	(6,989)	(4,764)	-	-
Balance at the end of the year	3,014	7,025	-	-
<b>Employee benefits</b>				
The present values of employee entitlements not expected to be settled within twelve months of reporting date have been calculated using the following weighted averages:				
Assumed rate of increase in wage and salary rates	4%	4%	-	-
Discount rate	4%	4%	-	-
Settlement term (years)	5	5	-	-
Number of employees at year end	2,279	2,613	-	-
<b>17 Contingent Liabilities</b>				
The parent entity has entered into a Deed of Cross Guarantee (refer note 26) in accordance with a class order issued by the Australian Securities and Investments Commission. The parent entity and all the Australian controlled entities which are a party to the deed, have guaranteed the repayment of all current and future creditors in the event any of these companies are wound up.				
The parent entity together with all the material wholly owned controlled entities have entered into a Negative Pledge Deed with the group's lenders whereby all group entities which are a party to the deed have guaranteed the repayment of all liabilities in the event that any of these companies are wound up.				
Guarantee facility for Eastern European joint ventures with FMC Corporation.	7,827	5,379	-	-
Receivables sold to financiers for which there is either partial or full recourse to the company in the event that the debt is not collected from the customer. (Receivables sold that have come due for payment since year end have been collected by the financiers.)	16,241	5,490	-	-
The parent entity has guaranteed with the noteholders the issuers' obligations under the capital notes.	-	-	202,338	203,620
Environmental claim warranty Environmental guarantee given to the purchaser of land and buildings at Gennevilliers for EUR 8.5 million. The guarantee will end 18 months after the expiry of the business tenancy contract. The Directors do not believe that any material costs will be incurred as a result of this guarantee.	13,578	14,552	-	-
Guarantee upon sale of a business limited to EUR 4.57 million on account of possible remediation costs for soil and groundwater contamination. This guarantee decreases from 2004 progressively to nil in 2011. The Directors do not believe that any material costs will be incurred as a result of this guarantee.	7,300	9,142	-	-
Nufarm Limited has been named as one of 15 parties in proceedings filed by the New Zealand Commerce Commission (NZCC) relating to alleged business practices in the timber treatment industry. The company is cooperating with this investigation, and currently does not believe a material potential liability attaches to this issue. The company divested its timber treatment business in 2001.	-	-	-	-
	44,946	34,563	202,338	203,620

## Notes

Notes to the financial statements continued

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

**18 Commitments****Capital expenditure**

Estimated cost of capital work covering buildings and plant authorised by the board of directors and contracted for but not yet provided for in the financial statements, together with capital work required to meet regulatory consents. All commitments are expected to be completed within 12 months.

17,027	17,224	922	-
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**Investments**

The company owns 70% of the Australian and Malaysian chemical formulating businesses of Mastra Holdings, which are controlled entities. The company has a commitment to acquire the remaining shares by December 2007. The cost will be between USD 2.7 million and USD 4.5 million.

min 3,553	min 3,845	-	-
max 5,921	max 6,408	-	-

**Leases**

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

Not later than one year	7,538	7,195	355	330
Later than one year but not later than two years	6,660	6,306	192	301
Later than two years but not later than five years	10,146	11,073	120	280
Later than five years	5,365	6,936	-	-
	<b>29,709</b>	<b>31,510</b>	<b>667</b>	<b>911</b>

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

Not later than one year	535	1,392	-	-
Later than one year but not later than two years	616	1,736	-	-
Later than two years but not later than five years	571	1,180	-	-
Later than five years	-	-	-	-
	<b>1,722</b>	<b>4,308</b>	<b>-</b>	<b>-</b>
Less future finance charges	(94)	(319)	-	-
	<b>1,628</b>	<b>3,989</b>	<b>-</b>	<b>-</b>

## Notes

Notes to the financial statements continued

	Number of shares	2005 \$000	2004 \$000
<b>19 Contributed equity</b>			
Ordinary shares issued and fully paid			
Balance at the beginning of the year	167,735,767	210,528	149,216
Issue of shares	1,702,782	5,571	60,662
Partly paid shares fully paid up during the year	233,325	728	650
Balance at the end of the year	<u>169,671,874</u>	<u>216,827</u>	<u>210,528</u>
Ordinary shares issued and partly paid to 1.0 cent			
Balance at the beginning of the year	233,325	2	3
Partly paid shares fully paid up during the year	<u>(233,325)</u>	<u>(2)</u>	<u>(1)</u>
Balance at the end of the year	<u>-</u>	<u>-</u>	<u>2</u>
Total contributed equity	<u>169,671,874</u>	<u>216,827</u>	<u>210,530</u>

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

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

	Consolidated		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>20 Reserves</b>				
<b>a) Foreign currency translation</b>				
This reserve records exchange differences arising from the translation of the financial statements of self-sustaining foreign operations together with the net result of hedging the foreign currency exposures arising from the net investment in those foreign operations.				
Balance at the beginning of the year	(16,339)	(9,590)	-	-
Exchange fluctuation on opening net investment in overseas controlled entities	(11,983)	(5,478)	(77)	-
Hedging of net investment in overseas controlled entities	-	(1,271)	-	-
Balance at the end of the year	<u>(28,322)</u>	<u>(16,339)</u>	<u>(77)</u>	<u>-</u>
<b>b) Asset revaluation</b>				
This reserve records increments in the value of land and buildings that were revalued prior to 1992 when the company implemented a policy of recording assets at cost unless there is a permanent diminution in carrying values.				
Balance at the beginning of the year	348	1,409	-	-
Transferred to retained profits	-	(1,061)	-	-
Balance at the end of the year	<u>348</u>	<u>348</u>	<u>-</u>	<u>-</u>
<b>c) Capital profits reserve</b>				
This reserve is used to accumulate realised capital profits				
Balance at the beginning of the year	33,845	33,852	40,074	40,074
Adjustment	-	(7)	-	-
Balance at the end of the year	<u>33,845</u>	<u>33,845</u>	<u>40,074</u>	<u>40,074</u>
Total reserves	<u>5,871</u>	<u>17,854</u>	<u>39,997</u>	<u>40,074</u>

