

Nufarm Limited

Income statement

for the year ended 31 July 2007

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

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

Balance sheet

As at 31 July 2007

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

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

Nufarm Limited

Statement of cash flows

for the year ended 31 July 2007

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

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

Nufarm Limited

Statement of recognised income and expense

for the year ended 31 July 2007

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

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

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

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

Notes to the financial statements

1 Reporting entity

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

2 Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the group also complies with IFRS and interpretations adopted by the International Accounting Standards Board. The company's financial report does not comply with IFRS as the company has elected to apply the relief provided to parent entities by AASB 132 *Financial Instruments: Presentation and Disclosure* in respect of certain disclosure requirements.

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

(b) Basis of measurement

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

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

3 Significant accounting policies

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

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

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

Notes to the financial statements

Notes to the financial statements continued

3 Significant accounting policies (continued)

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

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

(a) Basis of consolidation

Subsidiaries

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

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

Associates

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

Joint controlled operations

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

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

Transactions eliminated on consolidation

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

(b) Foreign currency

Foreign currency transactions

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

Foreign operations

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

Notes to the financial statements

Notes to the financial statements continued

3 Significant accounting policies (continued)

(b) Foreign currency (continued)

Foreign operations (continued)

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

Hedge of net investment in foreign operation

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

(c) Financial instruments

Non-derivative financial instruments

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

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

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

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

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

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

Derivative financial instruments

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

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

Cash flow hedges

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

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Economic hedges

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

Notes to the financial statements

Notes to the financial statements continued

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

Share capital

Ordinary shares

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

Hybrid securities

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

Dividends

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

(d) Property, plant and equipment

Recognition and measurement

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

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

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

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

Subsequent costs

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

Depreciation

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

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

* buildings	15-20 years
* leasehold improvements	5 years
* plant and equipment	10-15 years
* motor vehicles	5 years
* computer equipment	3 years

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

(e) Intangible assets

Goodwill

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

Acquisitions prior to 1 August 2004

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

Notes to the financial statements

Notes to the financial statements continued

3 Significant accounting policies (continued)

(e) Intangible assets (continued)

Goodwill (continued)

Acquisitions since 1 August 2004

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

Subsequent measurement

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

Research and development

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

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

Intellectual property

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

Subsequent expenditure

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

Amortisation

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

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

(f) Leased assets

Leases in terms of which the group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and, except for investment property, the leased assets are not recognised on the group's balance sheet.

(g) Inventories

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

Notes to the financial statements

Notes to the financial statements continued

3 Significant accounting policies (continued)

(h) Impairment

Financial assets

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

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

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

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

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

Non-financial assets

The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

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

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

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

(i) Non-current assets held for sale

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

Notes to the financial statements

Notes to the financial statements continued

3 Significant accounting policies (continued)

(j) Employee benefits

Defined contribution superannuation funds

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

Defined benefit superannuation plans

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

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

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

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

Other long-term employee benefits

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

Termination benefits

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

Short-term benefits

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

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

Share-based payment transactions

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

(k) Provisions

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

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

Notes to the financial statements

Notes to the financial statements continued

3 Significant accounting policies (continued)

(l) Revenue

Goods sold

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

(m) Lease payments

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

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

(n) Finance income and expense

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

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

(o) Income tax

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

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

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

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

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.

Notes to the financial statements

Notes to the financial statements continued

3 Significant accounting policies (continued)

(o) Income tax (continued)

Tax consolidation (continued)

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

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

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

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

Nature of tax funding arrangements and tax sharing agreements

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

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

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

(p) Goods and services tax

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

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

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

(q) Discontinued operations

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

Notes to the financial statements

Notes to the financial statements continued

3 Significant accounting policies (continued)

(r) Earnings per share

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potential dilutive ordinary shares, which comprise convertible notes and share options granted to employees.

