

Income statement

for the year ended 31 July 2006

	Note	Consolidated		The Company	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Revenue		1,676,746	1,573,988	34,313	35,752
Cost of sales		(1,049,849)	(1,003,762)	(15,837)	(16,475)
Gross profit		626,897	570,226	18,476	19,277
Other income	4	9,914	8,366	47,803	44,764
Other operating expenses	5	(460,486)	(443,407)	(8,865)	(11,938)
Profit from operating activities		176,325	135,185	57,414	52,103
Financial income	7	7,995	8,278	20,215	20,592
Financial expenses	7	(57,241)	(46,579)	(21,796)	(22,386)
Net financing costs		(49,246)	(38,301)	(1,581)	(1,794)
Share of net profits of associates	15	10,545	33,402	1,013	997
Profit before tax		137,624	130,286	56,846	51,306
Income tax expense	8	34,459	26,464	2,710	2,051
Profit after tax but before profit and loss of discontinued operations and gain on sale of discontinued operations		103,165	103,822	54,136	49,255
Profit and loss of discontinued operations and gain on sale of discontinued operations (after tax)	9	18,567	22,812	6,624	992
Profit for the year		121,732	126,634	60,760	50,247
Attributable to:					
Equity holders of the parent		121,153	125,045	60,760	50,247
Minority interest		579	1,589	-	-
Profit for the year		121,732	126,634	60,760	50,247
Earnings per share attributable to the ordinary equity holders of the company					
Statutory earnings per share					
Basic earnings per share from continuing operations	10	60.3	60.5		
Diluted earnings per share from continuing operations	10	60.3	60.5		

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

Balance sheet

At 31 July 2006

	Note	Consolidated		The Company	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Current assets					
Cash and cash equivalents	11	51,269	55,791	10,739	4,265
Trade and other receivables	12	524,164	402,473	452,112	216,462
Inventories	13	432,023	421,438	13,598	15,924
Income tax receivable	14	6,172	8,425	377	175
Assets classified as held for sale	9	23,909	5,480	-	-
Total current assets		1,037,537	893,607	476,826	236,826
Non-current assets					
Receivables	12	17,738	66,409	-	207,390
Equity accounted investments	15	228,130	218,057	7,724	7,140
Other investments	17	503	1,943	247,213	247,213
Deferred tax assets	18	61,073	55,479	1,137	1,818
Property, plant and equipment	19	285,738	310,138	3,892	20,693
Intangible assets	20	296,406	201,531	17	40
Other	21	-	1,567	-	-
Total non-current assets		889,588	855,124	259,983	484,294
TOTAL ASSETS		1,927,125	1,748,731	736,809	721,120
Current liabilities					
Bank overdraft	11	19,940	10,398	23,574	24,762
Trade and other payables	22	474,762	498,847	62,357	64,065
Interest bearing loans and borrowings	23	495,807	250,006	190,258	-
Employee benefits	24	14,389	14,964	358	521
Income tax payable	14	9,999	12,348	8,199	4,359
Provisions	25	3,700	4,752	-	-
Liabilities classified as held for sale	9	13,425	1,408	-	-
Total current liabilities		1,032,022	792,723	284,746	93,707
Non-current liabilities					
Interest bearing loans and borrowings	23	107,012	280,155	-	211,655
Deferred tax liabilities	18	28,088	20,124	56	120
Employee benefits	24	38,738	37,870	31	56
Payables	25	11,899	545	-	-
Total non-current liabilities		185,737	338,694	87	211,831
TOTAL LIABILITIES		1,217,759	1,131,417	284,833	305,538
NET ASSETS		709,366	617,314	451,976	415,582
Equity					
Issued capital	26	240,760	219,049	240,760	219,049
Reserves	26	23,891	23,395	39,799	39,997
Retained earnings	26	443,707	368,904	171,417	156,536
Equity attributable to equity holders of the parent		708,358	611,348	451,976	415,582
Minority interest	26	1,008	5,966	-	-
TOTAL EQUITY	26	709,366	617,314	451,976	415,582

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

Statement of cash flows

for the year ended 31 July 2006

	Note	Consolidated		The Company	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Cash flows from operating activities					
Cash receipts from customers		1,750,257	1,836,426	41,066	84,506
Cash paid to suppliers and employees		(1,605,543)	(1,683,511)	(23,565)	(72,677)
Cash generated from operations		144,714	152,915	17,501	11,829
Interest received		8,132	8,469	20,215	14,802
Dividends received		2,599	2,964	46,042	40,713
Interest paid		(57,325)	(46,821)	(21,796)	(15,417)
Income tax paid		(35,221)	(54,915)	1,410	(1,634)
Net cash from operating activities	34	62,899	62,612	63,372	50,293
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		573	772	96	238
Proceeds from business sale		8,797	75,066	-	247
Payments for plant and equipment		(40,156)	(58,505)	(2,416)	(3,848)
Purchase of businesses, net of cash acquired		(37,408)	(21,715)	-	-
Payments for investments in associates		-	(162,469)	-	-
Payments for acquired intangibles and major product development expenditure		(44,583)	(5,823)	-	-
Net investing cash flows		(112,777)	(172,674)	(2,320)	(3,363)
Cash flows from financing activities					
Proceeds from issue of shares		-	226	-	226
Proceeds from call on partly paid shares		-	44	-	44
Proceeds from borrowings		402,539	490,293	-	-
Repayment of borrowings		(318,858)	(278,152)	-	-
Advances to controlled entities (net)		-	-	(9,582)	(8,278)
Repayment of finance lease principal		(897)	(1,578)	-	-
Dividends paid		(46,429)	(41,044)	(45,879)	(40,548)
Net financing cash flows		36,355	169,789	(55,461)	(48,556)
Net increase (decrease) in cash and cash equivalents		(13,523)	59,727	5,591	(1,626)
Cash at the beginning of the year		45,393	(15,472)	(20,497)	(18,991)
Exchange rate fluctuations on foreign cash balances		426	1,594	2,071	120
Movement in cash reclassified as assets held for sale		(967)	(456)	-	-
Cash and cash equivalents at the end of the year	11	31,329	45,393	(12,835)	(20,497)

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

Statement of recognised income and expense

for the year ended 31 July 2006

	Note	Consolidated		Company	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Items recognised directly in equity					
Foreign exchange translation differences	26	693	(11,008)	(248)	(77)
Actuarial gains (losses) on defined benefit plans	26	(713)	568	-	-
Cash flow hedges:					
Amounts taken to equity	26	(594)	-	(8)	-
Foreign exchange movement taken to income statement	26	574	-	58	-
Net expense recognised directly in equity		(40)	(10,440)	(198)	(77)
Profit for the year		121,732	126,634	60,760	50,247
Total recognised income and expense for the year		121,692	116,194	60,562	50,170
Attributable to:					
Equity holders of the parent		121,154	115,163	60,562	50,170
Minority interest		538	1,031	-	-
Total recognised income and expense for the year		121,692	116,194	60,562	50,170
Effects of change in accounting policy - financial instruments:					
Equity holders of the parent		574	-	58	-
Minority interest		-	-	-	-
		574	-	58	-

Other movements in equity arising from transactions with owners as owners are set out in note 26.

The amounts recognised directly in equity are disclosed net of tax - see note 8 for tax effect.

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

Notes to the financial statements

1 Significant accounting policies

Nufarm Limited (the "Company") is domiciled in Australia. The consolidated financial report of the Company for the financial year ended 31 July 2006 comprises the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in associates and jointly controlled entities.

The consolidated financial report was authorised for issue by the directors on 29 September 2006.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. International Financial Reporting Standards ('IFRS') form the basis of the Australian Accounting Standards adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ('AIFRS') to distinguish from previous Australian GAAP. The financial reports of the consolidated entity and the Company comply with IFRS and interpretations adopted by the International Accounting Standards Board.

This is the consolidated entity's first annual financial report prepared in accordance with Australian Accounting Standards, being AIFRS and IFRS, and AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and the Company is provided in note 38.

(b) Basis of preparation

The financial report is presented in Australian dollars. The entity has elected to early adopt the following accounting standards and amendments as at transition date:

- * AASB 119 *Employee Benefits* (December 2004);
- * AASB 2004-3 *Amendments to Australian Accounting Standards* (December 2004), amending AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 101 *Presentation of Financial Statements* and AASB 124 *Related Party Disclosures*;
- * AASB 2005-1 *Amendments to Australian Accounting Standards* (May 2005), amending AASB 139 *Financial Instruments: Recognition and Measurement*;
- * AASB 2005-3 *Amendments to Australian Accounting Standards* (June 2005), amending AASB 119 *Employee Benefits* (either July or December 2004);
- * AASB 2005-4 *Amendments to Australian Accounting Standards* (June 2005), amending AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 132 *Financial Instruments: Disclosure and Presentation*, and AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004);
- * AASB 2005-5 *Amendments to Australian Accounting Standards* (June 2005), amending AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), and AASB 139 *Financial Instruments: Recognition and Measurement*; and
- * AASB 2005-6 *Amendments to Australian Accounting Standards* (June 2005), amending AASB 3 *Business Combinations*.

Issued standards not early adopted

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial reports:

- * AASB 7 *Financial Instruments: Disclosure* (August 2005), replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007;
- * AASB 2005-9 *Amendments to Australian Accounting Standards* (September 2005) requires that liabilities arising from the issue of financial guarantee contracts are recognised in the balance sheet. AASB 2005-9 is applicable for annual reporting periods beginning on or after 1 January 2006;

Notes to the financial statements

Notes to the financial statements continued

1 Significant accounting policies (continued)

(b) Basis of preparation (continued)

* AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.

The consolidated entity plans to adopt AASB 7, AASB 2005-9 and AASB 2005-10 in the 2007 financial year. The initial application of AASB 7 and AASB 2005-10 is not expected to have an impact on the financial results of the Company and the consolidated entity as the standard and the amendment are concerned with disclosures only.

The initial application of AASB 2005-9 could have an impact on the financial results of the Company and the consolidated entity as the amendment could result in liabilities being recognised for financial guarantee contracts that have been provided by the Company and the consolidated entity. However, quantification of the impact is not known or reasonably estimable in the current financial year as an exercise to quantify the financial impact has not been undertaken by the Company and the consolidated entity to date.

The following standards and amendments have been issued and are available for early adoption at reporting date. However, they have not been early adopted as they are not applicable to the Company and the consolidated entity and have no impact on their financial results:

- * AASB 2006-1 *Amendments to Australian Accounting Standards* (January 2006) amending AASB 121 *The Effects of Changes in Foreign Exchange Rates* (July 2004);
- * AASB 2006-2 *Amendments to Australian Accounting Standards* (March 2006);
- * UIG 4 *Determining whether an Arrangement contains a Lease*;
- * UIG 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*;
- * UIG 6 *Liabilities arising from participating in a Specific Market-Waste Electrical & Electronic Equipment*;
- * UIG 7 *Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies*;
- * UIG 8 *Scope of AASB 2*; and
- * UIG 9 *Assessing Embedded Derivatives*.

The financial report is prepared on the historical cost basis, except for derivative financial instruments which are stated at their fair value.

The Company is a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report and Director's Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note (x).

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing an opening AIFRS balance sheet at 1 August 2004 for the purposes of the transition to Australian Accounting Standards - AIFRS, except for the adoption of AASB 132 *Financial Instruments: Disclosure and Measurement* and AASB 139 *Financial Instruments: Recognition and Measurement*. The Company and the consolidated entity have applied the AASB 1.36A exemption and elected not to apply AASB 132 and AASB 139 to the comparative period. A reconciliation of opening balances impacted by AASB 132 and AASB 139 at 1 July 2005 has been provided in Note 39.

Notes to the financial statements

Notes to the financial statements continued

1 Significant accounting policies (continued)

(c) Basis of consolidation

(i) Subsidiaries

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

(ii) Associates

Associates are those entities for which the consolidated entity has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the consolidated entity's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Joint ventures

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

The interest of the Company and of the consolidated entity in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods and services by the joint venture.

(iv) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated entity's financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the "Investment in associates" and "Share of associates net profit" accounts. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associates and jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the consolidated entity's interest in such entities is disposed of.

(d) Foreign currency

(i) Foreign currency transactions

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

Notes to the financial statements

Notes to the financial statements continued

1 Significant accounting policies (continued)

(d) Foreign currency (continued)

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenue and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the date of the transactions.

(iii) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to translation reserve. They are released into the income statement upon disposal. In respect of all foreign operations, any differences that have arisen after 1 August 2004, the date of transition to AIFRS, are presented as a separate component of equity.

(e) Derivative financial instruments

Current accounting policy

The consolidated entity uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the consolidated entity does not hold derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy (f)).

The fair value of interest rate swaps is the estimated amount that the consolidated entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Comparative accounting policy

The consolidated entity is exposed to changes in interest rates and foreign exchange rates from its activities. The consolidated entity uses the following derivative financial instruments to hedge these risks: interest rate swaps, forward rate agreements and forward foreign exchange contracts. Derivative financial instruments are not held for speculative purposes. The quantitative effect of the change in accounting policy is set out in note 39.

Cross currency interest rate swap agreements hedge the foreign currency, interest and cash flow exposures between the capital notes issued in New Zealand and the group funding to several jurisdictions to which the funds were advanced. Under the terms of the swap agreement, the company agrees with the counterparty banks to exchange the difference between the fixed interest rates of various currencies of advances made and to exchange the principal at an agreed rate of foreign currency conversion. Amounts receivable under the cross currency interest rate swap agreement are netted against interest expense as they accrue.

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

(f) Hedging

Current accounting policy

On entering into a hedging relationship, the consolidated entity formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Notes to the financial statements

Notes to the financial statements continued

1 Significant accounting policies (continued)

(f) Hedging (continued)

Current accounting policy (continued)

(i) Cash flow hedges (continued)

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probably forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gain or loss is removed from equity and recognised in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

For cash flow hedges, other than those described above, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss to that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

(ii) Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

The quantitative effect of the change in accounting policy is set out in note 39.

Comparative period policy

Derivative financial instruments

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

* Forward foreign exchange contracts are arranged to hedge major foreign currency sales and purchases, foreign currency loans and the translation of foreign currency earnings and investments; and

* Interest rate swap agreements are arranged to hedge against adverse movements in interest rates on both long term and short term loans.

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

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

Notes to the financial statements

Notes to the financial statements continued

1 Significant accounting policies (continued)

(f) Hedging (continued)

Comparative accounting policy (continued)

(i) Cash flow hedges (continued)

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur as designated, the deferred gains or losses that arose on the hedge prior to its termination continue to be deferred and are included in the measurement of the purchase or sale or interest transaction when it occurs. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur as designated, deferred gains and losses that arose on the hedge prior to its termination are included in the income statement for the period.

Where a hedge is redesignated as a hedge of another transaction, gains or losses arising on the hedge prior to its redesignation are only deferred where the original anticipated transaction is still expected to occur as designated. Any gains or losses relating to the hedge instrument are included in the income statement for the period.

Gains or losses that arise prior to and upon the maturity of transactions entered into under hedge rollover strategies are deferred and included in the measurement of the hedged anticipated transaction if the transaction is still expected to occur as designated. If the anticipated transaction is no longer expected to occur as designated, the gains or losses are recognised immediately in the income statement.