## Notes

Notes to the financial statements continued

	Consolidated		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>21 Retained profits</b>				
Balance at the beginning of the year	324,401	280,793	161,995	149,505
Net profit attributable to members of the parent entity	104,297	76,202	50,069	46,146
Aggregate amounts transferred from reserves	-	1,062	-	-
Dividends paid	(40,548)	(33,656)	(40,548)	(33,656)
Balance at the end of the year	<u>388,150</u>	<u>324,401</u>	<u>171,516</u>	<u>161,995</u>

**22 Dividends**

Dividends recognised in the current year by the company are:

	Cents per Share	Total Amount \$000	Franked/ Unfranked	Payment Date
<b>2005</b>				
Final 2004 Ordinary	15.0	25,293	Franked	15-Nov-04
Interim 2005 Ordinary	9.0	<u>15,255</u>	Franked	29-Apr-05
Total Amount		<u>40,548</u>		
<b>2004</b>				
Final 2003 Ordinary	13.0	20,470	Franked	7-Nov-03
Interim 2004 Ordinary	8.0	<u>13,186</u>	Franked	28-Apr-04
Total Amount		<u>33,656</u>		

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

**Subsequent events**

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

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

**Franking credit balance**

The amount of franking credits available for the subsequent financial year are:

Franking account balance as at the end of the year at 30% (2004: 30%)

Franking credits that will arise from the payment of income tax payable as at the end of the year

Balance at the end of the year

	Consolidated		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Franking account balance as at the end of the year at 30% (2004: 30%)	19,647	17,436	19,647	17,436
Franking credits that will arise from the payment of income tax payable as at the end of the year	5,881	(2,048)	5,881	(2,048)
Balance at the end of the year	<u>25,528</u>	<u>15,388</u>	<u>25,528</u>	<u>15,388</u>

**23 Outside equity interests**

Balance at the beginning of the year

Exchange adjustment

Investments in which a minority interest was acquired

Share of operating profit

Dividends paid

Balance at the end of the year

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

## Notes

Notes to the financial statements continued

	Consolidated		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>24 Equity</b>				
Balance at the beginning of the year	560,494	462,321	412,599	338,798
Total changes in equity recognised in the statement of financial performance	92,314	68,997	49,992	45,696
Transactions with owners as owners				
Contributed equity	6,297	61,761	6,297	61,761
Dividends	(40,548)	(33,656)	(40,548)	(33,656)
Movement in outside equity interest	(1,912)	1,071	-	-
Balance at the end of the year	<u>616,645</u>	<u>560,494</u>	<u>428,340</u>	<u>412,599</u>
<b>25 Statement of cash flows</b>				
<b>a) Reconciliation of cash</b>				
For the purposes of the statement of cash flows, cash includes cash on hand and in banks and deposits at call, net of outstanding overdrafts.				
The statements of cash flows are reconciled to respective items in the statement of financial position as follows:				
Cash assets	56,233	56,826	4,265	654
Bank overdrafts	(10,398)	(72,298)	(24,762)	(19,645)
	<u>45,835</u>	<u>(15,472)</u>	<u>(20,497)</u>	<u>(18,991)</u>
<b>b) Reconciliation of net profit (loss) after income tax to net operating cash flows</b>				
Net profit (loss) after income tax	105,847	78,276	50,069	46,146
Dividend from associated company	2,964	3,099	-	-
Non-cash items:				
Amortisation	22,855	20,749	-	-
Depreciation	38,344	44,058	2,140	2,444
Losses on disposal of fixed assets	(393)	(100)	(33)	95
Write-down in non current assets	19,059	-	-	-
Share of profits of associates net of tax	(25,617)	(3,415)	-	-
Movement in provisions for:				
Deferred tax	(8,253)	(2,674)	(286)	2,018
Tax assets	(11,815)	119	5,241	(9,357)
Deferred product development expenses	-	72	-	-
Exchange rate change on foreign controlled entities provisions	432	(49)	(21)	83
	<u>34,612</u>	<u>58,760</u>	<u>7,041</u>	<u>(4,717)</u>
Movements in working capital items:				
(Increase)/decrease in receivables	(11,543)	63,228	(643)	2,361
(Increase)/decrease in inventories	(7,433)	(72,683)	(313)	(155)
Increase/(decrease) in payables	(42,227)	88,007	(2,232)	(1,471)
Increase/(decrease) in income tax payable	(3,053)	(10,830)	(1,706)	5,437
Exchange rate change on foreign controlled entities working capital items	(16,555)	(5,183)	(93)	169
Group tax setoff	-	-	-	-
Movements in intercompany balances relating to cash transactions	-	-	(1,830)	1,006
	<u>(80,811)</u>	<u>62,539</u>	<u>(6,817)</u>	<u>7,347</u>
Net operating cash flows	<u>62,612</u>	<u>202,674</u>	<u>50,293</u>	<u>48,776</u>

