

Nufarm Limited

12 months ended 31.7.2005		Consolidated		% Change
		6 months ended 31.1.2006	6 months ended 31.1.2005	
RESULTS FOR ANNOUNCEMENT TO THE MARKET				
TRADING RESULTS (\$000)				
1,644,905	Revenue from ordinary activities	639,909	659,955	-3%
125,045	Profit/(Loss) from ordinary activities after tax attributable to members	34,176	40,097	-15%
125,045	Net profit/(loss) attributable to members	34,176	40,097	-15%
DISTRIBUTION TO SHAREHOLDERS				
		Amount per security		Franked amount per security
	Dividend paid per ordinary share on 11 November 2005	17c		17c
	Dividend paid per ordinary share on 15 November 2004		15c	15c
	Dividend declared 10 cents per ordinary share fully franked, with record date for entitlement 7 April 2006			
OTHER SUMMARY DATA				
RATIOS		31.1.2006	31.1.2005	
78%	Gearing ratio	121%	127%	
35.3%	Equity ratio	30.7%	29.5%	
\$2.56	Net tangible assets per ordinary share	\$2.38	\$2.07	
2,279	Staff employed	2,429	2,611	

Nufarm Limited

Condensed consolidated interim income statement

for the six months ended 31 January 2006

	Note	Consolidated	
		31.1.2006 \$000	31.1.2005 \$000
Revenue		639,909	659,955
Cost of sales		(365,015)	(388,142)
Gross profit		274,894	271,813
Other operating income		3,358	3,038
Depreciation and amortisation expense		(22,993)	(22,931)
Other operating expenses		(222,544)	(234,631)
Operating profit before financing costs		32,715	17,289
Financial income		4,692	3,949
Financial expenses		(26,960)	(19,738)
Net financing costs		(22,268)	(15,789)
Share of net profits/(losses) of associates	7(a)	18,574	23,343
Profit before tax		29,021	24,843
Income tax expense/(benefit)		552	(764)
Profit after tax but before profit and loss of discontinued operation and gain on sale of discontinued operation		28,469	25,607
Profit and loss of discontinued operation and gain on sale of discontinued operation (after tax)	5	6,075	15,378
Profit for the period		34,544	40,985
Attributable to:			
Equity holders of the parent		34,176	40,097
Minority interest		368	888
Profit for the period		34,544	40,985
Earnings per share			
Basic earnings per share (cents per share)	11	20.1	23.8
Diluted earnings per share (cents per share)	11	20.1	23.8

The accompanying notes form an integral part of these financial statements

Condensed consolidated interim balance sheet

At 31 January 2006

	Note	31.1.2006 \$000	Consolidated 31.1.2005 \$000	31.7.2005 \$000
Current assets				
Cash and cash equivalents		64,470	35,563	55,791
Trade and other receivables		524,688	415,200	402,473
Inventories		567,582	497,645	421,438
Income tax receivable/deferred tax assets		22,808	10,470	8,425
Assets classified as held for sale		-	58,292	5,490
Total current assets		1,179,548	1,017,170	893,617
Non-current assets				
Receivables		23,022	45,724	66,409
Equity accounted investments		243,983	205,356	218,057
Deferred tax assets		62,229	47,587	55,479
Property, plant and equipment		319,457	311,987	310,138
Intangible assets		235,033	192,508	182,789
Other		22,035	21,752	22,242
Total non-current assets		905,759	824,914	855,114
TOTAL ASSETS		2,085,307	1,842,084	1,748,731
Current liabilities				
Bank overdraft		39,083	100,578	10,398
Trade and other payables		501,393	462,262	498,847
Interest bearing loans and borrowings	16	644,277	295,878	250,006
Employee benefits		14,944	13,770	14,964
Income tax payable		13,267	15,599	12,348
Provisions		7,667	5,504	4,752
Liabilities classified as held for sale		-	19,197	1,408
Total current liabilities		1,220,631	912,788	792,723
Non-current liabilities				
Interest bearing loans and borrowings	16	153,841	328,783	280,155
Deferred tax liabilities		23,094	17,133	20,125
Employee benefits		41,262	39,468	37,869
Payables		6,667	545	545
Total non-current liabilities		224,864	385,929	338,694
TOTAL LIABILITIES		1,445,495	1,298,717	1,131,417
NET ASSETS		639,812	543,367	617,314
Equity				
Issued capital	10	221,724	217,108	219,049
Reserves		41,000	19,733	23,395
Retained earnings	10	370,705	298,682	368,904
Equity attributable to equity holders of the parent		633,429	535,523	611,348
Minority interest		6,383	7,844	5,966
TOTAL EQUITY	10	639,812	543,367	617,314

The accompanying notes form an integral part of these financial statements

Condensed consolidated interim statement of cash flows

for the six months ended 31 January 2006

	Note	Consolidated	
		31.1.2006	31.1.2005
		\$000	\$000
Cash flows from operating activities			
Cash receipts from customers		621,106	710,027
Cash paid to suppliers and employees		(765,600)	(843,442)
Cash generated from operations		(144,494)	(133,415)
Interest received		4,718	471
Dividends received		329	121
Interest paid		(26,969)	(16,692)
Income tax paid		(18,024)	(17,544)
Net cash from operating activities		(184,440)	(167,059)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		194	2,790
Proceeds from business sale		6,937	54,433
Payments for plant and equipment		(23,524)	(33,762)
Purchase of businesses, net of cash acquired	6	(20,481)	(1,878)
Payments for investments		-	(162,475)
Payments for acquired intangibles and major product development expenditure		(31,120)	(15,118)
Net investing cash flows		(67,994)	(156,010)
Cash flows from financing activities			
Proceeds from call on partly paid shares		-	1
Proceeds from borrowings (Net)		259,765	297,629
Dividends paid		(28,885)	(25,588)
Net financing cash flows		230,880	272,042
Net increase (decrease) in cash and cash equivalents		(21,554)	(51,027)
Cash at the beginning of the period		45,849	(11,841)
Exchange rate fluctuations on foreign cash balances		1,092	(2,147)
Cash and cash equivalents at the end of the period		25,387	(65,015)