(ii) Hedge of monetary assets and liabilities

All other hedge transactions are initially recorded at the relevant rate at the date of the transaction. Hedges outstanding at reporting date are valued at the rates ruling on that date and any gains or losses are brought to account in the income statement. Gains or losses arising at the time of entering into the hedge are deferred and amortised over the life of the hedge.

(g) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (l)). Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 August 2004, the date of transition to AIFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets

Leases in terms of which the consolidated entity assumes substantially all of the risks and rewards of ownership are classified as finance leases. The property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy (l)). Lease payments are accounted for as described in accounting policy (s).

(iii) Subsequent costs

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

* buildings	15-20 years
* leasehold improvements	5 years
* plant and equipment	10-15 years
* leased plant and equipment	over the term of the lease
* motor vehicles	5 years
* computer equipment	3 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Notes to the financial statements

Notes to the financial statements continued

1 Significant accounting policies (continued)

(h) Intangibles assets

(i) Goodwill

Business combinations

Business combinations prior to 1 August 2004

Goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous AGAAP. The classification and accounting treatment of business combinations that occurred prior to 1 August 2004 has not been reconsidered in preparing the consolidated entity's opening AIFRS balance sheet at 1 August 2004 (see note 38).

Business combinations since 1 August 2004

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see accounting policy (l)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in associate.

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

(ii) Research costs

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

(iii) Development costs

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete development. The expenditure capitalised includes the cost of materials and direct labour. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see accounting policy h(vi)) and impairment losses (see accounting policy (l)).

(iv) Intellectual property

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

(v) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(vi) Amortisation

For those intangibles with a finite life, amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset. Goodwill and intangible assets with an indefinite life are not subject to amortisation, but are systematically tested for impairment at each annual balance sheet date. The estimated useful life for intangible assets with a finite life, in the current and comparative periods, are as follows:

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

Notes to the financial statements

Notes to the financial statements continued

1 Significant accounting policies (continued)

(i) Trade and other receivables

Trade and other receivables are stated at face value, less a discount for the time value of money where applicable.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(k) Cash and cash equivalents

Cash and cash equivalents comprises cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(l) Impairment

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

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated semi-annually.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

Goodwill and indefinite-life intangible assets were tested for impairment at 1 August 2004, the date of transition to AIFRS, even though no indication of impairment existed.

(i) Calculation of recoverable amount

The recoverable amount of the consolidated entity's receivables, carried at face value, is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted. Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties. For most of Nufarm's assets, the fair value less costs to sell, is not obtainable or applicable. Therefore, the value in use is utilised to calculate the recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

Impairment losses, other than in respect to goodwill, are reversed when there is an indication that the impairment loss no longer exists and there has been a change in the estimate used to determine the recoverable amount.

Notes to the financial statements

Notes to the financial statements continued

1 Significant accounting policies (continued)

(l) Impairment (continued)

(ii) Reversals of impairment (continued)

An impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Derecognition of financial assets and liabilities

Current accounting policy

A financial asset is derecognised when:

- * the rights to receive cash flows from the asset have expired;
- * the consolidated entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; or
- * the consolidated entity has transferred its rights to receive cash flows from the asset and either (a) has transferred all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit and loss.

(m) Share capital

(i) Ordinary capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Ordinary share capital bears no special terms or conditions affecting the income or capital entitlements of the shareholders.

(ii) Dividends

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

(iii) Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(n) Interest-bearing borrowings

Current accounting policy

Interest-bearing borrowings are initially recognised at the principal amount less attributable transaction costs.

Comparative period policy

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

(o) Employee benefits

(i) Defined contribution superannuation funds

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Notes to the financial statements

Notes to the financial statements continued

1 Significant accounting policies (continued)

(o) Employee benefits (continued)

(ii) Defined benefit plans

The consolidated entity's net obligation in respect of defined benefit pension plans, is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any fund assets is deducted.

The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating the terms of the consolidated entity's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

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

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

Where the calculation results in a benefit to the consolidated entity, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the fund or reductions in future contributions to the fund. Past service cost is the increase in the present value of the defined benefit obligation for employee services in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits.

(iii) Long-term service benefits

The consolidated entity's net obligation in respect of long-term service benefits, other than defined benefit superannuation funds, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating the terms of the consolidated entity's obligations.

(iv) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

(v) Share-based payment transactions

The consolidated entity has a global share plan for employees whereby matching and loyalty shares are granted to employees. The value of matching and loyalty shares granted is recognised as personnel expenses in the income statement over the respective service period with a corresponding increase in equity, rather than as the matching and loyalty shares are issued. Refer note 24 for details of the global share plan.

(p) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Notes to the financial statements

Notes to the financial statements continued

1 Significant accounting policies (continued)

(p) Provisions (continued)

(i) Restructuring

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

(q) Trade and other payables

Trade and other payables are stated at face value, less a discount for the time value of money where applicable. Trade payables are non-interest bearing and are normally settled on an average of 60-day terms.

(r) Revenue

Goods sold

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, or there is continuing management involvement with the goods.

(s) Expenses

(i) Operating lease payments

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

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, foreign exchange gains and losses and losses on hedging instruments that are recognised in the income statement. Borrowing costs are expensed as incurred and included in net financing costs.

Interest income is recognised in the income statement as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

(t) Income tax

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The

Notes to the financial statements

Notes to the financial statements continued

1 Significant accounting policies (continued)

(t) Income tax (continued)

following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets and liabilities that affect neither accounting or taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

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

Tax consolidation

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

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

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

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

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

Nature of tax funding arrangements and tax sharing agreements

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

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

Notes to the financial statements

Notes to the financial statements continued

1 Significant accounting policies (continued)

Nature of tax funding arrangements and tax sharing agreements (continued)

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

(u) Segment reporting

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

(v) Non-current assets held for sale and discontinued operations

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up to date in accordance with applicable accounting standards. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying value and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains or losses on subsequent remeasurement.

A discontinued operation is a component of the consolidated entity's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

(w) Goods and services tax

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

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

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

(x) Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the consolidated entity's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill and intangibles with indefinite useful lives

Semi-annually the consolidated entity assesses whether the goodwill and intangible assets with indefinite lives are impaired. These calculations involved estimating the recoverable amount of the cash-generating units (CGU's) to which the goodwill and intangible assets with indefinite lives are allocated. The assumptions used in the estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 20.

Nufarm Limited

Notes to the financial statements

Notes to the financial statements continued

1 Significant accounting policies (continued)

(x) Accounting estimates and judgements (continued)

Defined benefit fund assumptions

Various actuarial assumptions are utilised in the determination of the consolidated entities defined benefit fund obligations. These assumptions are disclosed in note 24.

Provision for doubtful debts

A provision for doubtful debts is only recognised when it is considered unlikely that the full amount of the receivable will be collected. No general provision for doubtful debts is recognised due to the tight credit control procedures and the history of very low bad debt write offs.

Notes to the financial statements

2 Segment reporting

Segment information is presented in respect of the consolidated entity's business and geographic segments. The primary format, geographic segments, is based on the consolidated entity's management and internal reporting structure.

The consolidated entity operates predominantly in one business segment, being the Crop Protection industry. The business is managed on a worldwide basis, with the major geographic segments for reporting being Australasia, Europe and Americas. In presenting information on the basis of geographic segments, segment revenue is based on the geographic location of customers. Segment assets are based on the geographic location of the assets.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-bearing loans, borrowings and expenses, and corporate assets and expenses. Inter-segment pricing is determined on an arm's length basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

	Australasia \$000	Europe \$000	Americas \$000	Consolidated \$000
Geographic segments				
2006				
Revenue				
Total segment revenue	749,558	392,947	534,241	1,676,746
Results				
Segment result	122,023	35,056	48,058	205,137
Unallocated corporate expenses				(28,812)
Profit from operating activities				176,325
Net financing costs				(49,246)
Share of profit of associates				10,545
Income tax expense				(34,459)
Profit/(loss) of discontinued operation and gain on sale of discontinued operation				18,567
Profit for the year				121,732
Assets				
Segment assets	731,226	499,792	331,334	1,562,352
Investment in associates	8,784	14,168	205,178	228,130
Unallocated assets				136,643
Total assets				1,927,125
Liabilities				
Segment liabilities	266,551	132,173	158,188	556,912
Unallocated liabilities				660,847
Total liabilities				1,217,759
Other segment information				
Capital expenditure	74,883	17,286	50,698	142,867
Depreciation	14,855	14,562	4,409	33,826
Amortisation	3,179	6,081	527	9,787
Other non-cash expenses	5,817	6,078	45	11,940

Notes to the financial statements

2 Segment reporting (continued)

	Australasia \$000	Europe \$000	Americas \$000	Consolidated \$000
Geographic segments				
2005				
Revenue				
Total segment revenue	753,852	375,192	444,944	1,573,988
Results				
Segment result - total	122,458	1,055	37,048	160,561
Unallocated corporate expenses				(25,376)
Profit from operating activities				135,185
Net financing costs				(38,301)
Share of profit of associates				33,402
Income tax expense				(26,464)
Profit/(loss) of discontinued operations and gain on sale of discontinued operations				22,812
Profit for the year				126,634
Assets				
Segment assets	661,705	459,921	243,762	1,365,388
Investment in associates	7,907	13,448	196,702	218,057
Unallocated assets				165,286
Total assets				1,748,731
Liabilities				
Segment liabilities	291,457	131,767	130,069	553,293
Unallocated liabilities				578,124
Total liabilities				1,131,417
Other segment information				
Capital expenditure	31,938	85,502	20,999	138,439
Depreciation	13,709	12,366	3,811	29,886
Amortisation	2,445	5,449	470	8,364
Other non-cash expenses	6,025	2,083	553	8,661

3 Items of material income and expense

	Consolidated	
	2006 \$000	2005 \$000
The following material items were included in the period result:		
Gain on sale of businesses - after tax	8,415	12,736
Other restructuring items - after tax	(8,368)	(9,351)
Material items after tax	<u>47</u>	<u>3,385</u>

Notes to the financial statements

	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
4 Other income				
Dividends from wholly owned controlled entities	-	-	45,861	40,592
Management fees from controlled entities	-	-	1,733	3,134
Sundry income	9,914	8,366	209	1,038
Total other income	<u>9,914</u>	<u>8,366</u>	<u>47,803</u>	<u>44,764</u>
5 Other operating expenses				
Personnel expenses	(190,103)	(181,973)	(2,644)	(4,037)
Sales and distribution expenses	(78,160)	(68,870)	(3,790)	(3,965)
Plant related expenses	(47,881)	(47,806)	(224)	(281)
Other operating expenses	(37,377)	(30,847)	(469)	(1,647)
Occupancy expenses	(28,818)	(23,571)	(414)	(470)
Insurance expense	(18,973)	(18,020)	(392)	(480)
Depreciation and amortisation	(18,827)	(16,512)	(319)	(322)
Closure costs UK property, plant & equip	-	(15,967)	-	-
Travel expense	(16,982)	(15,486)	(381)	(466)
Research and development expense	(14,615)	(14,962)	(226)	(262)
Operating lease expenses	(8,750)	(9,393)	(6)	(8)
Total operating expenses	<u>(460,486)</u>	<u>(443,407)</u>	<u>(8,865)</u>	<u>(11,938)</u>
Other expenses included above				
Impairment loss on trade receivables	(823)	(921)	-	1
Movement in stock obsolescence provision (increase)/decrease	631	(215)	-	(79)
Restructuring costs	(8,990)	(2,761)	-	-
Superannuation contributions - defined benefit fund (increase)/decrease	1,679	(1,404)	-	-
6 Auditors' remuneration				
Audit Services				
KPMG Australia				
Audit and review of financial reports	377	301	56	49
Audit of AIFRS disclosures	43	25	-	-
Overseas KPMG firms				
Audit and review of financial reports	823	563	-	-
	<u>1,243</u>	<u>889</u>	<u>56</u>	<u>49</u>
Other Auditors				
Audit and review of financial reports	105	111	-	-
	<u>1,348</u>	<u>1,000</u>	<u>56</u>	<u>49</u>
Other services				
KPMG Australia				
AIFRS conversion advice	10	25	-	-
Accounting advice	-	20	-	-
Other assurance services	96	-	-	-
Overseas KPMG firms				
Due diligence services	-	31	-	-
	<u>106</u>	<u>76</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
7 Net financing costs				
Interest income - controlled subsidiaries	-	-	(14,023)	(13,623)
Interest income - external	(7,995)	(8,278)	(6,192)	(6,969)
Financial income	(7,995)	(8,278)	(20,215)	(20,592)
Interest expense - controlled entities	-	-	21,695	22,386
Interest expense - external	52,756	43,132	101	-
Costs of securitisation program	4,476	3,422	-	-
Finance lease charges	9	25	-	-
Financial expenses	57,241	46,579	21,796	22,386
Net financing costs	49,246	38,301	1,581	1,794

	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
8 Income tax expense				
Recognised in the income statement				
Current tax expense				
Current year	41,499	46,898	2,940	3,654
Adjustments for prior years	(976)	257	(120)	(1,069)
	40,523	47,155	2,820	2,585
Deferred tax expense				
Origination and reversal of temporary differences	4,142	(1,716)	620	(41)
Reduction in tax rates	585	16	-	-
Benefit of tax losses recognised	(7,434)	(7,149)	-	-
	(2,707)	(8,849)	620	(41)
Total income tax expense in income statement	37,816	38,306	3,440	2,544
Attributable to:				
Continuing operations	34,459	26,464	2,710	2,051
Discontinuing operations	3,357	11,842	730	493
	37,816	38,306	3,440	2,544

Numerical reconciliation between tax expense and pre-tax net profit

	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Profit before tax - continuing operations	137,624	130,286	56,846	51,306
Profit before tax - discontinuing operations	21,924	34,654	7,354	1,485
Profit before tax	159,548	164,940	64,200	52,791
Income tax using the local corporate tax rate of 30%	47,864	49,482	19,260	15,837
<i>Increase in income tax expense due to:</i>				
Non-deductible expenses	2,718	2,205	190	201
Effect on tax rate in foreign jurisdictions	983	3,523	136	212
Effect of changes in the tax rate	585	16	-	-
<i>Decrease in income tax expense due to:</i>				
Effect of tax losses derecognised/recognised	(4,383)	(4,801)	-	-
Tax exempt income	(8,078)	(11,547)	(16,026)	(12,638)
Tax incentives not recognised in the income statement	(897)	(829)	-	-
	38,792	38,049	3,560	3,612
Under/(over) provided in prior years	(976)	257	(120)	(1,068)
Income tax expense on pre-tax net profit	37,816	38,306	3,440	2,544

Notes to the financial statements

8 Income tax expense (continued)	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Deferred tax recognised directly in equity				
Relating to actuarial gains on defined benefit plans	(29)	(876)	-	-
Relating to cost of issuing equity	-	-	-	-
	<u>(29)</u>	<u>(876)</u>	<u>-</u>	<u>-</u>

9 Non-current assets held for sale and discontinued operations

Discontinued operations

Effective 1 August 2005, the consolidated entity sold the Nuturf turf/specialty business. On 30 June 2006, Nufarm sold the CACI business. CACI manufactured and sold industrial chemical products in France. Effective 31 July 2006, Nufarm sold its New Zealand based animal health toll manufacturing business to Argenta Manufacturing Ltd. The Nufarm-Coogee Joint Venture, which owns and operates two industrial chlor-alkali plants in Western Australia, has been classified as assets held for sale and a discontinued business at 31 July as Nufarm is in advanced negotiations for the sale of its stake in the joint ventures. Also included in the assets held for sale is the land and buildings at the Granollers site in Spain, as Nufarm is currently negotiating the sale of this site. The comparative year assets held for sale related to the Nuturf business.