## Notes

Notes to the financial statements continued

	Consolidated		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>25 Statement of cash flows continued</b>				
<b>c) Businesses sold</b>				
Businesses sold during 2005 include the Nufarm Specialty Products business, SEAC, Pacific Raw Materials and the Nufarm Brazil business.				
Businesses sold during 2004 include the Florigene group, Agrow, MCFI, Pharma Pacific intangibles and the Wettasoil trademark.				
Net assets disposed of were				
Receivables	11,677	882	-	-
Inventory	15,626	397	-	-
Property, plant and equipment	47,681	323	4	-
Intangibles	7,309	6,936	-	-
Cash assets	164	642	-	-
Tax assets	-	1,978	-	-
Payables	(8,181)	(1,724)	-	-
Borrowings	(7,517)	-	-	-
Other	187	887	-	-
Cash gain on disposal	23,060	1,351	243	-
Consideration	90,006	11,672	247	-
Cost of disposal	5,219	-	-	-
Total consideration	95,225	11,672	247	-
Cash deferred	(25,057)	(5,062)	-	-
Amounts settled for businesses sold in prior years	5,062	724	-	724
Cash consideration received	75,230	7,334	247	724
Cash included in assets sold	(164)	(642)	-	-
Net cash effect	75,066	6,692	247	724

**d) Businesses acquired**

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

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

The aggregate amounts of net assets acquired were

Inventory	-	18,661	-	-
Property, plant and equipment	621	-	-	-
Intangibles	9,132	80,488	-	-
Payables	11,896	-	-	-
Outside equity interests	2,407	-	-	-
Total consideration	24,056	99,149	-	-
Cash deferred	(2,000)	(12,840)	-	-
Cash consideration paid	22,056	86,309	-	-
Cash included in net assets acquired	-	-	-	-
Net cash effect	22,056	86,309	-	-

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

## Notes

Notes to the financial statements continued

**25 Statement of cash flows continued****e) Non cash financing and investing activities**

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

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

**26 Controlled entities**

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

	Notes	Place of incorporation	Percentage of shares held	
			2005	2004
Abel Lemon and Company Pty Ltd	(a)	Australia	100	100
Agcare Biotech Pty Ltd		Australia	70	70
Agryl Holdings Limited	(a),(b)	Australia	100	100
Ag-seed Research Pty Ltd	(a)	Australia	100	-
Artfern Pty Ltd	(a)	Australia	100	100
Australis Services Pty Ltd	(a)	Australia	100	100
Bioclip NZ Pty Limited (Sold)		New Zealand	-	100
Camper Vertriebs (Liquidated)		Germany	-	100
Captec (NZ) Limited	(b)	New Zealand	100	100
Captec Pty Ltd	(a)	Australia	100	100
CFPI GmbH		Germany	100	100
Chemicca Limited	(a)	Australia	100	100
Chemturf Pty Ltd	(a)	Australia	100	100
Chloral Investment Trust		Australia	80	80
Chloral Unit Trust No1		Australia	80	80
Chloral Unit Trust No2		Australia	80	80
Clama s.a.s (formerly Societe Civile Immobiliere Clama)		France	100	100
CNG Holdings BV		Netherlands	100	100
Compagnie d'Applications Chimiques a l'Industrie s.a.s (formerly Compagnie D'Applications Chimiques a L'Industrie)		France	100	100
Crop Care Australasia Pty Ltd	(a),(b)	Australia	100	100
Crop Care Holdings Limited		New Zealand	100	100
Croplands Equipment Limited	(b)	New Zealand	100	100
Croplands Equipment Pty Ltd	(a),(b)	Australia	100	100
Danestoke Pty Ltd		Australia	100	80
Electronic Agriculture Limited	(a)	Australia	100	100
Fchem (Aust) Limited	(a),(b)	Australia	100	100
Fchem Limited	(b)	New Zealand	100	100
Fernz Canada Limited	(b)	Canada	100	100
Fernz Corporation (NZ) Limited	(b)	New Zealand	100	100
Fernz Singapore Pte Ltd	(b)	Singapore	100	100
Fidene Limited		New Zealand	100	100
Finotech BV	(b)	Netherlands	100	100
Framchem SA	(b)	Egypt	100	100
Health & Science Limited	(b)	New Zealand	100	100
Inpar s.a.s (formerly Societe Civile Inpar)	(b)	France	100	100
Interferon Limited	(a)	Australia	100	100
Interferon NZ Limited	(b)	New Zealand	100	100
Laboratoire Europeen de Biotechnologie s.a.s (formerly Laboratoire Europeen de Biotechnologie)		France	100	100
Ladino NV (liquidated)		N. Antilles	-	100
Le Moulin des Ecluses s.a (formerly Societe d'Etudes et Applications Chimiques)	(b)	France	100	100
Les Ecluses de la Garenne s.a.s (formerly Societe des Ecluses de la Garenne)		France	100	100