The accompanying notes form an integral part of these financial statements

Nufarm Limited

Condensed consolidated interim statement of recognised income and expense

for the six months ended 31 January 2006

	Consolidated	
	31.1.2006	31.1.2005
	\$000	\$000
Items recognised directly in equity		
Foreign exchange translation differences	17,031	(14,112)
Actuarial gains (losses) on defined benefit plans	(3,490)	-
Cash flow hedges:		
Effective portion of changes in fair value	574	-
Net items recognised directly in equity	14,115	(14,112)
Profit for the period	34,544	40,985
Total recognised income and expense for the period	48,659	26,873
Attributable to:		
Equity holders of the parent	48,291	25,985
Minority interest	368	888
Total recognised income and expense for the period	48,659	26,873

Nufarm Limited

Notes

Notes to the financial statements

1 Significant accounting policies

Nufarm Limited (the "Company") is domiciled in Australia. The condensed consolidated interim financial report of the Company for the six months ended 31 January 2006 comprises the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in associates.

The condensed consolidated interim financial report was authorised for issue by the directors on 28 March 2006.

(a) Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS"). The interim financial report of the consolidated entity also complies with IFRS and interpretations adopted by the International Accounting Standards Board.

This is the consolidated entity's first AIFRS condensed consolidated interim financial report for part of the period covered by the first AIFRS annual financial report and AASB 1 *First time adoption of Australian equivalents to International Financial Reporting Standards*. The condensed consolidated interim financial report does not include all of the information required for a full annual financial report.

The interim financial report is to be read in conjunction with the most recent annual financial report, however, the basis of preparation is different to that of the most recent annual report due to the first time adoption of AIFRS. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity is provided in note 17. This note includes reconciliations of equity and profit or loss for comparative periods reported under Australian GAAP (previous AGAAP) to those reported for those periods under AIFRS.

(b) Basis of preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical or deemed 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 an interim financial report in conformity with AASB 134 Interim Financial Reporting requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These results form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

This condensed consolidated interim financial report has been prepared on the basis of AIFRS issued and that are effective or available for early adoption at the consolidated entity's first AIFRS annual reporting date, 31 July 2006. Based on these AIFRS, the Board of Directors made assumptions about the accounting policies expected to be adopted when the first AIFRS annual financial report is prepared for the year ended 31 July 2006.

1 Significant accounting policies (continued)

(b) Basis of preparation (continued)

The Australian Accounting Standards and UIG Interpretations that will be effective or available for voluntary early adoption in the annual financial statements for the period ended 31 July 2006 are still subject to change and, therefore, cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first AIFRS financial statements are prepared at 31 July 2006.

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

- * AASB 119 Employee Benefits (December 2004);
- * AASB 2004-3 Amendments to Australian Accounting Standards (December 2004), amending AASB 1, 101 and 124 as a consequence of the release of AASB 119 (Dec 2004);
- * AASB 2005-3 Amendments to Australian Accounting Standards (June 2005), amends and transfers commentary on contributions tax in a defined benefit plan from the Standard to Australian Guidance; and
- * AASB 2005-7 Amendments to Australian Accounting Standards (June 2005), amending AASB 134 Interim Financial Reporting.

The preparation of the condensed consolidated interim financial report in accordance with AASB 134 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous AGAAP. Except for the change in accounting policy relating to classification and measurement of financial instruments (refer note 18), the accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening AIFRS balance sheet at 1 August 2004 for the purposes of transition to Australian Accounting Standards - AIFRS, as required by AASB 1. The impact of the transition from previous AGAAP to AIFRS is explained in note 16. Where relevant, the accounting policies applied to the comparative period have been disclosed if they differ from the current period policy. The accounting policies have been applied consistently throughout the consolidated entity for purposes of this condensed consolidated interim financial report.

(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 reports 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.

(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 consolidated entity in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and 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 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.

1 Significant accounting policies (continued)

(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.

(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.

(e) Derivative financial instruments

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 cost. 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.

(f) Hedging

Current period policy

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 probable forecast 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, the associated cumulative gain or loss is removed from equity and included 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 liability, then the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period during which the asset acquired or liability assumed affects profit or loss.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period 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.

1 Significant accounting policies (continued)

(f) Hedging (cont)

Current period policy (cont)

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes the designation of the hedge relationship but the hedged forecast transaction still is expected to occur, the cumulative gain or loss as 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, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

When a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognised in the income statement.

Comparative period policy

The company uses financial instruments with "off balance sheet" risks to reduce exposure to fluctuations in foreign exchange and interest rates. Financial instruments used include:

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

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

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

(g) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. 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.

(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 and impairment losses.