In the prior period, the group sold the Nufarm Specialty Products business, SEAC, Pacific Raw Materials, Biological Wool Harvesting and the Nufarm Brazil business. The Nufarm Brazil business was sold to the associated company Agripec.

Effect of the disposals on the income statement of the consolidated entity	Consolidated	
	2006	2005
	\$000	\$000
Revenue	67,777	111,552
Cost of sales	<u>(32,470)</u>	<u>(52,019)</u>
Gross profit	35,307	59,533
Other income	1,829	3,246
Depreciation and amortisation expense	(2,750)	(7,313)
Operating expense	<u>(19,966)</u>	<u>(41,409)</u>
Profit before financing costs	14,420	14,057
Financial income	137	192
Financial expense	<u>(83)</u>	<u>(241)</u>
Net financing costs	54	(49)
Profit before tax	14,474	14,008
Income tax expense	<u>(4,322)</u>	<u>(3,932)</u>
Profit after tax of discontinued operations	<u>10,152</u>	<u>10,076</u>

Effect of the disposals on the balance sheet of the consolidated entity

Receivables	2,330	11,677
Inventories	3,317	15,626
Property, plant and equipment	19,735	47,677
Intangibles	499	755
Deferred tax asset	1,948	-
Other assets	-	703
Trade payables	(2,640)	(9,180)
Employee benefits	(731)	(1,173)
Borrowings	-	(7,517)
Finance lease liability	(881)	-
Deferred tax liability	<u>(397)</u>	<u>-</u>
Net identifiable assets and liabilities	<u>23,180</u>	<u>58,568</u>

Notes to the financial statements

9 Non-current assets held for sale and discontinued operation (continued)

	Consolidated	
	2006	2005
	\$000	\$000
Net identifiable assets and liabilities (per previous page)	23,180	58,568
Consideration received, satisfied in cash	8,138	69,921
Deferred consideration	25,061	11,900
Cash disposed of	(418)	(164)
Net cash (inflow)	32,781	81,657
Other costs associated with disposal	(2,151)	(2,443)
Gain on sale of discontinued operations after tax	7,450	20,646
Income tax benefit/(expense)	965	(7,910)
Gain on sale of discontinued operations after tax	8,415	12,736
Profit after tax of discontinued operations	10,152	10,076
Gain on sale of discontinued operations after tax	8,415	12,736
Profit and loss of discontinued operations (per income statement)	18,567	22,812

Net cash flows attributable to discontinuing operations

Operating	12,809	16,920
Investing	(3,892)	(8,979)
Financing	(3,510)	(8,270)
Net cash flows attributable to discontinuing operations	5,407	(329)

Assets held for sale

Included in the assets held for sale at 31 July 2006 are the Chlor Alkali joint ventures and the land and buildings at the Granollers site in Spain (\$1,137,076).

	Consolidated	
	2006	2005
	\$000	\$000
Assets classified as held for sale		
Cash and cash equivalents	1,423	456
Trade and other receivables	3,510	2,087
Inventories	523	2,508
Income tax receivable	-	66
Property, plant and equipment	14,681	218
Intangible assets	-	-
Deferred tax asset	3,772	145
	23,909	5,480
Liabilities classified as held for sale		
Trade and other payables	7,881	925
Employee entitlements	816	483
Provision for tax	4,175	-
Deferred tax liability	553	-
	13,425	1,408

Notes to the financial statements

10 Earnings per share

	Consolidated	
	2006	2005
	\$000	\$000
Net profit	121,732	126,634
Net profit attributable to minority interest	(579)	(1,589)
Earnings used in the calculations of basic and diluted earnings per share	<u>121,153</u>	<u>125,045</u>
Earnings from continuing operations	102,586	102,233
Earnings from discontinuing operations	18,567	22,812
	<u>121,153</u>	<u>125,045</u>
Add/subtract material items of profit/(loss) (refer note 3)	47	3,385
Earnings excluding material items used in the calculation of operating earnings per share	<u>121,106</u>	<u>121,660</u>
	Number of shares	
	2006	2005
Weighted average number of ordinary shares used in calculation of basic earnings per share	170,224,284	169,043,745
Weighted average number of ordinary shares used in calculation of diluted earnings per share	<u>170,224,284</u>	<u>169,043,745</u>

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

	Cents per share	
	2006	2005
Earnings per share for continuing and discontinued operations		
Basic earnings per share		
From continuing operations	60.3	60.5
From discontinuing operations	10.9	13.5
	<u>71.2</u>	<u>74.0</u>
Diluted earnings per share		
From continuing operations	60.3	60.5
From discontinuing operations	10.9	13.5
	<u>71.2</u>	<u>74.0</u>
Earnings per share (excluding material items of profit/loss - see note 3)		
Basic earnings per share	71.1	72.0
Diluted earnings per share	71.1	72.0

11 Cash and cash equivalents

	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Bank balances	12,483	15,323	10,739	4,265
Call deposits	38,786	40,468	-	-
Cash and cash equivalents	51,269	55,791	10,739	4,265
Bank overdrafts repayable on demand	(19,940)	(10,398)	(23,574)	(24,762)
Cash and cash equivalents in the statement of cash flows	<u>31,329</u>	<u>45,393</u>	<u>(12,835)</u>	<u>(20,497)</u>

Notes to the financial statements

	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
12 Trade and other receivables				
Current				
Trade receivables	371,898	296,072	8,379	9,180
Provision for impairment losses	(3,243)	(2,423)	-	-
	<u>368,655</u>	<u>293,649</u>	<u>8,379</u>	<u>9,180</u>
Receivables due from controlled entities	-	-	228,937	203,494
Loans due from controlled entities	-	-	170,618	2,805
Receivables due from associates	444	121	-	-
Receivables due from securitisation program	52,836	48,828	-	-
Hedge receivables	18,286	-	18,048	-
Proceeds receivable from sale of businesses	33,763	13,157	25,061	-
Other trade receivables and prepayments	50,180	46,718	1,069	983
	<u>524,164</u>	<u>402,473</u>	<u>452,112</u>	<u>216,462</u>
Non-current				
Receivables due from associates	602	-	-	-
Loans due from controlled entities	-	-	-	161,798
Hedge receivables	-	45,592	-	45,592
Other receivables	754	8,917	-	-
Proceeds receivable from sale of businesses	19,850	15,105	-	-
Provision for non-collectibility of sale proceeds	(3,468)	(3,205)	-	-
	<u>17,738</u>	<u>66,409</u>	<u>-</u>	<u>207,390</u>
Total trade and other receivables	<u>541,902</u>	<u>468,882</u>	<u>452,112</u>	<u>423,852</u>

	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
13 Inventories				
Raw materials	82,421	105,062	-	3,464
Work in progress	21,563	6,492	323	708
Finished goods	332,177	315,497	13,480	12,220
	<u>436,161</u>	<u>427,051</u>	<u>13,803</u>	<u>16,392</u>
Provision for obsolescence of finished goods	(4,138)	(5,613)	(205)	(468)
Total inventories	<u>432,023</u>	<u>421,438</u>	<u>13,598</u>	<u>15,924</u>

14 Current tax assets and liabilities

The current tax asset for the consolidated entity of \$6,171,517 (2005: \$8,424,506) and for the Company of \$376,750 (2005: \$174,464) represent the amount of income taxes recoverable in respect of prior periods and that arise from payments in excess of the amounts due to the relevant tax authority. The current tax liability for the consolidated entity of \$9,999,276 (2005: \$12,348,260) and the Company of \$8,198,985 (2005: \$4,359,189) represent the amount of income taxes payable in respect of current and prior financial periods. In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability (asset) initially recognised by the members in the tax-consolidated group.

Notes to the financial statements

15 Investments accounted for using the equity method

The consolidated entity accounts for investments in associates using the equity method.

The consolidated entity has the following investments in associates:

		Country	Balance date of associate	Ownership and voting interest 2006	2005
Agripec Quimica e Farmaceutica SA	Crop protection company	Brazil	31.12.2005	49.9%	49.9%
Bayer CropScience Nufarm Limited	Agricultural chemicals manufacturer	UK	31.12.2005	25%	25%
Excel Crop Care Ltd	Agricultural chemicals manufacturer	India	31.3.2006	14.69%	14.69%

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

Financial summary of material associates

	Revenues (100%)	Profit after tax (100%)	Total assets (100%)	Total liabilities (100%)	Net assets as reported by associates (100%)	Share of associate's net assets equity accounted
2006						
Agripec Quimica e Farmaceutica SA	229,282	17,146	313,088	114,275	198,813	99,208
Bayer CropScience Nufarm Limited	86,289	2,130	77,970	17,167	60,803	15,201
Excel Crop Care Ltd	123,777	6,898	74,983	48,993	25,990	3,818
	<u>439,348</u>	<u>26,174</u>	<u>466,041</u>	<u>180,435</u>	<u>285,606</u>	<u>118,227</u>
2005						
Agripec Quimica e Farmaceutica SA	249,616	60,970	273,614	129,474	144,140	71,925
Bayer CropScience Nufarm Limited	94,477	8,286	74,575	15,868	58,707	14,677
Excel Crop Care Ltd	126,521	6,787	79,154	57,035	22,119	3,249
	<u>470,614</u>	<u>76,043</u>	<u>427,343</u>	<u>202,377</u>	<u>224,966</u>	<u>89,851</u>

Consolidated

2006	2005
\$000	\$000

Carrying value by major associate

Agripec Quimica e Farmaceutica SA	204,875	193,659
Bayer CropScience Nufarm Ltd	13,998	14,509
Excel Crop Care Ltd	7,724	7,140
Others	1,533	2,749
Share of net profits of associates	<u>228,130</u>	<u>218,057</u>

Share of associates profits

Profit before income tax	4,771	42,125
Income tax benefit/(expense)	5,774	(8,723)
Share of net profits of associates	<u>10,545</u>	<u>33,402</u>

Share of profit by major associate

Agripec Quimica e Farmaceutica SA	8,556	30,424
Bayer CropScience Nufarm Ltd	863	2,001
Excel Crop Care Ltd	1,013	997
Others	113	(20)
Share of net profits of associates	<u>10,545</u>	<u>33,402</u>

Notes to the financial statements

15 Investments accounted for using the equity method (continued)

	Consolidated	
	2006	2005
	\$000	\$000
Financial summary of material associate		
Agripec Quimica e Farmaceutica SA		
Group's share of profit from ordinary activities before tax	1,726	37,523
Income tax on ordinary activities	6,830	(7,099)
Profit share of associate in equity income	8,556	30,424
Financing expense (after tax)	(6,673)	(3,519)
Profit share of associate in net profit after tax	1,883	26,905

Associated entities have the following commitments. Nufarm's share of capital commitments is \$226,672 (2005: \$533,100) and share of finance lease commitments is \$303,933 (2005: \$Nil). Nufarm's share of contingent liabilities is \$3,025,110 (2005: \$954,000).

16 Interest in joint venture operation

At 31 July 2006, Nufarm is in advanced negotiations for the sale of its interest in the Chlor Alkali joint ventures. Therefore, the assets and liabilities have been classified as held for sale at 31 July 2006. Details of the assets and liabilities classified as held for sale are included in note 9.

17 Other investments

	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Investment in controlled entities				
Balance at the beginning of the year	-	-	247,213	247,213
Balance at the end of the year	-	-	247,213	247,213
Investment in other companies (at cost)				
Balance at the beginning of the year	1,013	1,073	-	-
Exchange adjustment	36	(60)	-	-
Reclassification to other receivables	(816)	-	-	-
Balance at the end of the year	233	1,013	-	-
Other investments including loans to the staff share purchase schemes				
Balance at the beginning of the year	930	2,640	-	-
Exchange adjustment	5	(46)	-	-
New investments during the year	100	15	-	-
Disposals	-	(481)	-	-
Loans repaid during the year	(765)	(1,198)	-	-
Balance at the end of the year	270	930	-	-
Total other investments	503	1,943	247,213	247,213

Notes to the financial statements

18 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2006	2005	2006	2005	2006	2005
Consolidated	\$000	\$000	\$000	\$000	\$000	\$000
Property, plant and equipment	12,403	14,802	(12,780)	(12,813)	(377)	1,989
Intangibles assets	6,370	6,385	(18,991)	(11,600)	(12,621)	(5,215)
Other investments	-	-	(41)	(177)	(41)	(177)
Employee benefits	14,543	14,349	-	-	14,543	14,349
Provisions	3,872	3,225	(45)	(136)	3,827	3,089
Other items	1,505	639	(6,242)	(3,722)	(4,737)	(3,083)
Tax value of losses carried forward	32,391	24,403	-	-	32,391	24,403
Tax assets/(liabilities)	71,084	63,803	(38,099)	(28,448)	32,985	35,355
Set off of tax	(10,011)	(8,324)	10,011	8,324	-	-
Net tax assets/(liabilities)	61,073	55,479	(28,088)	(20,124)	32,985	35,355

	Assets		Liabilities		Net	
	2006	2005	2006	2005	2006	2005
The Company	\$000	\$000	\$000	\$000	\$000	\$000
Property, plant and equipment	2	819	(52)	-	(50)	819
Intangibles assets	-	-	(4)	-	(4)	-
Other investments	-	-	-	(120)	-	(120)
Employee benefits	121	190	-	-	121	190
Provisions	67	155	-	-	67	155
Other items	947	654	-	-	947	654
Tax value of losses carried forward	-	-	-	-	-	-
Tax assets/(liabilities)	1,137	1,818	(56)	(120)	1,081	1,698
Set off of tax	-	-	-	-	-	-
Net tax assets/(liabilities)	1,137	1,818	(56)	(120)	1,081	1,698

At 31 July 2006, a deferred tax liability of \$9,813,599 (2005: \$7,749,675) relating to investments in subsidiaries has not been recognised because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

Unrecognised deferred tax assets

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

	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Deductible temporary differences	1,292	3,650	-	-
Tax losses	2,878	3,614	-	-
	4,170	7,264	-	-

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

Notes to the financial statements

18 Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

Consolidated	Balance 1-Aug-04 \$000	Recognised in income \$000	Recognised in equity \$000	Currency adjustment \$000	Other movement \$000	Balance 31-Jul-05 \$000	Recognised in income \$000	Recognised in equity \$000	Currency adjustment \$000	Other movement \$000	Balance 31-Jul-06 \$000
Property, plant and equipment	(4,283)	8,533	-	1,732	(3,993)	1,989	1,068	-	(371)	(3,063)	(377)
Intangibles assets	(1,389)	(2,065)	-	343	(2,104)	(5,215)	(6,842)	-	(252)	(312)	(12,621)
Other investments	(89)	(88)	-	-	-	(177)	136	-	-	-	(41)
Employee benefits	13,631	995	(876)	(39)	638	14,349	(177)	90	234	47	14,543
Provisions	3,259	(166)	-	(4)	-	3,089	935	-	68	(265)	3,827
Other items	(1,116)	(3,077)	-	(437)	1,547	(3,083)	(2,045)	-	(199)	590	(4,737)
Tax value of losses carried forward	15,587	6,168	-	(1,034)	3,682	24,403	7,787	-	798	(597)	32,391
	25,600	10,300	(876)	561	(230)	35,355	862	90	278	(3,600)	32,985