	Notes	Place of incorporation	Percentage of shares held	
			2005	2004
<b>26 Controlled entities continued</b>				
Manaus Holdings Sdn Bhd	(b)	Malaysia	100	100
Marman (Nufarm) Inc		USA	70	70
Marman de Guatemala Sociedad Anonima		Guatemala	70	70
Marman de Mexico Sociedad Anonima De Capital Variable		Mexico	70	70
Marman Holdings LLC		USA	100	100
Mastra Corporation Pty Ltd	(b)	Australia	70	70
Mastra Corporation Sdn Bhd	(b)	Malaysia	70	70
Mastra Corporation USA Pty Ltd		Australia	70	70
Mastra Holdings Sdn Bhd	(b)	Malaysia	70	70
Mastra Industries Sdn Bhd	(b)	Malaysia	70	70
Medisup International NV		N. Antillies	100	100
Medisup Securities Limited	(a),(b)	Australia	100	100
Neuchatel Pty Ltd	(a)	Australia	100	100
Nufarm (Asia) Pte Ltd	(b)	Singapore	100	100
Nufarm Agriculture (Pty) Ltd		South Africa	100	100
Nufarm Agriculture Inc	(b)	Canada	100	100
Nufarm Agriculture Zimbabwe (Pvt) Ltd		Zimbabwe	100	100
Nufarm Americas Holding Company	(b)	USA	100	100
Nufarm Americas Inc	(b)	USA	100	100
Nufarm Asia Sdn Bhd		Malaysia	100	100
Nufarm Australia Limited	(a),(b)	Australia	100	100
Nufarm BV	(b)	Netherlands	100	100
Nufarm Chile Limitada		Chile	100	100
Nufarm Columbia Ltda		Columbia	100	100
Nufarm Coogee Pty Ltd		Australia	80	80
Nufarm Crop Products UK Limited		UK	100	100
Nufarm de Costa Rica		Costa Rica	100	100
Nufarm de Guatemala SA		Guatemala	100	100
Nufarm de Mexico Sa de CV		Mexico	100	100
Nufarm de Panama SA		Panama	100	100
Nufarm de Venezuela SA		Venezuela	100	100
Nufarm del Ecuador SA		Ecuador	100	100
Nufarm Deutschland GmbH	(b)	Germany	100	100
Nufarm do Brazil LTDA		Brazil	100	100
Nufarm Energy Pty Ltd	(a)	Australia	100	100
Nufarm Espana SA	(b)	Spain	100	100
Nufarm GmbH	(b)	Germany	100	100
Nufarm GmbH	(b)	Austria	100	100
Nufarm GmbH & Co KG	(b)	Austria	100	100
Nufarm Holdings (NZ) Limited	(b)	New Zealand	100	100
Nufarm Holdings BV	(b)	Netherlands	100	100
Nufarm Holdings s.a.s (formerly Nufarm SC)	(b)	France	100	100
Nufarm Inagro Manufacturing Sdn Bhd (liquidated)		Malaysia	-	100
Nufarm Inc.	(b)	USA	100	100
Nufarm Insurance Pte Ltd		Singapore	100	100
Nufarm Investments Cooperatie WA	(b)	Netherlands	100	100
Nufarm Ireland Limited		Ireland	100	100
Nufarm KK		Japan	100	100
Nufarm Malaysia Sdn Bhd	(b)	Malaysia	100	100
Nufarm Materials Limited	(a),(b)	Australia	100	100

## Notes

Notes to the financial statements continued

	Notes	Place of incorporation	Percentage of shares held 2005	2004
<b>26 Controlled entities continued</b>				
Nufarm NZ Limited	(b)	New Zealand	100	100
Nufarm Platte Pty Ltd		Australia	100	100
Nufarm Portugal LDA	(b)	Portugal	100	100
Nufarm s.a.s (formerly Nufarm SA)	(b)	France	100	100
Nufarm SA		Argentina	100	100
Nufarm Specialty Products Inc	(b)	USA	100	100
Nufarm Technologies (M) Sdn Bhd		Malaysia	51	51
Nufarm Technologies USA		New Zealand	100	100
Nufarm Technologies USA Pty Ltd		Australia	100	100
Nufarm Treasury Pty Ltd	(a),(b)	Australia	100	100
Nufarm UK Limited	(b)	United Kingdom	100	100
Nuturf Pty Ltd	(a),(b)	Australia	100	100
Opti-Crop Systems Pty Ltd	(b)	Australia	75	75
Pacific Raw Materials Australia Pty Ltd	(a)	Australia	100	100
Pacific Raw Materials Limited		New Zealand	100	100
Pharma Pacific Pty Ltd	(a)	Australia	100	100
PT Nufarm Indonesia		Indonesia	100	70
Rockmere Pty Ltd	(a)	Australia	100	100
Safepak Industries Sdn Bhd		Malaysia	70	70
Selchem Pty Ltd	(a)	Australia	100	100
TPL Limited	(b)	New Zealand	100	100

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

Note (b). These entities have entered into a deed of negative pledge dated 26th October 1996 with the group lenders which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed.

	Consolidated 31.7.2005	31.7.2004
	\$000	\$000

**27 Closed group**

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

**Statement of financial performance**

Profit from ordinary activities before income tax expense	104,738	57,057
Income tax expense relating to ordinary activities	(28,039)	(17,993)
Net profit attributable to members of the closed group	76,699	39,064
Retained profits at the beginning of the period	198,683	186,726
Include new members to the closed group	-	6,549
Dividends paid	(40,548)	(33,656)
Retained profits at the end of the period	234,834	198,683