(s) Segment reporting

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

(t) New standards and interpretations not yet adopted

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

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

Notes to the financial statements

Notes to the financial statements continued

4 Determination of fair values

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

(i) Property, plant and equipment

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

(ii) Intangibles assets

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

(iii) Inventories

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

(iv) Investments in equity securities

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

(v) Trade and other receivables

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

(vi) Derivatives

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

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

(vii) Non-derivative financial liabilities

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

(viii) Financial guarantees

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

Notes to the financial statements

5 Segment reporting

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

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

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

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

Nufarm Limited

Notes to the financial statements

5 Segment reporting (continued)

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

6 Items of material income and expense

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

Notes to the financial statements

	Consolidated		Company	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
7 Other income				
Dividends from wholly owned controlled entities	-	-	53,164	45,861
Management fees from controlled entities	-	-	6,194	1,733
Sundry income	8,567	9,914	707	209
Total other income	<u>8,567</u>	<u>9,914</u>	<u>60,065</u>	<u>47,803</u>
8 Other expenses				
The following expenses were included in the period result:				
Depreciation and amortisation	(42,209)	(43,613)	(595)	(319)
Impairment gain/(loss) on trade receivables	251	(823)	-	-
Movement in stock obsolescence provision (increase)/decrease	(138)	631	-	-
Restructuring costs	(412)	(8,990)	-	-
9 Personnel expenses				
Wages and salaries	(146,156)	(151,167)	(4,474)	(2,065)
Other associated personnel expenses	(26,424)	(26,064)	(333)	(188)
Contributions to defined contribution superannuation funds	(6,133)	(5,637)	(604)	(311)
Expenses related to defined benefit superannuation funds	(3,122)	(1,804)	-	-
Increase in liability for annual leave	(4,513)	(3,596)	(119)	(59)
Increase in liability for long-service leave	(1,891)	(1,835)	-	(21)
	<u>(188,239)</u>	<u>(190,103)</u>	<u>(5,530)</u>	<u>(2,644)</u>
10 Net financing costs				
Interest income - controlled subsidiaries	-	-	4,485	14,023
Interest income - external	5,336	7,995	2,316	6,192
Financial income	<u>5,336</u>	<u>7,995</u>	<u>6,801</u>	<u>20,215</u>
Interest expense - controlled entities	-	-	(8,727)	(21,695)
Interest expense - external	(54,666)	(52,756)	(9)	(101)
Costs of securitisation program	(5,103)	(4,476)	-	-
Finance lease charges	(1)	(9)	-	-
Financial expenses	<u>(59,770)</u>	<u>(57,241)</u>	<u>(8,736)</u>	<u>(21,796)</u>
Net financing costs	<u>(54,434)</u>	<u>(49,246)</u>	<u>(1,935)</u>	<u>(1,581)</u>

Notes to the financial statements

	Consolidated		Company	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
11 Income tax expense				
Recognised in the income statement				
Current tax expense				
Current year	73,187	41,499	1,428	2,940
Adjustments for prior years	306	2,957	1	(120)
	<u>73,493</u>	<u>44,456</u>	<u>1,429</u>	<u>2,820</u>
Deferred tax expense				
Origination and reversal of temporary differences	(10,135)	4,142	19	620
Reduction in tax rates	(1,341)	585	-	-
Benefit of tax losses recognised	(12,427)	(7,434)	-	-
	<u>(23,903)</u>	<u>(2,707)</u>	<u>19</u>	<u>620</u>
Total income tax expense in income statement	<u>49,590</u>	<u>41,749</u>	<u>1,448</u>	<u>3,440</u>
Attributable to:				
Continuing operations	41,151	34,459	1,448	2,710
Discontinued operations	8,439	7,290	-	730
	<u>49,590</u>	<u>41,749</u>	<u>1,448</u>	<u>3,440</u>
Numerical reconciliation between tax expense and pre-tax net profit				
	Consolidated		Company	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Profit before tax - continuing operations	148,474	137,624	64,562	56,846
Profit before tax - discontinued operations	50,279	21,924	-	7,354
Profit before tax	<u>198,753</u>	<u>159,548</u>	<u>64,562</u>	<u>64,200</u>
Income tax using the local corporate tax rate of 30%	59,626	47,864	19,369	19,260
<i>Increase in income tax expense due to:</i>				
Non-deductible expenses	3,302	2,718	(139)	190
Effect on tax rate in foreign jurisdictions	1,171	983	101	136
Effect of changes in the tax rate	(1,064)	585	-	-
<i>Decrease in income tax expense due to:</i>				
Effect of tax losses derecognised/(recognised)	(3,489)	(4,383)	-	-
Tax exempt income	(9,602)	(8,078)	(17,884)	(16,026)
Tax incentives not recognised in the income statement	(660)	(897)	-	-
	<u>49,284</u>	<u>38,792</u>	<u>1,447</u>	<u>3,560</u>
Under/(over) provided in prior years	306	2,957	1	(120)
Income tax expense on pre-tax net profit	<u>49,590</u>	<u>41,749</u>	<u>1,448</u>	<u>3,440</u>
	Consolidated		Company	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Income tax recognised directly in equity				
Relating to actuarial gains on defined benefit plans	1,157	(29)	-	-
Relating to cost of issuing equity	(1,928)	-	-	-
NSS distribution	(2,700)	-	-	-
	<u>(3,471)</u>	<u>(29)</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

12 Discontinued operations

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

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

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

Notes to the financial statements

13 Non-current assets held for sale

There were no assets held for sale at the end of the financial period.

The prior year included the chlor alkali business and the land and buildings at the Granollers site in Spain (\$1,137,076).

Consolidated

2007 2006
\$000 \$000

Assets classified as held for sale

Cash and cash equivalents	-	1,423
Trade and other receivables	-	3,510
Inventories	-	523
Property, plant and equipment	-	14,681
Deferred tax asset	-	3,772
	<u>-</u>	<u>23,909</u>

Liabilities classified as held for sale

Trade and other payables	-	7,881
Employee entitlements	-	816
Provision for tax	-	4,175
Deferred tax liability	-	553
	<u>-</u>	<u>13,425</u>

14 Acquisition of subsidiaries

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

In the period to 31 July 2007, these businesses contributed profits of \$11,427,736 to the consolidated group after tax profit.