The Company	Balance 1-Aug-04 \$000	Recognised in income \$000	Recognised in equity \$000	Currency adjustment \$000	Other movement \$000	Balance 31-Jul-05 \$000	Recognised in income \$000	Recognised in equity \$000	Currency adjustment \$000	Other movement \$000	Balance 31-Jul-06 \$000
Property, plant and equipment	801	18	-	-	-	819	(786)	-	(83)	-	(50)
Intangibles assets	-	-	-	-	-	-	(4)	-	-	-	(4)
Other investments	-	(120)	-	-	-	(120)	120	-	-	-	-
Employee benefits	196	(6)	-	-	-	190	(50)	-	(19)	-	121
Provisions	183	(28)	-	-	-	155	(72)	-	(16)	-	67
Other items	338	316	-	-	-	654	293	-	-	-	947
Tax value of losses carried forward	41	(41)	-	-	-	-	-	-	-	-	-
	1,559	139	-	-	-	1,698	(499)	-	(118)	-	1,081

Notes to the financial statements

19 Property, plant and equipment

Consolidated

	Land and buildings \$000	Plant and machinery \$000	Leased plant and machinery \$000	Capital work in progress \$000	Total \$000
2006					
Cost					
Balance at 1 August 2005	156,416	464,818	5,078	23,584	649,896
Additions	627	6,892	-	31,873	39,392
Additions through business combinations	1,940	1,587	527	-	4,054
Disposals	-	(6,863)	-	(464)	(7,327)
Disposals through sale of entities	(13,460)	(14,991)	(4,350)	-	(32,801)
Transfer to assets held for sale	(2,702)	(45,638)	-	(1,616)	(49,956)
Other transfers	7,679	27,272	95	(35,046)	-
Exchange adjustment	1,290	7,542	186	141	9,159
Balance at 31 July 2006	<u>151,790</u>	<u>440,619</u>	<u>1,536</u>	<u>18,472</u>	<u>612,417</u>
Depreciation and impairment losses					
Balance at 1 August 2005	(45,868)	(291,524)	(2,366)	-	(339,758)
Depreciation charge for the year	(4,912)	(28,728)	(186)	-	(33,826)
Depreciation transfer to discontinued businesses	(323)	(2,254)	(156)	-	(2,733)
Additions through business combinations	(203)	(441)	(268)	-	(912)
Disposals	91	7,832	-	-	7,923
Disposals through sale of entities	2,909	8,072	2,304	-	13,285
Transfer to assets held for sale	1,420	33,855	-	-	35,275
Other transfers	949	(921)	(28)	-	-
Exchange adjustment	(1,021)	(4,836)	(76)	-	(5,933)
Balance at 31 July 2006	<u>(46,958)</u>	<u>(278,945)</u>	<u>(776)</u>	<u>-</u>	<u>(326,679)</u>
Net property, plant and equipment at 31 July 2006	<u>104,832</u>	<u>161,674</u>	<u>760</u>	<u>18,472</u>	<u>285,738</u>
2005					
Cost					
Balance at 1 August 2004	175,357	564,824	5,206	19,213	764,600
Additions	1,590	9,431	261	45,556	56,838
Additions through business combinations	-	621	-	-	621
Disposals	(8,930)	(47,990)	(34)	(8)	(56,962)
Disposals through sale of entities	(20,367)	(66,595)	-	-	(86,962)
Transfer to assets held for sale	(16)	(519)	-	-	(535)
Other transfers	17,169	29,255	(22)	(40,339)	6,063
Exchange adjustment	(8,387)	(24,209)	(333)	(838)	(33,767)
Balance at 31 July 2005	<u>156,416</u>	<u>464,818</u>	<u>5,078</u>	<u>23,584</u>	<u>649,896</u>
Depreciation and impairment losses					
Balance at 1 August 2004	(51,171)	(337,337)	(2,289)	-	(390,797)
Depreciation charge for the year	(2,384)	(27,429)	(73)	-	(29,886)
Depreciation transfer to discontinued businesses	(881)	(6,177)	(172)	-	(7,230)
Disposals	4,738	31,679	20	-	36,437
Disposals through sale of entities	8,275	31,006	-	-	39,281
Transfer to assets held for sale	5	312	-	-	317
Other transfers	(7,542)	1,477	2	-	(6,063)
Exchange adjustment	3,092	14,945	146	-	18,183
Balance at 31 July 2005	<u>(45,868)</u>	<u>(291,524)</u>	<u>(2,366)</u>	<u>-</u>	<u>(339,758)</u>
Net property, plant and equipment at 31 July 2005	<u>110,548</u>	<u>173,294</u>	<u>2,712</u>	<u>23,584</u>	<u>310,138</u>

Assets pledged as security for finance leases \$0.8 million (2005: \$2.7 million).

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

Notes to the financial statements

19 Property, plant and equipment (continued)

	The Company				Total
	Land and buildings	Plant and machinery	Leased plant and machinery	Capital work in progress	
	\$000	\$000	\$000	\$000	\$000
2006					
Cost					
Balance at 1 August 2005	15,132	11,529	-	3,053	29,714
Additions	3	737	-	1,676	2,416
Disposals	(2)	(134)	-	-	(136)
Disposals through sale of entities	(11,394)	(11,926)	-	-	(23,320)
Other transfers	-	4,134	-	(4,134)	-
Exchange adjustment	(1,530)	(1,162)	-	(309)	(3,001)
Balance at 31 July 2006	<u>2,209</u>	<u>3,178</u>	<u>-</u>	<u>286</u>	<u>5,673</u>
Depreciation and impairment losses					
Balance at 1 August 2005	(2,184)	(6,837)	-	-	(9,021)
Depreciation charge for the year	(53)	(264)	-	-	(317)
Depreciation transferred to discontinued businesses	(298)	(853)	-	-	(1,151)
Disposals	2	79	-	-	81
Disposals through sale of entities	2,084	5,502	-	-	7,586
Exchange adjustment	251	790	-	-	1,041
Balance at 31 July 2006	<u>(198)</u>	<u>(1,583)</u>	<u>-</u>	<u>-</u>	<u>(1,781)</u>
Net property, plant and equipment at 31 July 2006	<u>2,011</u>	<u>1,595</u>	<u>-</u>	<u>286</u>	<u>3,892</u>
2005					
Cost					
Balance at 1 August 2004	15,195	11,213	-	142	26,550
Additions	33	860	-	2,922	3,815
Disposals	-	(478)	-	-	(478)
Disposals through sale of entities	-	(8)	-	-	(8)
Other transfers	-	10	-	(10)	-
Exchange adjustment	(96)	(68)	-	(1)	(165)
Balance at 31 July 2005	<u>15,132</u>	<u>11,529</u>	<u>-</u>	<u>3,053</u>	<u>29,714</u>
Depreciation and impairment losses					
Balance at 1 August 2004	(1,812)	(5,473)	-	-	(7,285)
Depreciation charge for the year	(29)	(294)	-	-	(323)
Depreciation transferred to discontinued businesses	(358)	(1,421)	-	-	(1,779)
Disposals	-	273	-	-	273
Disposals through sale of entities	-	4	-	-	4
Exchange adjustment	15	74	-	-	89
Balance at 31 July 2005	<u>(2,184)</u>	<u>(6,837)</u>	<u>-</u>	<u>-</u>	<u>(9,021)</u>
Net property, plant and equipment at 31 July 2005	<u>12,948</u>	<u>4,692</u>	<u>-</u>	<u>3,053</u>	<u>20,693</u>

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

Notes to the financial statements

20 Intangible assets

	Consolidated					Total
	Goodwill \$000	Intellectual property- indefinite life \$000	Intellectual property- definite life \$000	Capitalised development costs \$000	Computer software \$000	
2006						
Cost						
Balance at 1 August 2005	130,360	94,928	41,050	25,467	10,905	302,710
Additions	-	34,513	1,652	7,771	7,315	51,251
Additions through business combinations	28,581	19,808	1,150	-	-	49,539
Disposals	-	-	-	-	(349)	(349)
Disposals through sale of entities	-	-	-	-	(830)	(830)
Other transfers	1,473	428	(547)	884	(748)	1,490
Exchange adjustment	1,531	950	2,051	799	251	5,582
Balance at 31 July 2006	<u>161,945</u>	<u>150,627</u>	<u>45,356</u>	<u>34,921</u>	<u>16,544</u>	<u>409,393</u>
Amortisation and impairment losses						
Balance at 1 August 2005	(60,945)	(8,545)	(17,166)	(6,726)	(7,797)	(101,179)
Amortisation charge for the year	-	-	(3,207)	(3,408)	(1,896)	(8,511)
Transferred to discontinued businesses	-	-	-	-	(17)	(17)
Disposals	-	-	-	-	210	210
Disposals through sale of entities	-	-	-	-	827	827
Other transfers	63	(1,964)	547	(884)	748	(1,490)
Exchange adjustment	(1,035)	(97)	(1,237)	(279)	(179)	(2,827)
Balance at 31 July 2006	<u>(61,917)</u>	<u>(10,606)</u>	<u>(21,063)</u>	<u>(11,297)</u>	<u>(8,104)</u>	<u>(112,987)</u>
Intangibles carrying amount at 31 July 2006	<u>100,028</u>	<u>140,021</u>	<u>24,293</u>	<u>23,624</u>	<u>8,440</u>	<u>296,406</u>
2005						
Cost						
Balance at 1 August 2004	158,195	89,456	29,155	22,279	9,546	308,631
Additions	8,791	295	88	5,482	1,667	16,323
Disposals	(2,336)	(3,457)	-	(2,528)	-	(8,321)
Other transfers	(24,417)	14,261	12,466	1,297	-	3,607
Exchange adjustment	(9,873)	(5,627)	(659)	(1,063)	(308)	(17,530)
Balance at 31 July 2005	<u>130,360</u>	<u>94,928</u>	<u>41,050</u>	<u>25,467</u>	<u>10,905</u>	<u>302,710</u>
Amortisation and impairment losses						
Balance at 1 August 2004	(74,870)	(5,784)	(3,796)	(4,311)	(6,717)	(95,478)
Amortisation charge for the year	-	-	(3,056)	(2,477)	(1,201)	(6,734)
Disposals	483	(2,368)	-	345	-	(1,540)
Disposals through sale of entities	755	-	-	-	-	755
Other transfers	8,346	(840)	(10,573)	(540)	-	(3,607)
Exchange adjustment	4,341	447	259	257	121	5,425
Balance at 31 July 2005	<u>(60,945)</u>	<u>(8,545)</u>	<u>(17,166)</u>	<u>(6,726)</u>	<u>(7,797)</u>	<u>(101,179)</u>
Intangibles carrying amount at 31 July 2005	<u>69,415</u>	<u>86,383</u>	<u>23,884</u>	<u>18,741</u>	<u>3,108</u>	<u>201,531</u>

The amortisation and impairment charge for the year of \$8,511,000 (2005: \$6,734,000) is included in the depreciation and amortisation line in the income statement.

The major intangibles with an indefinite economic life are the product registrations that Nufarm owns. These registrations are considered to have an indefinite life because, based on past experience, there is no evidence that they will not be renewed by the relevant regulatory authorities. There is no evidence that the Company will not satisfy all of the conditions necessary for renewal and the cost of renewal is minimal. In determining that the registrations have indefinite useful life, the principal factor that influenced this determination is the expectation that the existing registration will not be subject to significant amendment in the foreseeable future.

Notes to the financial statements

20 Intangible assets (continued)

The consolidated entity has determined that legal entity by country is the appropriate method for determining the cash-generating units (CGU) of the business. This level of CGU aligns with the cash flows of the business and with the management structure of the group. The goodwill and intellectual property with an indefinite life are CGU specific, as the acquisitions generating goodwill and the product registrations that are the major indefinite intangible are country specific in nature. There is no allocation of goodwill between CGUs. There are two significant items included in the indefinite life intangibles: the Assert product registrations acquired from BASF in September 2005 and the Phenoxy business of BASF acquired in January 2004. The Assert intangible is included in the Canada CGU at a value of \$22 million and the Phenoxy intangibles is included in the Methyls business CGU at a value of \$46 million.

For the impairment testing of these assets, the carrying amount of the asset is compared to its recoverable amount at a CGU level. The consolidated entity uses the value-in-use method to estimate the recoverable amount. In assessing value-in-use, the estimated future cash flows are derived from the five year plan for each cash-generating unit with a growth factor applied to extrapolate a cash flow over a 20 year period. The 20 year period has been selected on the basis that this period most closely aligns with the product registration life in most geographies. The growth rate assumed for each CGU is the average growth achieved over the last five years, with a cap of 10%. The 10% growth cap is the average growth achieved by the group over its recent history. The cash flow is then discounted to a present value using a discount rate of 11.4%. At 31 July 2006, the recoverable amount exceeded the carrying amount for all CGUs.

	The Company					Total
	Goodwill \$000	Intellectual property- indefinite life \$000	Intellectual property- definite life \$000	Capitalised development costs \$000	Computer software \$000	
2006						
Cost						
Balance at 1 August 2005	-	-	-	-	997	997
Disposals through sale of entities	-	-	-	-	(830)	(830)
Exchange adjustment	-	-	-	-	(101)	(101)
Balance at 31 July 2006	-	-	-	-	66	66
Amortisation and impairment losses						
Balance at 1 August 2005	-	-	-	-	(957)	(957)
Amortisation charge for the year	-	-	-	-	(17)	(17)
Disposals through sale of entities	-	-	-	-	828	828
Exchange adjustment	-	-	-	-	97	97
Balance at 31 July 2006	-	-	-	-	(49)	(49)
Intangibles carrying amount at 31 July 2006	-	-	-	-	17	17
2005						
Cost						
Balance at 1 August 2004	-	-	-	-	970	970
Additions	-	-	-	-	33	33
Exchange adjustment	-	-	-	-	(6)	(6)
Balance at 31 July 2005	-	-	-	-	997	997
Amortisation and impairment losses						
Balance at 1 August 2004	-	-	-	-	(925)	(925)
Amortisation charge for the year	-	-	-	-	(38)	(38)
Exchange adjustment	-	-	-	-	6	6
Balance at 31 July 2005	-	-	-	-	(957)	(957)
Intangibles carrying amount at 31 July 2005	-	-	-	-	40	40

Notes to the financial statements

21 Other non-current assets

	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Borrowing costs				
Balance at the beginning of the year	1,567	2,882	-	-
Offset against borrowings on initial application of AASB 132 and AASB 139	(1,567)	-	-	-
Amortisation charge for the year	-	(1,297)	-	-
Exchange adjustment	-	(18)	-	-
Balance at the end of the year	-	1,567	-	-

22 Trade and other payables

	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Trade creditors and other accruals are non-interest bearing and are generally for less than 90 day terms				
Trade creditors and accruals - unsecured	287,031	330,989	9,253	7,816
Payables due to controlled entities	-	-	19,396	18,752
Loans due to controlled entities	-	-	33,708	37,497
Payables due to associated entities	850	438	-	-
Securitisation payables	186,881	167,420	-	-
Total payables	474,762	498,847	62,357	64,065

The group sells receivables to an unrelated third party for which Nufarm acts as the collection agent. The securitisation payables above represent the sum payable in respect of those sales and are offset by an amount in trade receivables that is expected to be collected on their behalf.