## Notes

Notes to the financial statements continued

	Consolidated	
	31.7.2005	31.7.2004
	\$000	\$000
<b>27 Closed group continued</b>		
<b>Statement of financial position</b>		
<b>Current Assets</b>		
Cash assets	5,997	2,328
Receivables	296,807	325,208
Inventories	196,854	193,412
Tax assets	-	3,841
Prepayments	5,215	2,819
<b>Total current assets</b>	<b>504,873</b>	<b>527,608</b>
<b>Non-current Assets</b>		
Receivables	45,592	34,180
Property, plant and equipment	150,918	138,261
Related company investments	266,929	258,256
Other financial assets	125,727	7,294
Intangible assets	12,649	15,095
Deferred tax assets	22,161	22,366
Other	3,602	2,073
<b>Total non-current assets</b>	<b>627,578</b>	<b>477,525</b>
<b>TOTAL ASSETS</b>	<b>1,132,451</b>	<b>1,005,133</b>
<b>Current liabilities</b>		
Payables	476,131	471,784
Interest bearing liabilities	84,286	33,586
Tax liabilities	4,898	-
Provisions	7,985	7,472
<b>Total current liabilities</b>	<b>573,300</b>	<b>512,842</b>
<b>Non-current liabilities</b>		
Interest bearing liabilities	31,000	10,000
Deferred tax liabilities	1,732	2,018
Provisions	7,659	6,840
<b>Total non-current liabilities</b>	<b>40,391</b>	<b>18,858</b>
<b>TOTAL LIABILITIES</b>	<b>613,691</b>	<b>531,700</b>
<b>NET ASSETS</b>	<b>518,760</b>	<b>473,433</b>
<b>Equity</b>		
Contributed equity	224,027	217,730
Reserves	59,899	57,020
Retained profits	234,834	198,683
<b>TOTAL EQUITY</b>	<b>518,760</b>	<b>473,433</b>
<b>28 Interests in joint venture operations</b>	<b>2005</b>	<b>2004</b>
	<b>\$000</b>	<b>\$000</b>
The company has an 80% interest in the Nufarm - Coogee Joint Venture representing its two chlor alkali plants in Western Australia.		
Assets employed		
Cash	936	1,668
Receivables	2,338	2,275
Inventory	772	825
Prepayments	135	150
Property, plant and equipment	13,285	14,518
<b>Total assets employed</b>	<b>17,466</b>	<b>19,436</b>
Capital expenditure commitments	219	829
Group's share of joint venture operations profit:		
Profit from ordinary activities before tax	10,070	8,692
Income tax on ordinary activities	(3,177)	(2,608)
<b>Net profit after tax</b>	<b>6,893</b>	<b>6,084</b>

## Notes

Notes to the financial statements continued

	Consolidated		Parent	
	Accessible	Drawn down	Accessible	Drawn down
	\$000	\$000	\$000	\$000

### 29 Financing arrangements

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

#### 2005

Bank loan facilities	857,685	336,405	-	24,762
Other facilities	188	188	-	-
Subordinated debt facility	202,338	202,338	-	-
On - balance sheet financing facilities	1,060,211	538,931	-	24,762
Off - balance sheet receivables securitisation-type facilities	161,579	133,130	-	-
Total financing facilities	1,221,790	672,061	-	24,762

#### 2004

Bank loan facilities	647,804	189,627	-	19,645
Other facilities	3,997	2,355	-	-
Subordinated debt facility	203,620	203,620	-	-
On - balance sheet financing facilities	855,421	395,602	-	19,645
Off - balance sheet receivables securitisation-type facilities	162,410	138,661	-	-
Total financing facilities	1,017,831	534,263	-	19,645

#### Receivables Securitisation

Receivables from Nufarm Australia Limited, Crop Care Australasia Pty Ltd, Nufarm Americas Inc and Nufarm Agriculture Inc are sold to an unrelated third party, in which the consolidated entity has no ownership interest. The consolidated entity does not have the capacity to control the unrelated third party and accordingly does not consolidate the entity. At 31 July 2005, \$133.1 million of receivables sold to the third party remain uncollected (2004: \$138.7 million).

### 30 Financial instruments

#### a) Objectives for holding derivative financial instruments

The consolidated entity uses derivative financial instruments to manage specifically identified interest rate and foreign currency risks. The consolidated entity does not trade derivatives. The group is primarily exposed to the risk of movements in the value of the Australian dollar relative to certain foreign currencies, including the US dollar, the Euro and the British Pound, and the movement in interest rates.

The consolidated entity hedges a portion of its anticipated sales and purchases. A comprehensive Board approved Treasury Policy sets limits for management to hedge such exposures.

#### b) Credit risk exposure

The consolidated entity's exposures to on balance sheet risk are as indicated by the carrying amounts of its financial assets as indicated in the statement of financial position. It does not have a significant exposure to any individual counterparty, as transactions are undertaken with a large number of customers in various markets.

In relation to derivative financial instruments, whether recognised or unrecognised, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. Total derivatives are disclosed in note 30(d).

#### c) Foreign exchange

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

## Notes

Notes to the financial statements continued

**30 Financial instruments continued****c) Foreign exchange continued**

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

	Consolidated			
	Carrying Amount 2005	Net fair value 2005	Carrying Amount 2004	Net fair value 2004

**d) Net fair value of financial assets and liabilities**

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

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

## Notes

Notes to the financial statements continued

**30 Financial instruments continued****e) Interest rate risk exposures**

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

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

The weighted average interest rate for cash on deposit was 3.2% (2004: 2.6%)

All other assets and liabilities are non-interest bearing.

**f) Hedges of anticipated future transactions**

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

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

## Notes

Notes to the financial statements continued

### 31 Director and executive disclosures

#### a) Details of specified directors and specified executives

##### (i) Specified directors

KM Hoggard	Chairman
DJ Rathbone	Managing Director and Chief Executive
GDW Curlewis	
Dr WB Goodfellow	
GA Hounsell	(Appointed 1 October 2004)
DG Mc Gauchie	
GW McGregor	(Retired 31 July 2005)
Dr JW Stocker	
RFE Warburton	

##### (ii) Specified executives

B Benson	Group general manager marketing
DA Pullan	Group general manager operations
JA Allen	Group general manager crop protection
KP Martin	Chief financial officer
RF Ooms	Group general manager chemicals

#### b) Remuneration of specified directors and specified executives

##### (i) Remuneration Policy

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 the 50th percentile of the *Mercer Survey of Australian Major Corporates*.