1 Significant accounting policies (continued)

(g) Property, plant and equipment (cont)

(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.

(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	3-20 years
* leased plant and equipment	over the term of the lease

The residual value, if significant, is reassessed annually.

(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 restated when preparing the consolidated entity's opening AIFRS balance at 1 August 2004.

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. 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 and development

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

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. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

1 Significant accounting policies (continued)

(h) Intangibles assets (cont)

(iii) Other intangible assets

Product registrations, product access rights and trademarks acquired from third parties for an indefinite period are considered to have an indefinite life as there are minimal annual fees to maintain the assets. Other intangible assets acquired by the consolidated entity are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

(iv) 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.

(v) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite life are systematically tested for impairment at each annual balance sheet date. Other intangible assets are amortised from the date that they are available for use. The estimated useful lives in the current and comparative periods are as follows:

* capitalised development costs	5 years
* other intangibles	over the useful life but not exceeding 15 years

(i) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

(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 other 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 and call deposits with an original maturity date of three months or less. 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 reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, 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 a cash generating unit's asset amount 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.

1 Significant accounting policies (continued)

(l) Impairment (cont)

Goodwill and indefinite-life intangible assets were tested for impairment at 1 August 2004, the date of transition to AIFRS.

(i) Calculation of recoverable amount

The recoverable amount of receivables carried at amortised cost 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.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. 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

An impairment loss in respect of a held-to-maturity investment or receivable carried at amortised cost is reversed if the subsequent increases in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(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.

(n) Interest-bearing borrowings

Current accounting policy

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Comparative period policy

All 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, are charged against profit as they accrue.

(o) Employee benefits

(i) Defined contribution plans

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

1 Significant accounting policies (continued)

(o) Employee benefits (cont)

(ii) Defined benefit plans

The consolidated entity has early adopted the revised AASB 119 *Employee Benefits* (December 2004).

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 plan 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.

All actuarial gains and losses at 1 August 2004, the date of transition to AIFRS, were recognised. Any actuarial gains and losses that arise subsequent to 1 August 2004 are recognised in retained earnings.

When the calculation results in plan assets exceeding liabilities 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 plan or reductions in future contributions to the plan.

(iii) Long-term service benefits

The consolidated entity's net obligation in respect of long-term benefits, other than pension plans, 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) Share-based payment transactions

The consolidated entity has a global share plan for employees whereby matching and loyalty shares are granted to employees. The fair value of matching and loyalty shares granted is recognised in the income statement over the respective vesting period, rather than as the matching and loyalty shares are issued.

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

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and 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.

(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.

(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 cost.

1 Significant accounting policies (continued)

(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 paid or payable on borrowings calculated using the effective interest method, interest received or receivable on funds invested, dividend income, foreign exchange gains and losses and gains and losses on hedging instruments that are recognised in the income statement. Interest income is recognised in the income statement as it accrues, using the effective interest method.

(t) Income tax

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates directly to items recognised 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 prior 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 following temporary differences are not provided for: 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.

1 Significant accounting policies (continued)

(t) Income tax (continued)

Tax consolidation (cont)

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.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group). Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's balance sheet and their tax values applying under tax consolidation.

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

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 assumed from subsidiaries are recognised by the head entity only.

Nature of tax funding arrangements and tax sharing agreements

The members of the tax-consolidated group have 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) in the separate financial statements of the members of the tax consolidated groups equal in amount to the tax liability (asset) assumed. The inter-entity receivable (payable) are at call.

The head entity recognises the assumed current tax amounts as current tax liabilities (assets), adding to its own current tax amounts, since they are also due to or from the same taxation authority. The current tax liabilities (assets) are equivalent to the tax balances generated by external transactions entered into by the tax-consolidated group. Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The members of the tax-consolidated group have 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.

Nufarm Limited

Notes

Notes to the financial statements continued

1 Significant accounting policies (continued)

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

Immediately before classification as held for sale, the measurement of the assets is brought up to date in accordance with applicable AIFRS. 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 an entity that either has been disposed of, or is classified as held for sale, and:

- * represents a separate major line of business or geographical area of operations;
- * is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- * is a subsidiary acquired exclusively with a view to resale.

(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.

Notes

Notes to the half-year financial statements continued

2 Segments

Segment information is presented in the condensed consolidated interim financial statements in respect of the consolidated entity's geographic segments, which are the primary basis of segment reporting. The geographic segment reporting format reflects the consolidated entity's management and internal reporting structure. Inter-segment pricing is on an arm's length basis. Segment results 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, financing income and expenses and corporate assets and expenses.

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

	Australasia	Europe	Americas	Consolidated
	\$000	\$000	\$000	\$000
Geographic segments				
Revenue				
Total segment revenue	340,658	144,311	154,940	639,909
Results				
Segment result - operating	50,826	3,931	88	54,845
Segment result - non operating	-	(7,207)	-	(7,207)
Segment result - total	50,826	(3,276)	88	47,638
Unallocated expenses				(14,923)
Operating profit				32,715
Net financing costs				(22,268)
Share of profit of associates				18,574
Income tax expense				(552)
Profit/(loss) of discontinued operation and gain on sale of discontinued operation				6,075
Profit for the period				34,544
Assets				
Segment assets	761,385	548,609	690,276	2,000,270
Unallocated assets				85,037
Total assets				2,085,307
Liabilities				
Segment liabilities	279,605	155,546	136,782	571,933
Unallocated liabilities				873,562
Total liabilities				1,445,495