23 Interest-bearing loans and borrowings

	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
This note provides information about the contractual terms of the consolidated entity's interest-bearing loans and borrowings.				
Current liabilities				
Bank loans - unsecured	313,898	249,491	-	-
Other loans - unsecured	-	9	-	-
Subordinated loans from controlled entities	-	-	190,258	-
Capital notes	181,649	-	-	-
Finance lease liabilities - secured	260	506	-	-
	495,807	250,006	190,258	-
Non-current liabilities				
Bank loans - unsecured	106,539	76,695	-	-
Other loans - unsecured	248	-	-	-
Subordinated loans from controlled entities	-	-	-	211,655
Capital notes	-	202,338	-	-
Finance lease liabilities - secured	225	1,122	-	-
	107,012	280,155	-	211,655

Financing facilities

	Consolidated		The Company	
	Accessible	Utilised	Accessible	Utilised
	\$000	\$000	\$000	\$000

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

	2006		2006	
	Accessible	Utilised	Accessible	Utilised
	\$000	\$000	\$000	\$000
Bank loan facilities	931,353	440,377	23,574	23,574
Other facilities	248	248	-	-
Subordinated debt facility	181,649	181,649	-	-
Receivables securitisation-type facilities	227,800	132,564	-	-
Total financing facilities	1,341,050	754,838	23,574	23,574

	2005		2005	
	Accessible	Utilised	Accessible	Utilised
	\$000	\$000	\$000	\$000
Bank loan facilities	857,685	336,405	24,762	24,762
Other facilities	188	188	-	-
Subordinated debt facility	202,338	202,338	-	-
Receivables securitisation-type facilities	220,694	133,130	-	-
Total financing facilities	1,280,905	672,061	24,762	24,762

Notes to the financial statements

23 Interest-bearing loans and borrowings (continued)

Financing arrangements

Capital notes

The capital notes have a face value NZD\$225,000,000 (2005: NZD\$225,000,000). They are long term unsecured subordinated fixed interest debt security with an election date of 15 October 2006. On the election date, note holders 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

All unsecured bank borrowings, including bank overdraft facilities, are provided by banks that are parties to the Group Negative Pledge Deed. The assets of all the entities included in the Negative Pledge Deed (note 32) are in excess of their related borrowings.

Finance leases

Finance lease liabilities are secured over the relevant leased plant.

Repayment of borrowings (excluding finance leases)	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Period ending 31 July, 2006	-	259,898	-	24,762
Period ending 31 July, 2007	515,730	221,507	-	211,655
Period ending 31 July, 2008	44,847	57,347	-	-
Period ending 31 July, 2009	61,692	-	-	-
No specified repayment date	248	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.

Finance lease liabilities

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

	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Not later than one year	280	535	-	-
Later than one year but not later than two years	200	616	-	-
Later than two years but not later than five years	42	571	-	-
	522	1,722	-	-
Less future finance charges	(37)	(94)	-	-
	<u>485</u>	<u>1,628</u>	<u>-</u>	<u>-</u>

Average interest rates

	%	%	%	%
Capital notes coupon	8.6	8.6	-	-
Bank loans	5.2	4.8	-	-
Other loans	3.0	3.2	-	-
Subordinated loans from controlled entities	-	-	9.2	9.2
Finance lease liabilities - secured	7.8	5.8	-	-

Notes to the financial statements

24 Employee benefits	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Current				
Liability for annual leave	14,389	14,964	358	521
	<u>14,389</u>	<u>14,964</u>	<u>358</u>	<u>521</u>
Non-current				
Present value of wholly unfunded obligations	8,543	10,167	-	-
Present value of wholly funded obligations	54,044	47,714	-	-
Fair value of fund assets - funded	(35,477)	(30,534)	-	-
Recognised liability for defined benefit obligations	<u>27,110</u>	<u>27,347</u>	<u>-</u>	<u>-</u>
Liability for long service leave	11,628	10,523	31	56
	<u>38,738</u>	<u>37,870</u>	<u>31</u>	<u>56</u>
Total employee benefits	<u>53,127</u>	<u>52,834</u>	<u>389</u>	<u>577</u>

(a) Liability for defined benefit obligation

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

Movements in the net liability for defined benefit obligations recognised in the balance sheet

	Consolidated	
	2006	2005
	\$000	\$000
Net liability for defined benefit obligations at 1 August	27,347	28,773
Contributions received	(3,483)	(3,601)
Expense recognised in the income statement	1,804	5,005
Actuarial (gains) / losses	346	(275)
Liability in disposed entity	(196)	-
Exchange adjustment	1,292	(2,555)
Net liability for defined benefit obligations at 31 July	<u>27,110</u>	<u>27,347</u>

Defined benefit pension funds

Amounts in the balance sheet		
Liabilities	27,110	27,347
Net liability	<u>27,110</u>	<u>27,347</u>

Amounts for the current and previous periods are as follows:

	Consolidated		
	2006	2005	2004
	\$000	\$000	\$000
Defined benefit obligation	(62,587)	(57,881)	(56,466)
Fund assets	35,477	30,534	27,693
Surplus/(deficit)	<u>(27,110)</u>	<u>(27,347)</u>	<u>(28,773)</u>

The consolidated entity has used the AASB 1.20A exemption and disclosed amounts under AASB 1.20A(p) above for each annual reporting period prospectively from the transition date. This exemption allows the disclosure of the fund assets and obligations since transition to AIFRS, rather than the four periods required by AASB 119.

Notes to the financial statements

24 Employee benefits (continued)

	Consolidated	
	2006	2005
	\$000	\$000
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	57,881	56,466
Service cost	2,726	1,949
Interest cost	2,657	2,878
Actuarial losses/(gains)	932	3,550
Plan changes	(631)	-
Past service cost	-	1,858
Losses/(gains) on curtailment	(1,261)	-
Contributions	(1,253)	(1,084)
Benefits paid	(1,219)	(2,229)
Liability in disposed business	(196)	-
Exchange differences on foreign funds	2,951	(5,507)
Closing defined benefit obligation	<u>62,587</u>	<u>57,881</u>

	Consolidated	
	2006	2005
	\$000	\$000
Changes in the fair value of fund assets are as follows:		
Opening fair value of fund assets	30,534	27,693
Expected return	1,687	1,680
Actuarial gains	586	3,825
Contributions by employer	1,404	1,761
Distributions	(393)	(1,473)
Exchange differences on foreign funds	1,659	(2,952)
Closing fair value of fund assets	<u>35,477</u>	<u>30,534</u>

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

	Consolidated	
	2006	2005
	%	%
The major categories of fund assets as a percentage of total fund assets are as follows:		
European equities	60.8%	57.7%
European bonds	30.1%	40.0%
Property	2.8%	2.3%
Cash	6.3%	-

	Consolidated	
	2006	2005
	\$000	\$000
Expense recognised in the income statement		
Current service costs	2,726	1,949
Interest on obligation	2,657	2,878
Expected return on fund assets	(1,687)	(1,680)
Past service cost	-	1,858
Plan changes	(631)	-
Losses/(gains) on curtailment	(1,261)	-
	<u>1,804</u>	<u>5,005</u>

The expense is recognised under personnel expenses (see note 5) and is included in other operating expense in the income statement.

The cumulative loss taken to retained earnings from actuarial gains/losses is \$145,484 (2005: \$567,812 gain).

Notes to the financial statements

24 Employee benefits (continued)

	Consolidated	
	2006	2005
	\$000	\$000
Principal actuarial assumptions at the balance sheet date (as weighted averages):		
Discount rate at 31 July	4.9%	4.6%
Expected return on fund assets at 31 July	6.0%	5.2%
Future salary increases	3.4%	3.1%
Future pension increases	2.8%	2.5%

The overall expected long-term rate of return on assets is 6.0%. The expected rate of return on plan assets reflects the average rate of earnings expected on the funds invested to provide for the benefits included in the projected benefit obligation.

(b) Surplus/(deficit) for each defined benefit pension fund on a funding basis

Funds sponsored by entities in the consolidated entity	Consolidated			
	2006			
	Fund assets	Accrued benefit	Fund excess/(deficit)	Contribution recommendations (pa)
	\$000	\$000	\$000	\$000
UK defined benefit plan	25,385	37,366	(11,981)	1,544
Holland defined benefit plan	10,092	16,678	(6,586)	1,360
France unfunded plan	-	8,543	(8,543)	-
Total for funds sponsored by the consolidated entity	35,477	62,587	(27,110)	2,904

Funds sponsored by entities in the consolidated entity	Consolidated			
	2005			
	Fund assets	Accrued benefit	Fund excess/(deficit)	Contribution recommendations (pa)
	\$000	\$000	\$000	\$000
UK defined benefit plan	21,365	32,120	(10,755)	1,308
Holland defined benefit plan	9,169	15,594	(6,425)	1,184
France unfunded plan	-	9,971	(9,971)	-
CACI unfunded plan	-	196	(196)	-
Total for funds sponsored by the consolidated entity	30,534	57,881	(27,347)	2,492

The fund assets have been measured as at 31 July for each year.

Contribution recommendations are based on a funding methodology that will result in adequate funding for payments expected to be made over the next five years. The level of the contributions to the funds is reassessed annually.

Accrued benefits are benefits which the funds are presently obliged to pay at some future date, as a result of the membership of the funds and calculated in accordance with AAS 25.

The consolidated entity has a legal liability to make up the deficit in the funds but no legal right to benefit from any surplus in the funds.

	Consolidated	
	2006	2005
	\$000	\$000
The principal economic assumptions used in making the recommendations above include:		
Expected return on fund assets	6.0%	5.2%
Future salary increases	3.4%	3.1%

(c) Defined contribution pension funds

The consolidated entity makes contributions to defined contribution pension funds. The amount recognised as an expense was \$5,638,000 for the financial year ended 31 July 2006 (2005: \$5,899,000).

Notes to the financial statements

24 Employee benefits (continued)

(d) Share based payments (continued)

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 \$65,341 at 31 July 2006 (2005: \$149,748). Each executive is entitled to exercise voting rights attached to the shares allocated. At 31 July 2006 the trustees of the Executive Share Purchase Scheme (1984) held 50,000 (2005: 100,000) ordinary shares, all of which were allocated. There are 4 remaining participants (2005: 6 participants) in the scheme.

The Nufarm Executive Share Plan (2000) offers shares at no cost to executives. The executives may select an alternative mix of shares (at no cost) and options at a cost determined under the "Black Scholes" methodology. These benefits are only given when a predetermined return on capital employed is achieved over the relevant period. The shares and options are subject to forfeiture and dealing restrictions. The executive cannot deal in the shares or options for a period of between three and ten years without Board approval. An independent trustee holds the shares and options on behalf of the executives. At 31 July 2006 there were 58 participants (2005: 60 participants) in the scheme and 1,512,224 shares (2005: 1,492,327) were allocated and held by the trustee on behalf of the participants. The cost of issuing shares is expensed in the year of issue.

The Global Share Plan commenced in 2001, and is available to all permanent employees. Participants contribute a proportion of their salary to purchase shares. The company will contribute an amount equal to 10% of the number of ordinary shares acquired with a participant's contribution in the form of additional ordinary shares. Amounts over 10% of the participant's salary can be contributed but will not be matched. For each year the shares are held, up to a maximum of five years, the company contributes a further 10% of the value of the shares acquired with the participant's contribution. An independent trustee holds the shares on behalf of the participants. At 31 July 2006 there were 824 participants (2005: 769 participants) in the scheme and 1,703,775 shares (2005: 1,492,327) were allocated and held by the trustee on behalf of the participants. The cost of issuing shares is expensed in the year of issue and for the year ended 31 July 2006 was \$2,647,798 (2005: \$2,016,074).

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

	Number of options 2006	Weighted average exercise price 2006	Number of options 2005	Weighted average exercise price 2005
Balance at the beginning of the period	-	-	1,515,206	2.72
Exercised	-	-	(1,499,028)	2.72
Expired	-	-	(16,178)	3.66
Balance at the end of the period	-	-	-	-

	Grant date	Exercise date	Expiry date	Weighted average exercise price
--	---------------	------------------	----------------	---------------------------------------

Number of options

All outstanding options were exercised during 2005.

	2006			
	Grant date	Exercise date	Expiry date	Weighted average exercise price
77,514	31.01.2000	28.02.2005	1.03.2005	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

Notes to the financial statements

25 Provisions	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Current				
Restructuring	3,700	3,014	-	-
Other	-	1,738	-	-
	<u>3,700</u>	<u>4,752</u>	<u>-</u>	<u>-</u>
Non-current				
Other	11,899	545	-	-
	<u>11,899</u>	<u>545</u>	<u>-</u>	<u>-</u>
Total provisions	<u>15,599</u>	<u>5,297</u>	<u>-</u>	<u>-</u>

Movement in provisions	Consolidated		
	Restructuring	Other provisions	Total
	\$000	\$000	\$000
Balance at 1 August 2005	3,014	2,283	5,297
Provisions made during the year	6,766	11,898	18,664
Provisions used during the year	(6,211)	(1,535)	(7,746)
Provisions reversed during the year	-	(590)	(590)
Provisions disposed with sold businesses	-	(194)	(194)
Exchange adjustment	131	37	168
Balance at 31 July 2006	<u>3,700</u>	<u>11,899</u>	<u>15,599</u>

The restructuring provision relates to the French operations and includes redundancy provisions from the French social plan (\$1.6 million) and the remaining provision for the closure of the Mulhouse manufacturing site (\$2.1 million). The other provision consists of deferred payments for business acquisitions.