\* an incentive program - the first part of the incentive program reflects achievement of specific business objectives over six monthly periods and is paid in cash. The second part is linked to meeting predetermined financial objectives for the full year and is delivered in a mixture of shares and options. The exception is the current Managing Director who is paid in cash because of the very substantial shareholding he currently controls in the company. For the remaining executives, this payment is made in equity which ensures a longer term focus to achieve benefits consistent with increases in sustained shareholder value.

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

The performance condition for the incentive program is based on return on funds employed (ROFE) in the business. Return is calculated on the group's earnings before interest and taxation 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.

**31 Director and executive disclosures (cont)****(b) (i) Remuneration Policy**

ROFE ensures management is focused on the efficient use of capital, and the measure remains effective regardless of the mix of equity and debt which may change from time to time. The remuneration committee and the Board review the choice of the performance condition on an annual basis. Whilst it believes ROFE is an appropriate performance condition for the company's incentive program, the Board also reviews the company's total shareholder return (TSR) with relevant comparator groups.

Each year, the Board reviews and establishes the performance hurdles for each part of the incentive program. The hurdles reflect targets for specific objectives and increasing company value, consistent with the company's business and investment strategies. Since migration of the company to Australia in January 2000, the ROFE hurdles (Target ROFE) for the first part of the incentive program have been progressively increased from 12% to the current 14%, and for the second part of the incentive, from 13.5% to 14.75%.

At the end of the financial year, the Board

- \* assesses company performance against the ROFE hurdles to determine the percentage of any offer to be made under each part of the incentive program, and

- \* reviews Target ROFE for each part of the incentive program for the following financial period.

For both parts of the Incentives, 25% of the Incentives will be payable on achievement of 90% of Target ROFE with a linear progression to 100% of the Incentives on achievement of target ROFE and a maximum of 175% of the Incentives on achievement of 110% of target ROFE. If less than 90% of target ROFE is achieved, no Incentives will be paid.

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

	% Target ROFE Achieved				
	<90	90	100	110	>110
Managing Director	0	20	50	64	64
Group Executive	0	14	40	54	54

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

The Board's policy with regard to non-executive directors remuneration is to position Board remuneration at the market median with comparable sized companies. The Board determines the fees payable to non-executive directors within the aggregate amount approved from time to time by shareholders. At the company's 2003 AGM, shareholders approved an aggregate of \$900,000 per year, excluding superannuation costs. Set out below are details of the annual fees payable at 31 July 2005.

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

1 The Chairman, KM Hoggard, receives no fees as a member of any committee.

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

The Board has created a non-executive 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 leading 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.

## Notes

Notes to the financial statements continued

**31 Director and executive disclosures continued****(b) (i) Remuneration Policy**

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.

**(ii) Remuneration of specified directors and specified executives**

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

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

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

## Notes

Notes to the financial statements continued

**31 Director and executive disclosures continued****(ii) Remuneration of specified directors and specified executives (cont)**

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

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

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

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

- <sup>1</sup> Shares issued under the Incentive program referred to under the remuneration policy section.

**(c) Remuneration options: Granted and vested during the year**

During the year there were no options granted to directors or executives. Details of options vested and exercised by specified directors and executives are set out in the following table.

## Notes

Notes to the financial statements continued

**31 Director and executive disclosures continued****(c) Remuneration options: Granted and vested during the year (cont)**

	Balance at beginning of period 1 Aug 2004	Granted as Remuner- ation	Options Exercised	Balance at end of period 31 July 2005	\$ Value of options exercised in the period
<b>Specified Directors</b>					
DJ Rathbone	566,443	-	566,443	-	\$1,529,396
<b>Specified Executives</b>					
B Benson	98,345	-	98,345	-	\$265,531
DA Pullan	153,091	-	153,091	-	\$413,346
JA Allen	153,091	-	153,091	-	\$413,346
KP Martin	143,406	-	143,406	-	\$387,196
RF Ooms	143,406	-	143,406	-	\$387,196
<b>Total</b>	<b>1,257,782</b>	<b>-</b>	<b>1,257,782</b>	<b>-</b>	<b>\$3,396,011</b>

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

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

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

There are no unissued shares under option.

**(d) Shareholdings of specified directors and specified executives**

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

### 31 Director and executive disclosures

#### (d) Shareholdings of specified directors and specified executives (cont)

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

- 1 Messrs Hoggard, Goodfellow, Hounsell, McGauchie, McGregor, Stocker and Warburton are participants in the non-executive share plan which enables participants to sacrifice 20% of their base director fees to the acquisition of company shares. These shares do not vest until the earlier of 3 years or retirement.
- 2 Messrs Hoggard and Rathbone also have a beneficial interest in 218,725 fully paid shares as Trustees of the Nufarm Limited Share Plan.
- 3 The shareholding of Dr WB Goodfellow includes his relevant interest in:
  - (i) St Kentigern Trust Board (429,855 shares) - Dr Goodfellow, whilst Chairman of the Trust Board, has no beneficial interest in the shares;
  - (ii) three Trusts of which he is a non beneficial Trustee (807,039) shares; and
  - (iii) Waikato Investment Company Limited (113,616 shares).St Kentigern Trust Board also hold 2,270,000 Capital Notes issued by Fernz Corporation (NZ) Ltd, a related body corporate.