Notes

Notes to the half-year financial statements continued

2 Segments (continued)

	Australasia	Europe	Americas	Consolidated
	\$000	\$000	\$000	\$000
Geographic segments				
Revenue				
Total segment revenue	367,336	144,274	148,345	659,955
Results				
Segment result - operating	44,438	(1,594)	2,741	45,585
Segment result - non operating	-	(15,208)	-	(15,208)
Segment result - total	44,438	(16,802)	2,741	30,377
Unallocated expenses				(13,088)
Operating profit				17,289
Net financing costs				(15,789)
Share of profit of associates				23,343
Income tax expense				764
Profit/(loss) of discontinued operation and gain on sale of discontinued operation				15,378
Profit for the period				40,985
Assets				
Segment assets	665,131	616,794	502,102	1,784,027
Unallocated assets				58,057
Total assets				1,842,084
Liabilities				
Segment liabilities	265,453	168,042	107,251	540,746
Unallocated liabilities				757,971
Total liabilities				1,298,717

3 Seasonality of operations

The profitability and cash flow of the business remains seasonal with a strong weighting towards the second half. This reflects the key selling period for the crop protection business, particularly in Australia, Europe and North America. Refer to the report to shareholders for further commentary on operations.

4 Non-operating income and expenses

The following material items were included in the period result:

	Consolidated	
	31.1.2006	31.1.2005
	\$000	\$000
Gain on sale of businesses	6,896	23,436
Write down of UK fixed assets	-	(14,192)
Restructuring costs - France/UK	(7,207)	(1,016)
Non-operating items before tax	(311)	8,228
Tax benefit/(expense) thereon	1,775	(4,388)
Non-operating items after tax	1,464	3,840

Notes

Notes to the half-year financial statements continued

5 Non-current assets held for sale and discontinued operation**Discontinued operation**

	Consolidated	
	31.1.2006	31.1.2005
	\$000	\$000

Effective 1 August 2005, the group sold the Nuturf turf/specialty business. In the prior period, the group sold the Nufarm Specialty Products and Biological Wool Harvesting businesses. For the prior period, the SEAC business was classified as a discontinued business and was sold effective 1 February 2005.

Revenue	(17)	26,189
Cost of sales	(201)	(7,202)
Gross Profit	(218)	18,987
Other operating income	-	739
Depreciation and amortisation expense	-	(2,386)
Operating expenses	(89)	(15,742)
Operating profit before financing costs	(307)	1,598
Financial income	26	245
Financial expenses	(9)	(348)
Net financing costs	17	(103)
Profit before tax	(290)	1,495
Income tax expense	-	(564)
	(290)	931
Gain on sale of discontinued operation	6,896	23,436
Income tax expense	(531)	(8,989)
Gain on sale of discontinued operation after tax	6,365	14,447
Profit and loss of discontinued operation and gain on sale of discontinued operation	6,075	15,378

Assets held for sale

There are no assets or liabilities classified as held for sale at 31 January 2006.

Nufarm Limited

Notes

Notes to the half-year financial statements continued

	Consolidated	
	31.1.2006	31.1.2005
	\$000	\$000

6 Acquisition of subsidiaries

The Agrogen/FADA businesses in Colombia were acquired in December 2005.

In September 2005, the group acquired the remaining 50% of Nugrain. At December 2005, the remaining 50% of Access Genetics was acquired. Both Nugrain and Access Genetics are involved in the development and breeding of new seed varieties. As expected, in the period to 31 January 2006, these subsidiaries contributed losses of \$371,480 to the consolidated group after tax profit for the interim period.

The Ag-Seed Research business was acquired on 28 September 2004. Ag-Seed Research is involved in the research, breeding and commercialisation of canola varieties in Australia.

Acquiree's net assets at the acquisition date

The acquisition had the following effect on the consolidated entity's assets and liabilities.

Cash	162	-
Receivables	10,250	-
Inventory	6,927	-
Other assets	2,221	-
Property, plant and equipment	1,978	600
Trade and other payables	(7,717)	-
Accruals	(432)	(64)
Interest bearing loans and borrowings	(7,892)	-
Net identifiable assets and liabilities	5,497	536
Reversal of equity investment	1,244	-
Prior period investment	(2,000)	-
Goodwill on acquisition	15,902	3,342
Consideration paid, satisfied in cash	20,643	3,878
Deferred consideration	-	(2,000)
Cash (acquired)	(162)	-
Net cash outflow	20,481	1,878

Goodwill has arisen on the acquisition of Agrogen/FADA as the primary purpose of the acquisition was geographic expansion within the Andean region.

7 Associates and Joint Ventures

(a) Associates

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

The consolidated entity has the following investments in associates:

Name	Ownership %		Share of after tax profit	
	31.1.2006	31.1.2005	31.1.2006	31.1.2005
			\$000	\$000
Agripec Quimica e Farmaceutica SA	49.9%	49.9%	18,321	22,378
Bayer CropScience Nufarm Ltd	25%	25%	(299)	86
Excel Crop Care Ltd	14.7%	14.7%	550	814
Others			2	65
Share of after tax profits of associate			18,574	23,343

(b) Joint Ventures

The company has an 80% interest in the Nufarm-Coogee Joint Venture representing its two chlor alkali plants in Western Australia.