26 Capital and reserves

Share capital	The Company	
	Number of ordinary shares	Number of ordinary shares
	2006	2005
Balance at 1 August	169,671,874	167,735,767
Issue of shares	1,820,377	265,090
Share options exercised	-	1,437,692
Partly paid shares fully paid up during the year	-	233,325
Balance at 31 July	<u>171,492,251</u>	<u>169,671,874</u>

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

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

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

Notes to the financial statements

26 Capital and reserves (continued)

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

Consolidated	Share Capital \$000	Translation Reserve \$000	Capital Profit Reserve \$000	Hedging Reserve \$000	Other Reserve \$000	Retained Earnings \$000	Minority Interest \$000	Total Equity \$000
Balance at 1 August 2004	211,801	-	33,603	-	242	283,866	7,838	537,350
Foreign exchange translation differences	-	(10,450)	-	-	-	-	(558)	(11,008)
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	568	-	568
Share issued to employees	5,192	-	-	-	-	(27)	-	5,165
Shares issued under employee global share plan	2,016	-	-	-	-	-	-	2,016
Tax benefit on share issue costs	40	-	-	-	-	-	-	40
Profit for the period	-	-	-	-	-	125,045	1,589	126,634
Dividends paid to shareholders	-	-	-	-	-	(40,548)	(496)	(41,044)
Minority interest acquired	-	-	-	-	-	-	(2,407)	(2,407)
Balance at 31 July 2005	<u>219,049</u>	<u>(10,450)</u>	<u>33,603</u>	<u>-</u>	<u>242</u>	<u>368,904</u>	<u>5,966</u>	<u>617,314</u>
Balance at 1 August 2005	219,049	(10,450)	33,603	-	242	368,904	5,966	617,314
Foreign exchange translation differences	-	734	-	-	-	-	(41)	693
Change in accounting policy for financial instruments	-	-	-	574	-	-	-	574
Foreign exchange movement taken to hedging reserve	-	-	-	(594)	-	-	-	(594)
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	(713)	-	(713)
Share issued to employees	1,065	-	-	-	-	-	-	1,065
Shares issued under employee global share plan	2,647	-	-	-	-	-	-	2,647
Shares issued as consideration for business acquisition	17,972	-	-	-	-	-	-	17,972
Tax benefit on share issue costs	27	-	-	-	-	-	-	27
Transfer to current year income statement	-	-	24	-	-	-	-	24
Transfer to/from reserves	-	-	-	-	(242)	242	-	-
Profit for the period	-	-	-	-	-	121,153	579	121,732
Dividends paid to shareholders	-	-	-	-	-	(45,879)	(551)	(46,430)
Minority interest acquired	-	-	-	-	-	-	(4,945)	(4,945)
Balance at 31 July 2006	<u>240,760</u>	<u>(9,716)</u>	<u>33,627</u>	<u>(20)</u>	<u>-</u>	<u>443,707</u>	<u>1,008</u>	<u>709,366</u>

Notes to the financial statements

26 Capital and reserves (continued)

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

The Company	Share Capital \$000	Translation Reserve \$000	Capital Profit Reserve \$000	Hedging Reserve \$000	Other Reserve \$000	Retained Earnings \$000	Minority Interest \$000	Total Equity \$000
Balance at 1 August 2004	211,801	-	40,074	-	-	146,864	-	398,739
Foreign exchange translation differences	-	(77)	-	-	-	-	-	(77)
Share issued to employees	5,192	-	-	-	-	(27)	-	5,165
Shares issued under employee global share plan	2,016	-	-	-	-	-	-	2,016
Tax benefit on share issue costs	40	-	-	-	-	-	-	40
Profit for the period	-	-	-	-	-	50,247	-	50,247
Dividends paid to shareholders	-	-	-	-	-	(40,548)	-	(40,548)
Balance at 31 July 2005	<u>219,049</u>	<u>(77)</u>	<u>40,074</u>	<u>-</u>	<u>-</u>	<u>156,536</u>	<u>-</u>	<u>415,582</u>
Balance at 1 August 2005	219,049	(77)	40,074	-	-	156,536	-	415,582
Foreign exchange translation differences	-	(248)	-	-	-	-	-	(248)
Change in accounting policy for financial instruments	-	-	-	58	-	-	-	58
Foreign exchange movement taken to hedging reserve	-	-	-	(8)	-	-	-	(8)
Share issued to employees	1,065	-	-	-	-	-	-	1,065
Shares issued under employee global share plan	2,647	-	-	-	-	-	-	2,647
Shares issued as consideration for business acquisition	17,972	-	-	-	-	-	-	17,972
Tax benefit on share issue costs	27	-	-	-	-	-	-	27
Profit for the period	-	-	-	-	-	60,760	-	60,760
Dividends paid to shareholders	-	-	-	-	-	(45,879)	-	(45,879)
Balance at 31 July 2006	<u>240,760</u>	<u>(325)</u>	<u>40,074</u>	<u>50</u>	<u>-</u>	<u>171,417</u>	<u>-</u>	<u>451,976</u>

Notes to the financial statements

26 Capital and reserves (continued)

Translation reserve

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

Capital profit reserve

This reserve is used to accumulate realised capital profits.

Hedging reserve

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

Dividends

Dividends recognised in the current year by the company are:

	Cents per Share	Total Amount \$000	Franked/ Unfranked	Payment Date
2006				
Interim 2006 Ordinary	10.0	16,994	Franked	28-Apr-06
Final 2005 Ordinary	17.0	<u>28,885</u>	Franked	11-Nov-05
Total Amount		<u>45,879</u>		
2005				
Interim 2005 Ordinary	9.0	15,255	Franked	29-Apr-05
Final 2004 Ordinary	15.0	<u>25,293</u>	Franked	15-Nov-04
Total Amount		<u>40,548</u>		

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

Subsequent events

On 29 September 2006, the directors declared a final dividend of 20 cents per share, fully franked, payable 10 November 2006.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 31 July 2006 and will be recognised in subsequent financial reports.

	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Franking credit balance				
The amount of franking credits available for the subsequent financial year are:				
Franking account balance as at the end of the year at 30% (2005: 30%)	22,800	19,647	22,800	19,647
Franking credits that will arise from the payment of income tax payable as at the end of the year	<u>3,893</u>	<u>5,881</u>	<u>3,893</u>	<u>5,881</u>
Balance at 31 July	<u>26,693</u>	<u>25,528</u>	<u>26,693</u>	<u>25,528</u>

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by \$14,699,336 (2005: \$12,375,000). In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of \$26,693,000 (2005: \$25,528,000) franking credits.

Notes to the financial statements

27 Financial instruments

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

Credit risk

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

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

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

Interest rate risk

The consolidated entity uses derivative financial instruments to manage specifically identified interest rate risks. Interest rate swaps, denominated in AUD, have been entered into to achieve an appropriate mix of fixed and floating rate exposures. The swaps mature over the next 12 months following the maturity of the related loans and have fixed swap rates ranging from 4.76 per cent to 4.98 per cent.

The consolidated entity measures interest rate swaps at fair value, with the movements in fair value reflected in the income statement. At 31 July 2006, the consolidated entity had interest rate swaps with a notional contract amount of \$20,000,000 (2005: \$167,508,000). The net fair value of swaps at 31 July 2006 recognised as fair value derivatives was \$238,000 (2005: Nil).

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

Consolidated	Note	Effective	Total	Less than	1-2	More than
		interest rate	\$000	1 year	years	2 years
			\$000	\$000	\$000	\$000
			2006			
Financial assets						
Cash and cash equivalents	11	4.4%	51,269	51,269	-	-
Financial liabilities						
<i>Unsecured debt</i>						
Bank overdrafts	11	5.4%	19,940	19,940	-	-
Bank loans - unsecured	23	5.2%	400,437	293,898	44,847	61,692
Other loans - unsecured	23	3.0%	248	-	-	248
Interest rate swaps		5.0%	20,000	20,000	-	-
Capital notes	23	8.6%	181,649	181,649	-	-
Finance lease liabilities - secured	23	7.8%	485	260	186	39
			<u>622,759</u>	<u>515,747</u>	<u>45,033</u>	<u>61,979</u>
			2005			
Financial assets						
Cash and cash equivalents	11	3.2%	55,791	55,791	-	-
Financial liabilities						
<i>Unsecured debt</i>						
Bank overdrafts	11	7.6%	10,398	10,398	-	-
Bank loans - unsecured	23	4.8%	158,499	101,983	(831)	57,347
Other loans - unsecured	23	3.2%	188	9	-	179
Interest rate swaps		4.5%	167,508	147,508	20,000	-
Capital notes	23	8.6%	202,338	-	202,338	-
Finance lease liabilities - secured	23	5.8%	1,628	506	582	540
			<u>540,559</u>	<u>260,404</u>	<u>222,089</u>	<u>58,066</u>

Notes to the financial statements

27 Financial instruments (continued)

Interest rate risk (continued)

The Company	Effective interest rate	Total \$000	Less than 1 year \$000	1-2 years \$000	More than 2 years \$000
Financial assets					
Cash and cash equivalents	7.25%	10,739	10,739	-	-
Financial liabilities					
Bank overdrafts	9.5%	23,574	23,574	-	-
Subordinated loans from controlled entities	9.2%	190,258	190,258	-	-
		213,832	213,832	-	-
2005					
Financial assets					
Cash and cash equivalents	6.75%	4,265	4,265	-	-
Financial liabilities					
Bank overdrafts	9.5%	24,762	24,762	-	-
Subordinated loans from controlled entities	9.2%	-	-	-	-
		211,655	-	211,655	-
		236,417	24,762	211,655	-

Foreign currency risk

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

The consolidated entity uses cross currency interest rate swap agreements to hedge the foreign currency, interest rate and cash flow exposures between the capital notes issued in New Zealand and the group funding to several jurisdictions to which the funds were advanced. Under the terms of the swap agreement, the company agrees with the counter-party banks to exchange the difference between the fixed interest rates of various currencies of advances made and the principal at an agreed rate of foreign currency conversion.

Forecasted transactions

The consolidated entity classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and states them at fair value. The net fair value of forward exchange contracts in the consolidated entity used as hedges of forecast transactions at 31 July 2006 was \$353,309 comprising assets of \$194,164 and liabilities of \$547,472 that were recognised as derivatives measured at fair value. The net fair value of forward exchange contracts in the Company used as hedges of forecast transactions at 31 July 2006 was \$194,164 comprising assets of \$194,164 that were recognised as derivatives measured at fair value.

Fair values

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

Notes to the financial statements

27 Financial instruments (continued)

Fair values (continued)

Consolidated	Note	Carrying	Fair	Carrying	Fair
		Amount	value	Amount	value
		2006	2006	2005	2005
		\$000	\$000	\$000	\$000
Cash and cash equivalents	11	51,269	51,269	55,791	55,791
Trade and other receivables	12	523,616	523,616	423,290	423,290
Interest rate swaps:					
Payable maturities - less than one year	12	238	238	-	-
Forward exchange contracts:					
Receivables - less than one year	12	194	194	-	-
Payables - less than one year		(547)	(547)	-	-
Forward exchange contracts, currency options and cross currency interest rate swaps are being used to hedge the following foreign currency exposures:					
Foreign advances - less than one year	12	17,854	17,854	-	-
- one to five years		-	-	45,592	45,592
Bank overdraft	11	(19,940)	(19,940)	(10,398)	(10,398)
Unsecured bank loans	23	(420,437)	(420,437)	(326,007)	(326,007)
Other loans	23	(248)	(248)	(188)	(188)
Capital notes - one to five years	23	(181,649)	(181,351)	(202,338)	(201,681)
Finance leases	23	(485)	(485)	(1,628)	(1,628)
		<u>(30,135)</u>	<u>(29,837)</u>	<u>(15,886)</u>	<u>(15,229)</u>
Unrecognised (losses) / gains			<u>(298)</u>		<u>(657)</u>

The Company		Carrying	Fair	Carrying	Fair
		Amount	value	Amount	value
		2006	2006	2005	2005
		\$000	\$000	\$000	\$000
Cash and cash equivalents	11	10,739	10,739	4,265	4,265
Trade and other receivables	12	34,509	34,509	10,163	10,163
Receivables due from controlled entities	12	228,937	228,937	203,494	203,494
Loans due from controlled entities	12	170,618	170,618	164,603	164,603
Forward exchange contracts:					
Receivables - less than one year	12	194	194	-	-
Forward exchange contracts, currency options and cross currency interest rate swaps are being used to hedge the following foreign currency exposures:					
Foreign advances - less than one year	12	17,854	17,854	-	-
- one to five years		-	-	45,592	45,592
Bank overdraft	11	(23,574)	(23,574)	(24,762)	(24,762)
Subordinated loans from controlled entities	23	(190,258)	(190,258)	(211,655)	(211,655)
		<u>249,019</u>	<u>249,019</u>	<u>191,700</u>	<u>191,700</u>
Unrecognised (losses) / gains			<u>-</u>		<u>-</u>

Notes to the financial statements

27 Financial instruments (continued)

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Derivatives

Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate. For interest rate swaps broker quotes are used. These quotes are back tested using pricing models or discounted cash flow techniques. The fair value for the capital notes is determined using a year end forward rate to maturity compared to the fixed coupon rate of the note.

Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogenous lease agreements. The estimated fair values reflect change in interest rates.

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

Interest rates used for determining fair value

The average interest rates used for determining fair value are:

	2006	2005
Derivatives	5.0%	4.5%
Capital notes	9.43%	8.86%

28 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Not later than one year	7,390	7,538	214	355
Later than one year but not later than two years	5,133	6,660	104	192
Later than two years but not later than five years	9,520	10,146	92	120
Later than five years	10,415	5,365	-	-
	<u>32,458</u>	<u>29,709</u>	<u>410</u>	<u>667</u>

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

29 Capital and other commitments

	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Capital expenditure commitments				
Plant and equipment				
<i>Contracted but not provided for and payable:</i>				
Within one year	<u>10,005</u>	<u>17,027</u>	<u>-</u>	<u>922</u>
Joint venture commitments				
<i>Share of capital commitments of the chlor-alkali joint ventures:</i>				
Within one year	<u>267</u>	<u>219</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

30 Contingencies

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

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

	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Guarantee facility for Eastern European joint ventures with FMC Corporation.	7,312	7,827	-	-
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. For 2006, these receivables remain on balance sheet under the financial instruments standard AASB 139.	-	16,241	-	-
The parent entity has guaranteed with the note holders the issuers' obligations under the capital notes.	-	-	181,892	202,338
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.	14,167	13,578	-	-
Guarantee upon sale of a business limited to EUR 3.51 million on account of possible remediation costs for soil and groundwater contamination. This guarantee decreases from 2004 progressively to nil in 2011.	5,850	7,300	-	-
A non-trading subsidiary of Nufarm Limited, Fchem (Aust.) Limited, is one of a number of parties served with an application and statement of claim on behalf of the ACCC. The application relates to alleged price fixing and other activities involving the timber protection industry in the period 1998 - 2000. The Nufarm group is no longer involved in the timber protection industry, having sold its timber treatment business in 2001. Nufarm and its legal advisers are examining the application and statement of claim and will conduct a thorough investigation of the allegations made.	-	-	-	-
	<u>27,329</u>	<u>44,946</u>	<u>181,892</u>	<u>202,338</u>

31 Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 dated 13 August 1998, the wholly-owned subsidiaries referred to in note 32 are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and directors reports.