#### (e) Loans to specified directors and specified executives

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

#### (f) Other transactions and balances with specified directors and specified executives

There were transactions with specified directors and executives of the entity or their director-related entities which are considered trivial or domestic in nature, and were at prevailing market values.

### 32 Employee share purchase schemes

The Nufarm Limited Staff Share Purchase Scheme No.2 (1990) enabled the issue of partly paid ordinary shares to all staff who had completed two years service with the company, issued at a 10% discount on market price at the date of the offer. The shares have been issued partly paid with 1 cent per share paid on acceptance and the balance payable over four calls which are made at the end of the second, third, fourth and fifth years. Once the call is paid to the company, one quarter of the total shares allocated will vest directly to the employee as fully paid shares. Partly paid shares do not rank for dividends until fully paid and voting rights are exercised by the trustees in proportion to the amount paid up on the shares, while the shares remain partly paid. At 31 July 2005, all partly paid shares had been fully paid and therefore, the trustee is holding no partly paid shares. The comparative partly paid share for 2004 were 218,600 ordinary shares paid to 1 cent per share, with \$684,218 remaining uncalled.

The Nufarm Limited Executive Share Purchase Scheme (1984) enabled the issue of fully paid ordinary shares to Executive Directors and senior executives, issued at a price equal to 70% of the market price at the date of the offer. There is an eight year restrictive period during which time the allocated shares are held by the trustees and the consideration will be paid over the restrictive period with all dividends, net of tax, being applied in reduction of the advances by the company to the trustees which total \$149,748 at 31 July 2005 (2004: \$2,027,657). Each executive is entitled to exercise voting rights attached to the shares allocated. At 31 July 2005 the trustees of the Executive Share Purchase Scheme (1984) held 100,000 (2004: 522,000) ordinary shares, all of which were allocated. There are six remaining participants (2004: 72 participants) in the scheme.

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

The above plans have been replaced by the plans below.

## Notes

Notes to the financial statements continued

**32 Employee share purchase schemes continued**

The Nufarm Executive Share Plan (2000) offers shares at no cost to executives. The executives may select an alternative mix of shares (at no cost) and options at a cost determined under the "Black Scholes" methodology. These benefits are only given when a predetermined return on capital employed is achieved over the relevant period. The shares and options are subject to forfeiture and dealing restrictions. The executive cannot deal in the shares or options for a period of between three and ten years without Board approval. An independent trustee holds the shares and options on behalf of the executives. At 31 July 2005 there were 60 participants (2004: 65 participants) in the scheme and 1,492,327 shares (2004: 1,572,401) were allocated and held by the trustee on behalf of the participants. A further 1,437,692 (2004: 1,437,692) options had been granted under the plan, all of which were exercised during the year at an exercise price of \$2.70 per share. The cost of issuing shares is expensed in the year of issue and the cost of granting options is expensed in the year they are exercised.

The Global Share Plan commenced in 2001, and is available to all permanent employees. Participants contribute a proportion of their salary to purchase shares. The company will contribute an amount equal to 10% of the number of the ordinary shares acquired with a participant's contribution in the form of additional ordinary shares. Amounts over 10% of the participant's salary can be contributed but will not be matched. For each year the shares are held, up to a maximum of five years, the company contributes a further 10% of the value of the shares acquired with the participant's contribution. An independent trustee holds the shares on behalf of the participants. There are 769 participants at 31 July 2005 (2004: 761 participants). The cost of issuing shares is expensed in the year of issue.

The power of appointment and removal of the trustees for the share purchase schemes is vested in the company. All equity transactions with specified directors and executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

**Summary of share movements in the global share plan**

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

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

**Executive share option plan**

	Number of options 2005	Weighted average exercise price 2005	Number of options 2004	Weighted average exercise price 2004
Balance at the beginning of the period	1,515,206	2.72	1,528,279	2.72
Granted	-	-	-	-
Exercised	(1,499,028)	2.72	-	-
Expired	(16,178)	3.66	(13,073)	3.56
Balance at the end of the period	<u>-</u>	<u>-</u>	<u>1,515,206</u>	<u>2.72</u>

**32 Employee share purchase schemes continued**

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

**33 Superannuation commitments**

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

The pensions costs are determined with the advice of independent qualified actuaries using the projected unit method.

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

The above amounts were measured at 31 July 2005.

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

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

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

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

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

## Notes

Notes to the financial statements continued

**34 Related party disclosures****a) Transactions with related parties in the wholly-owned group**

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

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

These transactions were undertaken on commercial terms and conditions.

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

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

**c) Ultimate controlling entity**

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

**35 Auditors' remuneration**

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

## Notes

Notes to the financial statements continued

**36 Discontinuing operation**

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

Consolidated

2005	2004
\$000	\$000

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

**Financial performance information**

Revenues from ordinary activities	45,173	2,917
Expenses	40,388	3,475
Profit from ordinary activities before income tax expense	4,785	(558)
Income tax expense relating to ordinary activities	1,301	(71)
Net profit	3,484	(487)

**Asset and liability disposals**

Total assets	84,816	12,045
Total liabilities	17,870	1,724
Net assets	66,946	10,321

Proceeds from divestment of business	95,225	11,672
Carrying value of assets sold in divestment	(66,946)	(10,321)
Amortisation of intellectual property	-	-
Other costs of divestment	(5,219)	-
Profit on divestment	23,060	1,351
Related income tax	8,791	-
Profit on divestment (net of income tax expense)	14,269	1,351

**Cash flows**

Operating	(8,669)	(411)
Investing	(4,042)	(23)
Financing	4,602	(1,310)
Net cash flows	(8,109)	(1,744)

**37 Impact of adopting AASB equivalents to IASB standards**

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

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

**37 Impact of adopting AASB equivalents to IASB standards continued**

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 31 July financial report based on AIFRS's that are expected to be in place when completing the first AIFRS financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to: (a) ongoing work being undertaken by the AIFRS manager; (b) potential amendments to AIFRSs and interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG interpretations. This note provides a summary of AIFRS impacts and further disclosure will be provided in the first complete AIFRS financial report, for a true and fair view to be presented under AIFRS.