Group's share of Joint Venture entities profits:

Profit before tax	5,957	3,857
Income tax	1,787	1,157
Net profit after tax	4,170	2,700

8 Income taxes

Current tax

Current tax expense for the interim period presented is the expected tax payable on the taxable income for the period, calculated as the effective income tax applied to the pre-tax income of the interim period.

Deferred tax

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using the effective income tax rate for the interim period.

The primary components of the entity's recognised deferred tax assets include temporary differences related to employee benefits, provisions and accruals, depreciation and the value of tax losses carried forward.

The primary components of the entity's recognised deferred tax liabilities include temporary differences related to depreciation, amortisation and other items.

Deferred tax expense arises from the origination and reversal of temporary differences, the effect of changes in tax rates and the benefit of tax losses recognised. The primary component of deferred tax expense for the six months ended 31 January 2006 is related to depreciation, amortisation and movements in accrual accounts.

Total deferred tax recognised directly in equity was \$13,500 for the six months ended 31 January 2006 (six months ended 31 January 2005: \$13,500).

Tax Consolidation

In accordance with the tax consolidation legislation, the Company as the head entity of of the Australian tax-consolidated group has assumed the current tax liability (asset) and deferred tax assets arising from unused tax losses/credits initially recognised by the members in the tax consolidation group.

9 Property, plant and equipment

Acquisition and disposals

During the six months ended 31 January 2006, the consolidated entity acquired assets with a cost of \$25,361,559 (six months ended 31 January 2005: \$34,362,213), including assets acquired through business combinations (see note 6) of \$1,837,559 (six months ended 31 January 2005 \$600,213). Assets with a book value of \$346,861 were disposed of during the six months ended 31 January 2006 (six months ended 31 January 2005: \$15,601,000), including assets disposed of through sale of discontinued operations (see note 5) of \$218,516 (six months ended 31 January 2005: \$12,811,000).

Capital commitments

	Consolidated	
	31.1.2006	31.1.2005
	\$000	\$000
Capital expenditure commitments		
Plant and equipment		
<i>Contracted but not provided for and payable:</i>		
Within one year	10,853	12,063
One year or later and no later than five years	-	-
Later than five years	-	-
	<u>10,853</u>	<u>12,063</u>

Nufarm Limited

Notes

Notes to the financial statements continued

10 Capital and reserves

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

Consolidated	Share Capital \$000	Translation Reserve \$000	Capital Profit Reserve \$000	Hedging Reserve \$000	Other Reserve \$000	Retained Earnings \$000	Minority Interest \$000	Total Equity \$000
Balance at 1 August 2005	219,049	(10,450)	33,603	-	242	368,904	5,966	617,314
Foreign exchange translation differences		17,031					49	17,080
Hedging reserve				574				574
Actuarial gains/(losses) on defined benefit plans						(3,490)		(3,490)
Share issued to employees	1,065							1,065
Shares issued under employee global share plan	1,597							1,597
Tax benefit on share issue costs	13							13
Profit for the period						34,176	368	34,544
Dividends paid to shareholders						(28,885)		(28,885)
Shares issued								-
Balance at 31 January 2006	221,724	6,581	33,603	574	242	370,705	6,383	639,812

Notes

Notes to the financial statements continued

	Number of shares 31.1.2006	Consolidated 31.1.2006 \$000	Number of shares 31.1.2005	Consolidated 31.1.2005 \$000
10 Capital and reserves (cont)				
Share capital				
Ordinary shares issued and fully paid				
Balance at the beginning of the year	169,671,874	219,049	167,735,767	210,528
Issue of shares	185,439	2,662	203,754	2,696
Share options exercised	-	-	1,437,692	3,882
Partly paid shares fully paid up during the year	-	-	300	-
Tax benefit on share issue costs	-	13	-	-
Balance at the end of the period	169,857,313	221,724	169,377,513	217,106
Ordinary shares issued and partly paid to 1.0 cent				
Balance at the beginning of the year	-	-	233,325	2
Partly paid shares fully paid up during the year	-	-	(300)	-
Balance at the end of the period	-	-	233,025	2
Total contributed equity	169,857,313	221,724	169,610,538	217,108

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.

Dividends

The following dividends were paid by the consolidated entity.

	2006 \$000	2005 \$000
For the six months ended 31 January 2006		
\$0.17 per ordinary share (2005: \$0.15)	28,885	25,293

11 Earnings per share

Net profit for the six months 31 January 2006	34,544	40,985
Net profit attributable to minority interest	368	888
Earnings used in the calculations of basic and diluted earnings per share	34,176	40,097
Add/subtract non-operating profit/(loss) (refer note 4)	1,464	3,840
Earnings excluding non-operating items used in the calculations of operating earnings per share	32,712	36,257

Number of shares

Weighted average number of ordinary shares used in calculation of basic earnings per share	169,776,687	168,453,327
Weighted average number of share options used in calculation of diluted earnings per share	-	-
Weighted average number of ordinary shares used in calculation of diluted earnings per share	169,776,687	168,453,327

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.