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

Notes to the financial statements

31 Deed of cross guarantee (continued)

A consolidated income statement and consolidated balance sheet, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 July 2006 is set out as follows:

	Consolidated	
	2006	2005
	\$000	\$000
Summarised income statement and retained profits		
Profit before income tax expense	102,431	104,871
Income tax expense	(18,014)	(24,038)
Net profit attributable to members of the closed group	<u>84,417</u>	<u>80,833</u>
Retained profits at the beginning of the period	244,102	202,108
Include new members to the closed group	1,020	1,709
Dividends paid	(45,879)	(40,548)
Retained profits at the end of the period	<u>283,660</u>	<u>244,102</u>
Statement of financial position		
Current Assets		
Cash and cash equivalents	11,480	5,570
Trade and other receivables	417,592	409,800
Inventories	182,392	194,346
Income tax receivable	2,094	1,564
Assets classified as held for sale	22,772	5,480
Total current assets	<u>636,330</u>	<u>616,760</u>
Non-current Assets		
Receivables	1,240	48,096
Equity accounted investments	173,424	125,827
Other investments	263,334	258,849
Deferred tax assets	21,372	23,226
Property, plant and equipment	128,351	150,406
Intangible assets	70,728	26,066
Other	-	-
Total non-current assets	<u>658,449</u>	<u>632,470</u>
TOTAL ASSETS	<u>1,294,779</u>	<u>1,249,230</u>
Current liabilities		
Bank overdraft	26,794	35,986
Trade and other payables	500,290	592,796
Interest bearing loans and borrowings	116,068	48,300
Employee benefits	7,662	7,718
Income tax payable	3,533	3,805
Provisions	-	58
Liabilities classified as held for sale	13,425	1,408
Total current liabilities	<u>667,772</u>	<u>690,071</u>
Non-current liabilities		
Interest bearing loans and borrowings	31,607	31,000
Deferred tax liabilities	3,562	3,239
Employee benefits	7,844	7,438
Payables	-	545
Total non-current liabilities	<u>43,013</u>	<u>42,222</u>
TOTAL LIABILITIES	<u>710,785</u>	<u>732,293</u>
NET ASSETS	<u>583,994</u>	<u>516,937</u>
Equity		
Issued capital	247,960	228,418
Reserves	52,374	44,417
Retained earnings	283,660	244,102
TOTAL EQUITY	<u>583,994</u>	<u>516,937</u>

Notes to the financial statements

32 Consolidated entities

Notes	Place of incorporation	Percentage of shares held	
		2006	2005

Parent entity

Nufarm Limited - ultimate controlling entity

Subsidiaries

Abel Lemon and Company Pty Ltd	(a)	Australia	100	100
Access Genetics Pty Ltd		Australia	100	20
Agcare Biotech Pty Ltd		Australia	70	70
Agchem Receivables Corporation.		USA	40	40
Agroquimicos Genericos S.A. (Agrogen)		Colombia	100	-
Agryl Holdings Limited	(a),(b)	Australia	100	100
Ag-seed Research Pty Ltd	(a)	Australia	100	100
Artfern Pty Ltd	(a)	Australia	100	100
Australis Services Pty Ltd	(a)	Australia	100	100
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		France	100	100
CNG Holdings BV		Netherlands	100	100
Compagnie d'Applications Chimiques a l'Industrie s.a.s (sold June 2006)		France	-	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
Fada S.A.		Colombia	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
Frost Technology Corporation		USA	100	-
Health & Science Limited	(b)	New Zealand	100	100
Inpar s.a.s	(b)	France	100	100
Interferon Limited	(a)	Australia	100	100
Interferon NZ Limited	(b)	New Zealand	100	100
Laboratoire European de Biotechnologie s.a.s		France	100	100
Le Moulin des Ecluses s.a	(b)	France	100	100
Les Ecluses de la Garenne s.a.s		France	100	100
Manaus Holdings Sdn Bhd	(b)	Malaysia	100	100
Marman (Nufarm) Inc		USA	100	70
Marman de Guatemala Sociedad Anonima		Guatemala	100	70
Marman de Mexico Sociedad Anonima De Capital Variable		Mexico	100	70
Marman Holdings LLC		USA	100	100

Notes to the financial statements

32 Consolidated entities (continued)

	Notes	Place of incorporation	Percentage of shares held	
			2006	2005
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 Inc (USA)		USA	100	100
Nufarm Agriculture Zimbabwe (Pvt) Ltd		Zimbabwe	100	100
Nufarm Americas Holding Company	(b)	USA	100	100
Nufarm Americas Inc	(b)	USA	100	100
Nufarm Asia Sdn Bhd		Malaysia	100	100
Nufarm Australia Limited	(a),(b)	Australia	100	100
Nufarm BV	(b)	Netherlands	100	100
Nufarm Chemical (Shanghai) Co Ltd		China	100	-
Nufarm Chile Limitada		Chile	100	100
Nufarm Colombia Ltda	(b)	Colombia	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	(b)	France	100	100
Nufarm Inc.	(b)	USA	100	100
Nufarm Insurance Pte Ltd		Singapore	100	100
Nufarm Investments Cooperatie WA	(b)	Netherlands	100	100
Nufarm Ireland Limited (Liquidated)		Ireland	-	100
Nufarm KK		Japan	100	100
Nufarm Labuan Pte Ltd	(b)	Malaysia	100	-
Nufarm Malaysia Sdn Bhd	(b)	Malaysia	100	100
Nufarm Materials Limited	(a),(b)	Australia	100	100
Nufarm NZ Limited	(b)	New Zealand	100	100
Nufarm Platte Pty Ltd		Australia	100	100
Nufarm Portugal LDA	(b)	Portugal	100	100
Nufarm s.a.s	(b)	France	100	100
Nufarm SA		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

Notes to the financial statements

32 Consolidated entities (continued)

	Notes	Place of incorporation	Percentage of shares held 2006	2005
Nufarm UK Limited	(b)	United Kingdom	100	100
Nugrain Pty Ltd		Australia	100	40
Nuseed Pty Ltd		Australia	100	40
Nutrihealth Pty Ltd		Australia	100	-
Nutrihealth Grains Pty Ltd		Australia	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 Crop Care		Indonesia	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 date 10 July 2000 with Nufarm Limited which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding-up of that company. As a result of a class order issued by the Australian Securities and Investment Commission (dated 14 July 2000), these companies are relieved from the requirement to prepare financial statements.

Note (b). These entities have entered into a deed of negative pledge dated 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.

33 Acquisition of subsidiaries

Acquisitions during the year include:

- * The remaining 50% of Nugrain was acquired in September 2005. Nugrain is involved in canola seed breeding.
 - * The remaining 50% of Access Genetics was acquired in December 2005. Access Genetics is involved in wheat seed breeding.
 - * Agrogen and FADA crop protection businesses in Colombia were acquired in December 2005.
 - * The Nutrihealth business was acquired in May 2006. Nutrihealth specialises in the development, field production and marketing of specialty canola oils.
 - * The Dovuro business was acquired in May 2006. Dovuro is Australia's leading canola seed production and marketing company.
- In the period to 31 July 2006, these businesses contributed profits of \$431,029 to the consolidated group after tax profit.

If the above acquisitions had occurred on 1 August 2005, their full-year contribution to group revenues would have been \$35,205,000 and to the consolidated entity's profit after tax of \$794,000, on a pro-rata basis.

Acquiree's net assets at acquisition date

	Recognised values \$000	Fair value adjustments \$000	Carrying amounts \$000
Cash and cash equivalents	145	-	145
Receivables	10,682	-	10,682
Inventory	7,411	702	8,113
Property, plant and equipment	3,142	-	3,142
Other assets	2,461	-	2,461
Trade and other payables	(9,415)	-	(9,415)
Employee benefits	(74)	-	(74)
Finance lease liability	(175)	-	(175)
Interest bearing loans and borrowings	(8,892)	-	(8,892)
Net identifiable assets and liabilities	5,285	702	5,987
Reversal of equity investment	1,244	-	1,244
Prior period investment	(2,000)	-	(2,000)
Intangibles acquired on acquisition	20,558	-	20,558
Goodwill on acquisition	29,570	(702)	28,868
Consideration paid, satisfied in cash	54,657	-	54,657
Consideration satisfied by issue of shares	(17,971)	-	(17,971)
Deferred consideration	(99)	-	(99)
Cash (acquired)	(179)	-	(179)
Net cash outflow	36,408	-	36,408

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

Notes to the financial statements

34 Reconciliation of cash flows from operating activities

	Consolidated		The Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Cash flows from operating activities				
Profit for the period	121,732	126,634	60,760	50,247
Dividend from associated company	2,599	2,964	181	121
Non-cash items:				
Amortisation	9,806	8,447	-	-
Depreciation	36,556	37,116	319	322
Gain on disposal of non current assets	(512)	(393)	(359)	(33)
Write-down of non current assets	219	21,693	-	-
Share of profits of associates net of tax	(10,545)	(33,402)	(1,013)	(997)
Movement in provisions for:				
Deferred tax	8,914	(8,253)	(64)	(286)
Tax assets	(8,852)	(11,815)	479	5,241
Deferred product development expenses	-	-	-	-
Exchange rate change on foreign controlled entities provisions	348	432	(136)	(21)
Operating profit before changes in working capital and provisions	160,265	143,423	60,167	54,594
Movements in working capital items:				
(Increase)/decrease in receivables	(36,583)	(184)	5,538	(643)
(Increase)/decrease in inventories	(3,804)	(7,433)	165	(313)
Increase/(decrease) in payables	(59,479)	(55,186)	(4,357)	(2,410)
Increase/(decrease) in income tax payable	1,826	(3,053)	3,840	(1,706)
Exchange rate change on foreign controlled entities working capital items	674	(14,955)	(1,981)	(93)
Movements in intercompany balances relating to cash transactions	-	-	-	864
	(97,366)	(80,811)	3,205	(4,301)
Net operating cash flows	62,899	62,612	63,372	50,293

35 Key management personnel disclosures

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

Non-executive directors

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

Executives

B Benson Group general manager agriculture
R Heath Group general manager corporate services and company secretary
KP Martin Chief financial officer
D Melody Group general manager global marketing
RF Ooms Group general manager chemicals
DA Pullan Group general manager operations
R Reis Group general manager corporate affairs

Executive directors

DJ Rathbone Managing Director and Chief Executive

Key management personnel compensation

The key management personnel compensation included in personnel expenses (see note 5) are as follows:

	Consolidated		The Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Short term employee benefits	7,029,731	6,603,686	664,250	730,274
Other long term benefits	-	-	-	-
Post employment benefits	511,231	422,617	149,750	106,736
Termination benefits	-	-	-	-
Equity compensation benefits	1,584,993	919,084	143,000	140,750
	9,125,955	7,945,387	957,000	977,760

Notes to the financial statements

35 Key management personnel disclosures (continued)

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation is provided in the Remuneration Report section of the Director's Report on pages xx to xx.

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

Loans to key management personnel and their related parties

There were no loans to directors and specified executives at July 31 2006.

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

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

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

In May 2006, Nufarm acquired the shares of Nutrihealth Pty Ltd (see note 33). Dr John Stocker, a director of Nufarm, was a minority shareholder of Nutrihealth. In accordance with the purchase agreement, Dr Stocker has been allocated 9,002 ordinary shares in respect of his Nutrihealth shares. The issue of the shares will only take place after it is approved by the shareholders at the company's 2006 annual general meeting. The allocation of the Nufarm shares in as consideration for Dr Stocker's Nutrihealth holding was in accordance with the same terms and conditions as other shareholders of Nutrihealth.

From time to time, key management personnel of the Company or its controlled entities, or their related entities, may purchase goods from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity employees or customers and are trivial or domestic in nature. Any other transactions with key management persons are considered trivial or domestic in nature and are on terms and conditions no more favourable than other third parties.

Options and rights over equity instruments granted as compensation

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

Movements in shares

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

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

Notes to the financial statements

35 Key management personnel disclosures (continued)

Movements in shares (continued)

Shares held in Nufarm Ltd	Balance at 1 August 2004	Granted as Remun- eration	2005		Balance at 31 July 2005
			Exercise of options	Net Change Other	
Directors					
KM Hoggard	5,869,837	4,912	-	(3,500,000)	2,374,749
DJ Rathbone	30,696,167	-	566,443	(1,350,000)	29,912,610
GDW Curlewis	24,787	-	-	16,000	40,787
Dr WB Goodfellow	1,464,528	1,918	-	-	1,466,446
GA Hounsell	-	1,452	-	10,000	11,452
DG McGauchie	3,817	1,452	-	3,000	8,269
GW McGregor	32,418	1,461	-	-	33,879
Dr JW Stocker	26,546	1,918	-	-	28,464
RFE Warburton	61,513	1,918	-	-	63,431
Executives					
B Benson	83,374	16,692	98,345	(46,266)	152,145
R Heath	188,826	11,592	83,064	(60,000)	223,482
KP Martin	229,338	20,726	143,406	(38,000)	355,470
D Mellody	-	2,500	-	-	2,500
RF Ooms	155,485	20,726	143,406	-	319,617
DA Pullan	186,095	22,117	153,091	(131,880)	229,423
R Reis	77,840	13,910	96,846	-	188,596
Former executive					
JA Allen	196,317	22,094	153,091	(145,936)	225,566
Total	39,296,888	145,388	1,437,692	(5,243,082)	35,636,886

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

¹ Messrs Hoggard, Goodfellow, Hounsell, McGauchie, 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 The shareholding of Dr WB Goodfellow includes his relevant interest in:

- (i) St Kentigern Trust Board (429,855 shares) - Dr Goodfellow is Chairman of the Trust Board;
- (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.

36 Non-key management personnel disclosures

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

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

- Loans were advanced and repayments received on short term intercompany accounts (see Note 22)
- Proceeds of the capital notes issue have been on-lent through the parent entity to fund group investments and working capital (see Note 23). 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.

b) Transactions with associated parties

	Consolidated	
	2006	2005
	\$000	\$000
Bayer CropScience Nufarm Limited		
sales to	8,309	10,723
purchases from	11,517	11,181
trade receivable	740	835
trade payable	2,704	3,681

Notes to the financial statements

36 Non-key management personnel disclosures (continued)

b) Transactions with associated parties (continued)

		Consolidated	
		2006	2005
		\$000	\$000
SRFA LLC	sales to	326	1,821
	loan receivable	754	658
	interest received	20	28
	trade payable	110	-
Agripec Quimica e Farmaceutica SA	trade receivable	20,939	19,035
	sales to	17,079	8,569

These transactions were undertaken on commercial terms and conditions.

37 Subsequent events

Nufarm has reached agreement to sell its 80% interest in the Nufarm Coogee joint venture to its joint venture partner, Coogee Chemicals Pty Ltd. The joint venture operates two chlor alkali plants in Western Australia. The transaction involves the sale of Nufarm's interest, with completion scheduled for 31 July 2007. The consideration on the sale will be approximately \$48 million, with the final price determined at completion date. The profit on sale will be approximately \$24 million.

On 29 September 2006, the directors declared a final dividend of 20 cents per share, fully franked, payable 10 November 2006.

On 6 September 2006, Nufarm acquired a license to develop and commercialise Roundup Ready canola in Australia. Nufarm has paid Monsanto a total of \$10 million for Monsanto's Roundup Ready canola germ plasm and a licence to the Roundup Ready canola trait.

On 28 September, Nufarm announced it had reached agreement to acquire a crop protection business in Italy for €6.4 million.

Nufarm Finance (NZ) Limited (the "Issuer" and formerly Fernz Corporation (NZ) Limited), a wholly owned subsidiary of Nufarm Limited ("Nufarm"), intends to make a public offer of a new hybrid security. The proposed offer is for A\$250 million of Nufarm Step-up Securities ("NSS"), with the ability to accept oversubscriptions of up to A\$50 million.

A Prospectus in relation to the proposed offer will be made available once it has been lodged with the Australian Securities and Investments Commission ("ASIC"). If you wish to acquire NSS, you will need to complete the application form that will be in or will accompany the Prospectus. Once the Prospectus has been lodged with ASIC, Nufarm will make an announcement to the ASX. You may obtain a copy of the Prospectus on Nufarm's Australian corporate website www.nufarm.com.au.