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

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

(i) Under AASB 119 Employee Benefits, the group would recognise the net deficit in its employer sponsored defined benefit pension funds as a liability. Under Australian GAAP, defined benefit plans are accounted for on a cash basis, with no defined benefit obligation or plan assets recognised in the balance sheet. At the date of transition, an amount of \$27.7 million (\$19.6 million after-tax) would be recognised as a liability of the consolidated entity with a consequential decrease in retained earnings. For the financial year ended 31 July 2005, the adjustment in the consolidated entity to recognise the reduction in the pension liability for the year is expected to be \$1.4 million, which is mainly the result of currency gains during the year. There was an increase in employer cost in the income statement of \$0.1 million and actuarial losses direct to retained earnings of \$0.1 million.

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

### 37 Impact of adopting AASB equivalents to IASB standards continued

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

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

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

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

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

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

(ix) Under AIFRS expenditure on research activities will be expensed as incurred whereas under current AGAAP certain research costs are included within development projects and therefore capitalised. Under AIFRS, expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete the development. Capitalised development expenditure will be stated at cost less accumulated amortisation and impairment losses. At transition and at year-end, the group did not have any capitalised research expenditure and has not identified significant development expenditure not already capitalised under AGAAP.

(x) Under AIFRS, securitisation receivables and payables are expected to be brought back onto the balance sheet as AIFRS considers the probability of risks and benefits in determining control, not just the possibility. This will apply to the group in the 31 July 2005 reporting year. At transition, the impact of this change will be to increase receivables by \$138.7 million and increase payables by \$138.7 million. At 31 July 2005 both receivables and payables will increase by \$133.1 million.

(xi) Under the AIFRS consolidation standard AASB127, the securitisation receivable entity is consolidated on the balance sheet. Previously, it had been equity accounted. This will apply for both the transitional balance sheet and the 31 July reporting year. The impact for the reporting period is an increase on total assets of \$1.0 million, an increase in total liabilities of \$1.2 million and a reduction in equity by \$0.2 million.

**37 Impact of adopting AASB equivalents to IASB standards continued**

(xii) Management have applied the exemption provided in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards which permits entities not to apply the requirements of AASB 132 Financial Instruments: Presentation and Disclosures and AASB 139 Financial Instruments: Recognition and Measurement for the financial year ended 31 July 2005. The standards will be applied from 1 August 2005. The AIFRS project manager is in the process of determining the impact that adopting the standards would have on the financial statements of the group. The expected impact of adopting AASB 132 and AASB 139 is that all derivatives will be recognised at fair value on the balance sheet and cash flow hedge accounting can only be considered where effectiveness test are met on a prospective and retrospective basis. Ineffectiveness outside the prescribe range precludes the used of hedge accounting and may result in amounts recognised in the income statement which had not previously been recognised.

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

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

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

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

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

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

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

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

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

Nufarm Limited

## Notes

Notes to the financial statements continued

### **37 Impact of adopting AASB equivalents to IASB standards continued**

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

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

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

### **38 Subsequent events**

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

## Trend statement

Supplementary information

	2005	2004	2003	2002	2001	2000
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Operating results</b>						
Sales revenue	1,671,029	1,595,768	1,458,811	1,429,275	1,323,232	1,213,042
Operating profit after tax and minority interests	103,474	76,563	64,269	56,834	51,138	51,984
Non-recurring item after tax	823	(361)	12,824	-	(55,664)	4,206
Profit attributable to members of the parent entity	104,297	76,202	77,093	56,834	(4,526)	56,190
Dividends paid and provided	40,548	33,656	10,894	27,952	27,808	26,818
Retained profits	63,749	42,546	66,199	28,882	(32,334)	29,372
<b>Total equity</b>						
Contributed equity	216,827	210,530	149,219	147,333	145,593	145,066
Retained profits and reserves	399,818	349,964	313,102	243,706	207,208	243,446
	616,645	560,494	462,321	391,039	352,801	388,512
Represented by						
Current assets	726,365	736,292	711,456	710,976	618,179	560,170
Current liabilities	625,883	550,862	506,925	590,050	454,309	420,088
Net current assets	100,482	185,430	204,531	120,926	163,870	140,082
Non-current assets	822,057	695,286	646,358	615,246	573,702	578,766
	922,539	880,716	850,889	736,172	737,572	718,848
Non-current liabilities	103,556	116,602	187,045	152,248	246,323	197,524
Capital notes	202,338	203,620	201,523	192,885	138,448	132,812
	305,894	320,222	388,568	345,133	384,771	330,336
Net assets	616,645	560,494	462,321	391,039	352,801	388,512
<b>Statistics</b>						
Operating earnings after tax to average equity attributable to members of the parent entity	17.8%	15.6%	15.3%	15.4%	13.8%	14.0%
Dividend rate per share	26.0c	23.0c	20.0c	18.0c	18.0c	17.2c
Net tangible asset backing per share	\$2.66	\$2.17	\$2.05	\$1.57	\$1.42	\$1.62