Earnings per share

Basic earnings per share (cents per share)	20.1	23.8
Diluted earnings per share (cents per share)	20.1	23.8
Operating earnings per share		
Basic earnings per share excluding non-operating items (cents per share)	19.3	21.5
Diluted earnings per share excluding non-operating items (cents per share)	19.3	21.5

Notes

Notes to the financial statements continued

12 Employee benefits

Pension Plans

The consolidated entity operates defined benefit pension plans in UK, Netherlands and France, details of which are disclosed in the most recent annual financial statements. Details of total employee benefits under these schemes is provided below:

	2006 \$000	2005 \$000
As at 31 January 2006		
Present value of unfunded obligations	63,836	54,948
Fair value of plan assets	33,379	26,371
Present value of net obligations	30,457	28,577
Unrecognised actuarial gains and losses	-	-
Recognised liability for defined benefit obligations	30,457	28,577

Expense recognised in the consolidated interim income statement

The expense recognised in the consolidated interim income statement consists of the current service costs, interest on the obligation for employee benefits, the expected return on plan assets and past service cost. For the six months ended 31 January 2006, the consolidated entity recognised expense of \$1,692,000 (six months ended 31 January 2005: \$2,444,000).

	2006 %	2005 %
Principal actuarial assumptions at the date of the most recent actuarial valuations (expressed as weighted averages):		
Discount rate	4.4%	5.4%
Expected return on plan assets	5.1%	6.3%
Future salary increases	2.65%	2.65%
Future pension increases	2.4%	2.4%

Share-based payments

The consolidated entity operates a Global Share Plan, which commenced in 2001, and is available to 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 maximum of five years, the company contributes a further 10% of the value of the shares acquired with the participant's contribution. An independent trustee holds the shares on behalf of the participants. There are 841 participants at 31 January 2006 (2005: 792 participants). The fair value of the matching and loyalty shares granted is recognised over the respective vesting period of the participants. The fair value is based on the market value of the shares at grant date.

The market value of shares granted under the plan varied from \$10.40 to \$11.58 in the reporting period (2005: \$6.26 to \$9.88). During the period, the consolidated entity recognised expense of \$1,596,512 relating to the plan (2005: \$1,051,552). The number of shares granted pursuant to the plan during the period was 122,605 (2005: 112,760).

Additionally, there were three equity settled option grants, being the Nufarm Limited Executive Share Purchase Scheme (1984), the Nufarm Limited Staff Share Purchase Scheme Number 2 (1990) and a UK Savings Related Share Option Scheme (1997), made prior to 7 November 2002 which remained outstanding at 1 August 2004. As disclosed in the previous annual report, there were no outstanding options at 31 July 2005 as all options under the schemes were exercised during 2005. In accordance with the transitional provisions in AASB 1 and AASB 2, the recognition and measurement principles in AASB 2 have not been applied to these grants.

13 Financial instruments

Hedging of fluctuations in interest rates

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 exposures. The swaps mature over the next 2 years following the maturity of the related loans and have fixed swap rates ranging from 4.76 percent to 4.98 percent.

The consolidated entity measures interest rate swaps at fair value, with the movements in fair value reflected in the income statement. At 31 January 2006, the consolidated entity had interest rate swaps with a notional contract amount of \$50,000,000.

The net fair value of swaps at 31 January 2006 was \$49,773,131.

Hedging of fluctuations in foreign currency

The consolidated entity uses derivative financial instruments to manage specifically identified foreign currency risks on sales and purchases that are denominated in a currency other than the AUD. The currencies giving rise to the 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 six months after the balance sheet date. Where necessary, the forward exchange contracts are rolled over at maturity.

Forecasted transactions

The consolidated entity classifies its forward exchange contracts hedging forecasted transactions as cash flow transactions and measures them at fair value. The net fair value of forward exchange contracts used as hedges of forecast transactions at 31 January 2006 was \$1,066,412, comprising assets of \$11,527,127 and liabilities of \$10,460,715 that were recognised as derivatives measured at fair value.

Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in profit or loss. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of "net financing costs". The fair value of forward exchange contracts used as economic hedges of monetary assets and liabilities in foreign currencies at 31 January 2006 was \$44,480,428 recognised in fair value derivatives.

Estimation of fair values

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

Derivatives

Forward exchange contracts are marked to market either 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.

Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows, where it is materially different to the principal amount.

Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous 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. Where material, all other receivables/payables are discounted to determine the fair value.

Nufarm Limited

Notes

Notes to the financial statements continued

14 Contingent liabilities

Contingent liabilities total \$26.7 million at 31 January 2006 compared to \$44.9 million at July 2005.

The major reason for the decrease in contingent liabilities is the value of receivables sold to financiers where there is either partial or full recourse to the company in the event that the debt is not collected. This amount reduced by \$15.3 million from July 2005 to January 2006.

Nufarm Limited and two of its subsidiary companies (referred to as the Fernz defendants) have been named as three of 15 defendants in proceedings filed in the High Court of New Zealand by the New Zealand Commerce Commission (NZCC). The proceedings relate to alleged anti competitive conduct in the timber treatment industry in New Zealand. In 2001, Nufarm sold its timber treatment chemicals business which it had acquired in 1996.

Nufarm Limited is aware that one of the other defendants has reached agreement with NZCC to settle proceedings brought against it, and that the settlement includes admissions in respect of certain allegations involving the Fernz defendants.

Nufarm Limited has only recently obtained access to the records of the timber business and some of the material relied on by the NZCC. A review of that information is now being undertaken. Until this review is completed, Nufarm is unable to make a proper assessment of its legal position.

15 Subsequent events

On 28 March 2006, the directors declared an interim dividend of 10 cents per share, fully franked, payable 28 April 2006, with the record date for entitlement being 7 April 2006. Interim dividend for 2005 was 9 cents per share fully franked.