NSS are perpetual, subordinated, unsecured redeemable, exchangeable notes and offer semi-annual, floating rate, non-cumulative distribution payments, based on the six month bank bill swap rate plus a margin.

38 Explanation of transition to AIFRS

As stated in significant accounting policies note 1(a), these are the consolidated entity's first consolidated financial statements prepared in accordance with AIFRS.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the financial year ended 31 July 2006, the comparative information presented in these financial statements for the year ended 31 July 2005 and in the preparation of an opening AIFRS balance sheet at 1 August 2004 (the consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to AIFRS has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Notes to the financial statements

38 Explanation of transition to AIFRS (continued)

Reconciliation of equity

Consolidated \$000	Note	Effect of transition to AIFRS			Effect of transition to AIFRS		
		Previous AGAAP	1 August 2004	AIFRS	Previous AGAAP	31 July 2005	AIFRS
Assets							
Cash and cash equivalents	a	56,826	(922)	55,904	56,233	(442)	55,791
Trade and other receivables	a,b	240,469	168,706	409,175	238,048	164,425	402,473
Inventories	a	432,139	(13,067)	419,072	423,946	(2,508)	421,438
Income tax receivable	c	6,858	(491)	6,367	8,138	287	8,425
Assets classified as held for sale	a	-	78,344	78,344	-	5,480	5,480
Total current assets		736,292	232,570	968,862	726,365	167,242	893,607
Receivables		38,535	-	38,535	66,409	-	66,409
Equity accounted investments	c	24,953	(85)	24,868	210,420	7,637	218,057
Other financial assets		3,713	(522)	3,191	1,943	-	1,943
Deferred tax assets	f, g	34,302	10,799	45,101	44,836	10,643	55,479
Property, plant and equipment	a, d	376,632	(52,254)	324,378	313,535	(3,397)	310,138
Intangible assets	a, d, e	196,021	(836)	195,185	164,605	36,926	201,531
Other	a	21,130	(280)	20,850	20,309	(18,742)	1,567
Total non-current assets		695,286	(43,178)	652,108	822,057	33,067	855,124
TOTAL ASSETS		1,431,578	189,392	1,620,970	1,548,422	200,309	1,748,731
Liabilities							
Bank overdraft	a	72,298	(4,553)	67,745	10,398	-	10,398
Trade and other payables	a, b	397,939	173,160	571,099	333,183	165,664	498,847
Interest bearing loans and borrowings	a	40,113	(1,221)	38,892	250,006	-	250,006
Employee benefits	a	15,983	(1,254)	14,729	15,196	(232)	14,964
Income tax payable		15,401	156	15,557	12,348	-	12,348
Provisions	a	9,128	(27)	9,101	4,752	-	4,752
Liabilities classified as held for sale	a	-	22,004	22,004	-	1,408	1,408
Total current liabilities		550,862	188,265	739,127	625,883	166,840	792,723
Interest bearing loans and borrowings	a	287,180	(896)	286,284	280,155	-	280,155
Deferred tax liabilities	f	22,673	(3,173)	19,500	14,420	5,704	20,124
Employee benefits	g	10,369	28,340	38,709	10,774	27,096	37,870
Provisions		-	-	-	545	-	545
Total non-current liabilities		320,222	24,271	344,493	305,894	32,800	338,694
TOTAL LIABILITIES		871,084	212,536	1,083,620	931,777	199,640	1,131,417
NET ASSETS		560,494	(23,144)	537,350	616,645	669	617,314
Equity							
Issued capital	h	210,530	1,271	211,801	216,827	2,222	219,049
Reserves	i, j	17,854	15,991	33,845	5,871	17,524	23,395
Retained earnings	g, i, j	324,401	(40,535)	283,866	388,150	(19,246)	368,904
Equity attributable to equity holders of the parent		552,785	(23,273)	529,512	610,848	500	611,348
Minority interest	c	7,709	129	7,838	5,797	169	5,966
TOTAL EQUITY		560,494	(23,144)	537,350	616,645	669	617,314

Notes to the financial statements

38 Explanation of transition to AIFRS (continued)

Reconciliation of equity

The Company \$000	Note	1 August 2004			31 July 2005		
		Previous AGAAP	Effect of transition to AIFRS	AIFRS	Previous AGAAP	Effect of transition to AIFRS	AIFRS
Assets							
Cash and cash equivalents	a	654	-	654	4,265	-	4,265
Trade and other receivables	a,b	198,351	350	198,701	213,137	3,325	216,462
Inventories	a	15,610	-	15,610	15,924	-	15,924
Income tax receivable	c	1,583	640	2,223	-	175	175
Assets classified as held for sale	a	-	-	-	-	-	-
Total current assets		216,198	990	217,188	233,326	3,500	236,826
Receivables		208,435	-	208,435	207,390	-	207,390
Equity accounted investments	c	-	6,341	6,341	-	7,140	7,140
Other financial assets		253,553	(6,341)	247,212	253,355	(6,142)	247,213
Deferred tax assets	f, g	21,374	(19,815)	1,559	22,648	(20,830)	1,818
Property, plant and equipment	a, d	19,310	(46)	19,264	20,733	(40)	20,693
Intangible assets	a, d, e	-	45	45	-	40	40
Other	a	-	-	-	-	-	-
Total non-current assets		502,672	(19,816)	482,856	504,126	(19,832)	484,294
TOTAL ASSETS		718,870	(18,826)	700,044	737,452	(16,332)	721,120
Liabilities							
Bank overdraft	a	19,645	-	19,645	24,762	-	24,762
Trade and other payables	a, b	71,045	(5,293)	65,752	67,162	(3,097)	64,065
Interest bearing loans and borrowings	a	-	-	-	-	-	-
Employee benefits	a	544	-	544	521	-	521
Income tax payable		-	2,359	2,359	3,226	1,133	4,359
Provisions	a	-	-	-	-	-	-
Liabilities classified as held for sale	a	-	-	-	-	-	-
Total current liabilities		91,234	(2,934)	88,300	95,671	(1,964)	93,707
Interest bearing loans and borrowings	a	212,969	-	212,969	211,655	-	211,655
Deferred tax liabilities	f	2,018	(2,018)	-	1,731	(1,611)	120
Employee benefits	g	50	-	50	55	1	56
Provisions		-	-	-	-	-	-
Total non-current liabilities		215,037	(2,018)	213,019	213,441	(1,610)	211,831
TOTAL LIABILITIES		306,271	(4,952)	301,319	309,112	(3,574)	305,538
NET ASSETS		412,599	(13,874)	398,725	428,340	(12,758)	415,582
Equity							
Issued capital	h	210,530	1,257	211,787	216,827	2,222	219,049
Reserves	i, j	40,074	-	40,074	39,997	-	39,997
Retained earnings	g, i, j	161,995	(15,131)	146,864	171,516	(14,980)	156,536
Equity attributable to equity holders of the parent		412,599	(13,874)	398,725	428,340	(12,758)	415,582
Minority interest	c	-	-	-	-	-	-
TOTAL EQUITY		412,599	(13,874)	398,725	428,340	(12,758)	415,582

Notes to the financial statements

38 Explanation of transition to AIFRS (continued)

Notes to the reconciliation of equity

- (a) Consistent with AIFRS, the assets and liabilities associated with discontinued businesses have been reclassified to assets and liabilities held for sale. At July 2004, the group disclosed as a subsequent event that it was in advanced negotiations relating to the sale of its pharmaceutical intermediate business (SEAC) and its Nufarm Specialty Products (NSP) business. The NSP business was sold in December 2004 and the SEAC business was sold effective February 2005. Both businesses were classified as discontinued at July 2004. At July 2005, the Nuturf business has been classified as a discontinued business. The assets and liabilities of this business have been reclassified to assets and liabilities held for sale. Under AIFRS, the discontinued businesses classification has affected the income statement whereby the discontinued businesses profit or loss for the current year has been reclassified to show a net profit or loss on the discontinued operations and the sale of such businesses below the operating results of the group.
- (b) Under AIFRS, securitised receivables and payables are brought back onto the balance sheet as AIFRS considers the probability of risks and benefits in determining control, not just the possibility. The effect is to increase receivables and payables by \$182.7 million at July 2004 and \$167.4 million at July 2005.
- (c) Under the AIFRS consolidation standard AASB127, the securitisation receivable entity is consolidated on the balance sheet. Previously, it had been equity accounted. The impact of this change is an increase in net assets of \$130,546 at 31 July 2005.
- (d) Under the AIFRS Intangible Assets standard, computer software that is not integral to the operation of a manufacturing facility is classified as an intangible asset rather than property, plant and equipment. This change resulted in a reduction to property, plant and equipment of \$3.1 million at 31 July 2005, with a corresponding increase in intangibles.
- (e) Under AIFRS, goodwill and intangible assets with an indefinite life are not amortised but instead are subject to impairment testing on a semi-annual basis. The impairment testing confirms that the future cash flows derived from these assets exceeds their carrying values. The amortisation of goodwill and indefinite intangibles under previous AGAAP amounted to \$15.4 million for the full year ending 31 July 2005. The notional goodwill amortisation on the equity-accounted investment in Agripec acquisition also ceases under AIFRS. This amount is reflected in the equity income and increases equity income by \$7.8 million in the year to 31 July 2005.
- (f) Under AIFRS, the balance sheet method of tax effect accounting is 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 impact of this change at 31 July 2005 is an increase in deferred tax assets of \$10.6 million and an increase in deferred tax liabilities of \$5.7 million, with an offsetting adjustment to retained earnings.
- (g) Under AIFRS, the group recognises the net deficit in its employer sponsored defined benefit pension funds as a liability. Under Australian GAAP, defined benefit plans were accounted for on a cash basis, with no defined benefit obligation or plan assets recognised in the balance sheet. This change has resulted in an increase in liabilities of \$28.8 million at 31 July 2004 and \$27.3 million at 31 July 2005.

Notes to the financial statements

38 Explanation of transition to AIFRS (continued)

Notes to the reconciliation of equity (continued)

The recognition of the liability has resulted in an increase in deferred tax assets as a tax deduction will result when the liability is incurred. The deferred tax asset recognised is \$9.1 million at 31 July 2004 and \$9.3 million at 31 July 2005. The net after-tax amount in each period has been taken as a reduction in earnings in the income statement.

- (h) Under AIFRS, the group recognises 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 adjustments to equity. Share-based payment costs were generally not recognised under previous AGAAP. At transition date, the group did not have any options granted to employees that fall under the scope of the standard. However, the group does have a global 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 vesting period, rather than as the matching and loyalty shares are issued. This has resulted in a increase to issued capital of \$2.0 million and an expense to the income statement for \$2.0 million for the full year ending 31 July 2005.
- (i) On the transition to AIFRS, the group has taken the option to reset the existing foreign currency translation reserve balance to zero. This has resulted in an increase to reserves of \$16.3 million and a reduction to retained earnings of the same amount.
- (j) On the transition to AIFRS, the group has taken the option to recognise property, plant and equipment at deemed cost, being the revalued amount prior to transition date that approximates the fair value as at the date of transition. This has resulted in the asset revaluation reserve balance of \$0.3 million being reclassified to retained earnings.
- (k) Under AIFRS, revenue from the disposal of non-current assets is recognised on a net basis as income or expense, rather than separately recognising the consideration received on sale as revenue. This has resulted in a reduction to other operating income of \$96.0 million at 31 July 2005, with an offsetting reduction in operating expenses.

Notes to the financial statements

38 Explanation of transition to AIFRS (continued)

Reconciliation of profit

	Note	Consolidated			The Company		
		Previous AGAAP	Effect of transition to AIFRS	AIFRS	Previous AGAAP	Effect of transition to AIFRS	AIFRS
\$000		For the year ended 31 July 2005			For the year ended 31 July 2005		
Revenue	a	1,671,029	(97,041)	1,573,988	64,664	(28,912)	35,752
Cost of sales	a	(1,019,105)	15,343	(1,003,762)	(32,972)	16,497	(16,475)
Gross profit		651,924	(81,698)	570,226	31,692	(12,415)	19,277
Other income	k	106,570	(98,204)	8,366	47,052	(2,288)	44,764
Depreciation and amortisation expense	e	(61,199)	61,199	-	(2,140)	2,140	-
Other operating expenses	a, k	(545,222)	101,815	(443,407)	(22,077)	10,139	(11,938)
Profit before financing costs		152,073	(16,888)	135,185	54,527	(2,424)	52,103
Financial income	a	1,501	6,777	8,278	20,748	(156)	20,592
Financial expenses	a	(40,011)	(6,568)	(46,579)	(22,542)	156	(22,386)
Net financing costs		(38,510)	209	(38,301)	(1,794)	-	(1,794)
Share of net profits/(losses) of associates	a, c	25,617	7,785	33,402	-	997	997
Profit before tax		139,180	(8,894)	130,286	52,733	(1,427)	51,306
Income tax expense/(benefit)	a, e	33,333	(6,869)	26,464	2,664	(613)	2,051
Profit after tax but before profit and loss of discontinued operation and gain on sale of discontinued operation		105,847	(2,025)	103,822	50,069	(814)	49,255
Profit and loss of discontinued operation and gain on sale of discontinued operation	a	-	22,812	22,812	-	992	992
Profit for the period		105,847	20,787	126,634	50,069	178	50,247
Attributable to:							
Equity holders of the parent		104,297	20,748	125,045	50,069	178	50,247
Minority interest		1,550	39	1,589	-	-	-
Profit for the period		105,847	20,787	126,634	50,069	178	50,247
Statutory earnings per share							
Basic earnings per share (cents per share)		61.7	12.3	74.0			
Diluted earnings per share (cents per share)		61.7	12.3	74.0			

Notes to the financial statements

39 Change in accounting policy

In the current financial year the consolidated entity adopted AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement*. This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1, which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 and AASB 139.

The adoption of AASB 139 has resulted in the consolidated entity recognising all derivative financial instruments as assets or liabilities at fair value. This change has been accounted for by adjusting the opening balance of equity (hedging reserve and fair value reserve) at 1 August 2005.

The impact on the balance sheet in the comparative period is set out below as an adjustment to the opening balance sheet at 1 August 2005. The impact on the income statement of the comparative period would have been to increase financial expenses and decrease profit for the period to the extent that cash flow hedges were not 100% effective. The transitional provisions will not have any effect in future reporting periods.

Under AASB 139, the deferred borrowing costs (\$1.567 million) associated with the capital notes program have been reclassified from non-current assets and netted against the capital notes debt.

Under AASB 139, the receivables sold to financiers for which there is recourse to the company, have been reclassified from receivables to securitised payables as at 1 August 2005 (\$16.2 million). In the prior year, the receivables sold reduced trade receivables directly and was disclosed as a contingent liability.

Application of AASB 132 and AASB 139 prospectively from 1 August 2005

Consolidated	Previous AGAAP	Impact of change in accounting policy	AIFRS
\$000			
Fair value derivatives - asset	45,592	1,348	46,940
Fair value derivatives - liability	-	(92)	(92)
Hedging reserve	-	(574)	(574)

The Company

\$000			
Fair value derivatives - asset	45,592	159	45,751
Hedging reserve	-	(58)	(58)