16 Interest-bearing loans and borrowings

Interest-bearing liabilities include the capital notes which have a face value of NZD225 million (\$204.5 million). These unsecured subordinated fixed interest securities have an election date of 15 October 2006. Consequently, the notes have been reclassified from non-current liabilities to current liabilities in the reporting period ended 31 January 2006.

17 Explanation of transition to AIFRS

As stated in note 1(a), these are the consolidated entity's first condensed consolidated interim financial statements for part of the period covered by the first AIFRS annual consolidated financial statements prepared in accordance with Australian Accounting Standards - AIFRS.

The accounting policies in note 1 have been applied in preparing the condensed consolidated interim financial statements for the six months ended 31 January 2006, the comparative information for the six months ended 31 January 2005, the financial statements for the year ended 31 July 2005 and 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, comparative information for the six months ended 31 January 2005 and financial statements for the year ended 31 July 2005, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous AGAAP).

An explanation of how the transition from previous AGAAP 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.

Nufarm Limited

Notes

Notes to the financial statements continued

17 Explanation of transition AIFRS (continued)

Reconciliation of equity

Consolidated \$000	Note	1 August 2004			31 January 2005			31 July 2005		
		Previous AGAAP	Effect of transition to AIFRS	AIFRS	Previous AGAAP	Effect of transition to AIFRS	AIFRS	Previous AGAAP	Effect of transition to AIFRS	AIFRS
Assets										
Cash and cash equivalents	a	56,826	(922)	55,904	35,723	(160)	35,563	56,233	(442)	55,791
Trade and other receivables	a,b	240,469	168,706	409,175	303,275	111,925	415,200	238,048	164,425	402,473
Inventories	a	432,139	(13,067)	419,072	511,816	(14,171)	497,645	423,946	(2,508)	421,438
Income tax receivable	c	6,858	(491)	6,367	9,893	577	10,470	8,138	287	8,425
Assets classified as held for sale	a	-	78,344	78,344	-	58,292	58,292	-	5,490	5,490
Total current assets		736,292	232,570	968,862	860,707	156,463	1,017,170	726,365	167,252	893,617
Receivable		38,535	-	38,535	45,724	-	45,724	66,409	-	66,409
Equity accounted investments	c	24,953	(85)	24,868	205,465	(109)	205,356	210,420	7,637	218,057
Deferred tax assets	f, g	34,302	10,460	44,762	37,337	10,250	47,587	44,836	10,643	55,479
Property, plant and equipment	a, d	376,632	(52,254)	324,378	350,493	(38,506)	311,987	313,535	(3,397)	310,138
Intangible assets	a, d, e	196,021	(836)	195,185	178,725	13,783	192,508	164,605	18,184	182,789
Other	a	24,843	(802)	24,041	22,034	(282)	21,752	22,252	(10)	22,242
Total non-current assets		695,286	(43,517)	651,769	839,778	(14,864)	824,914	822,057	33,057	855,114
TOTAL ASSETS		1,431,578	189,053	1,620,631	1,700,485	141,599	1,842,084	1,548,422	200,309	1,748,731

Nufarm Limited

Notes

Notes to the financial statements continued

17 Explanation of transition AIFRS (continued)

Reconciliation of equity

Consolidated \$000	Note	1 August 2004			31 January 2005			31 July 2005		
		Previous AGAAP	Effect of transition to AIFRS	AIFRS	Previous AGAAP	Effect of transition to AIFRS	AIFRS	Previous AGAAP	Effect of transition to AIFRS	AIFRS
Liabilities										
Bank overdraft	a	72,298	(4,553)	67,745	107,483	(6,905)	100,578	10,398	-	10,398
Trade and other payables	a, b	397,939	173,160	571,099	350,115	112,147	462,262	333,183	165,664	498,847
Interest bearing loans and borrowings	a	40,113	(1,221)	38,892	296,032	(154)	295,878	250,006	-	250,006
Employee benefits	a	15,983	(1,254)	14,729	14,732	(962)	13,770	15,196	(232)	14,964
Income tax payable		15,401	156	15,557	15,599	-	15,599	12,348	-	12,348
Provisions	a	9,128	(27)	9,101	5,530	(26)	5,504	4,752	-	4,752
Liabilities classified as held for sale	a	-	22,004	22,004	-	19,197	19,197	-	1,408	1,408
Total current liabilities		550,862	188,265	739,127	789,491	123,297	912,788	625,883	166,840	792,723
Total non-current liabilities										
Interest bearing loans and borrowings	a	287,180	(896)	286,284	329,640	(857)	328,783	280,155	-	280,155
Deferred tax liabilities	f	22,673	(3,173)	19,500	15,932	1,201	17,133	14,420	5,705	20,125
Employee benefits	g	10,369	27,266	37,635	10,891	28,577	39,468	10,774	27,095	37,869
Provisions		-	-	-	544	1	545	545	-	545
Total non-current liabilities		320,222	23,197	343,419	357,007	28,922	385,929	305,894	32,800	338,694
TOTAL LIABILITIES		871,084	211,462	1,082,546	1,146,498	152,219	1,298,717	931,777	199,640	1,131,417
NET ASSETS										
		560,494	(22,409)	538,085	553,987	(10,620)	543,367	616,645	669	617,314
Equity										
Issued capital	h	210,530	1,271	211,801	215,877	1,231	217,108	216,827	2,222	219,049
Reserves	i, j	17,854	15,991	33,845	3,006	16,727	19,733	5,871	17,524	23,395
Retained earnings	g, i, j	324,401	(39,800)	284,601	327,417	(28,735)	298,682	388,150	(19,246)	368,904
Equity attributable to equity holders of the parent		552,785	(22,538)	530,247	546,300	(10,777)	535,523	610,848	500	611,348
Minority interest	c	7,709	129	7,838	7,687	157	7,844	5,797	169	5,966
TOTAL EQUITY		560,494	(22,409)	538,085	553,987	(10,620)	543,367	616,645	669	617,314

17 Explanation of transition to AIFRS (continued)

- (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 and SEAC was still classified as a discontinued business at January 2005. 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, \$120.5 million at January 2005 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 \$168,487 at 31 January 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 \$2.0 million at 31 January 2005 and \$3.1 million at 31 July 2005, with an offsetting increase in intangibles for the corresponding periods.
- (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 on goodwill and indefinite intangibles under previous AGAAP amounted to \$7.6 million for the six months ended 31 January 2005 and \$15.4 million for the full year ending 31 July 2005. The notional goodwill amortisation on the Agripec acquisition also ceases under AIFRS. This amount is reflected in the equity income and increases equity income by \$4.2 million to 31 January 2005 and by \$7.8 million 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 January 2005 is an increase in deferred tax assets of \$0.7 million and an increase in deferred tax liabilities of \$1.2 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, \$27.5 million at 31 January 2005 and \$27.3 million at 31 July 2005. 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, \$9.4 million at 31 January 2005 and \$9.3 million at 31 July 2005. The net after-tax amount in each period has been taken as a reduction to retained earnings.

17 Explanation of transition to AIFRS (continued)

- (h) Under AIFRS, the company 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 an employee share program whereby matching and loyalty shares are granted to employees over five years after a one year qualifying period. Under AIFRS, the expense of the matching and loyalty shares is recognised over the vesting period, rather than as the matching and loyalty shares are issued. This has resulted in a increase to issued capital of \$1.6 million and an expense to the income statement for \$1.6 million for the interim period to 31 January 2006.
- (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 derecognised and adjusted against retained earnings.
- (k) Under AIFRS, revenue from the disposal of assets is recognised on a net basis as revenue or expense, rather than separately recognising the consideration as revenue. This has resulted in a reduction to other operating income of \$48.7 million at 31 January 2005 and \$96.0 million at 31 July 2005, with an offsetting reduction in operating expenses.

Nufarm Limited

Notes

Notes to the financial statements continued

17 Explanation of transition AIFRS (continued)

Reconciliation of profit

Consolidated \$000	Note	For the six months ended 31 January 2005			For the year ended 31 July 2005		
		Previous AGAAP	Effect of transition to AIFRS	AIFRS	Previous AGAAP	Effect of transition to AIFRS	AIFRS
Revenue	a	685,771	(25,816)	659,955	1,671,029	(26,124)	1,644,905
Cost of sales	a	(394,482)	6,340	(388,142)	(1,019,105)	6,653	(1,012,452)
Gross profit		291,289	(19,476)	271,813	651,924	(19,471)	632,453
Other operating income	k	52,485	(49,447)	3,038	106,570	(97,175)	9,395
Depreciation and amortisation expense	e	(33,120)	10,189	(22,931)	(61,199)	18,246	(42,953)
Operating expenses	a, k	(278,638)	44,007	(234,631)	(545,222)	93,541	(451,681)
Operating profit before financing costs		32,016	(14,727)	17,289	152,073	(4,859)	147,214
Financial income	a	672	3,277	3,949	1,501	6,701	8,202
Financial expenses	a	(16,692)	(3,046)	(19,738)	(40,011)	(6,302)	(46,313)
Net financing costs		(16,020)	231	(15,789)	(38,510)	399	(38,111)
Share of net profits/(losses) of associates	a, c	19,150	4,193	23,343	25,617	7,785	33,402
Profit before tax		35,146	(10,303)	24,843	139,180	3,325	142,505
Income tax benefit/(expense)	a, e	(5,981)	6,745	764	(33,333)	3,646	(29,687)
Profit after tax but before profit and loss of discontinued operation and gain on sale of discontinued operation		29,165	(3,558)	25,607	105,847	6,971	112,818
Profit and loss of discontinued operation and gain on sale of discontinued operation	a	-	15,378	15,378	-	13,816	13,816
Profit for the period		29,165	11,820	40,985	105,847	20,787	126,634
Attributable to:							
Equity holders of the parent		28,309	11,788	40,097	104,297	20,748	125,045
Minority interest		856	32	888	1,550	39	1,589
Profit for the period		29,165	11,820	40,985	105,847	20,787	126,634
Earnings per share							
Basic earnings per share (cents per share)		16.8	7.0	23.8	61.7	12.3	74.0
Diluted earnings per share (cents per share)		16.8	7.0	23.8	61.7	12.3	74.0

Notes

Notes to the financial statements continued

18 Change in accounting policy

Reconciliation of financial instruments as if AASB 139 was applied at 1 August 2005

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 (\$0.9 million) associated with the capital notes program have been reclassified from non-current assets and netted against the capital notes debt.

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

\$000	Previous AGAAP	Impact of change in accounting policy	AIFRS
Fair value derivatives - asset	43,224	1,348	44,572
Fair value derivatives - liability	-	(92)	(92)
Hedging reserve	-	(574)	(574)
Retained earnings	-	-	-