If the above acquisitions had occurred on 1 August 2006, their full-year contribution to group revenues would have been \$306,151,363 and to the consolidated entity's profit after tax would have been \$25,984,871.

Acquiree's net assets at acquisition date

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

Notes to the financial statements

14 Acquisition of subsidiaries (continued)

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

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

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

Acquiree's net assets at acquisition date

	Recognised values \$000	2006 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	<u>5,285</u>	<u>702</u>	5,987
Reversal of equity investment			1,244
Prior period investment			(2,000)
Intangibles acquired on acquisition			20,558
Goodwill on acquisition			<u>28,868</u>
Consideration paid, satisfied in cash			54,657
Consideration satisfied by issue of shares			(17,971)
Deferred consideration at balance date			(99)
Cash (acquired)			<u>(179)</u>
Net cash outflow			<u>36,408</u>

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

Notes to the financial statements

	Consolidated		Company	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
16 Trade and other receivables				
Current				
Trade receivables	666,617	371,898	4,877	8,379
Provision for impairment losses	(21,806)	(3,243)	-	-
	<u>644,811</u>	<u>368,655</u>	<u>4,877</u>	<u>8,379</u>
Receivables due from controlled entities	-	-	50,390	228,937
Loans due from controlled entities	-	-	177,256	170,618
Receivables due from associates	375	444	-	-
Receivables due from securitisation program	57,338	52,836	-	-
Hedge receivables	15,114	18,286	-	18,048
Proceeds receivable from sale of businesses	3,210	33,763	-	25,061
Other trade receivables and prepayments	67,061	50,180	2,659	1,069
	<u>787,909</u>	<u>524,164</u>	<u>235,182</u>	<u>452,112</u>
Non-current				
Receivables due from associates	344	602	-	-
Other receivables	5,909	754	-	-
Proceeds receivable from sale of businesses	12,387	19,850	-	-
Provision for non-collectibility of sale proceeds	(3,304)	(3,468)	-	-
	<u>15,336</u>	<u>17,738</u>	<u>-</u>	<u>-</u>
Total trade and other receivables	<u>803,245</u>	<u>541,902</u>	<u>235,182</u>	<u>452,112</u>

	Consolidated		Company	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
17 Inventories				
Raw materials	112,473	82,421	-	-
Work in progress	15,714	21,563	271	323
Finished goods	350,971	332,177	14,459	13,480
	<u>479,158</u>	<u>436,161</u>	<u>14,730</u>	<u>13,803</u>
Provision for obsolescence of finished goods	(1,754)	(4,138)	(9)	(205)
Total inventories	<u>477,404</u>	<u>432,023</u>	<u>14,721</u>	<u>13,598</u>

18 Current tax assets and liabilities

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

Notes to the financial statements

19 Investments accounted for using the equity method

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

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

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

The 14.69% 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
2007						
Bayer CropScience Nufarm Limited	92,556	(3,876)	105,264	39,059	66,205	16,551
Excel Crop Care Ltd	125,821	5,584	86,311	55,669	30,642	4,501
	<u>218,377</u>	<u>1,708</u>	<u>191,575</u>	<u>94,728</u>	<u>96,847</u>	<u>21,052</u>
2006						
Agripec Quimica e Farmaceutica SA	229,282	17,146	313,088	120,776	192,312	95,964
Bayer CropScience Nufarm Limited	86,289	2,130	77,970	17,167	60,803	15,201
Excel Crop Care Ltd	123,777	6,898	74,983	48,993	25,990	3,818
	<u>439,348</u>	<u>26,174</u>	<u>466,041</u>	<u>186,936</u>	<u>279,105</u>	<u>114,983</u>

Consolidated	
2007	2006
\$000	\$000

Carrying value by major associate

Agripec Quimica e Farmaceutica SA	-	201,631
Bayer CropScience Nufarm Ltd	12,640	13,998
Excel Crop Care Ltd	8,341	7,724
Others	1,985	1,533
Carrying value of associates	<u>22,966</u>	<u>224,886</u>

Share of profit by major associate

Agripec Quimica e Farmaceutica SA (to 31 May 2007)	7,799	8,556
Bayer CropScience Nufarm Ltd	(969)	863
Excel Crop Care Ltd	788	1,013
Others	438	113
Share of net profits of associates	<u>8,056</u>	<u>10,545</u>

Notes to the financial statements

20 Other investments

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

21 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Consolidated						
Property, plant and equipment	15,731	12,403	(11,376)	(12,780)	4,355	(377)
Intangibles assets	8,829	6,370	(22,296)	(18,991)	(13,467)	(12,621)
Other investments	-	-	-	(41)	-	(41)
Employee benefits	11,917	14,543	-	-	11,917	14,543
Provisions	3,977	3,872	(69)	(45)	3,908	3,827
Other items	17,576	1,505	(9,575)	(6,242)	8,001	(4,737)
Tax value of losses carried forward	43,970	28,458	-	-	43,970	28,458
Tax assets/(liabilities)	102,000	67,151	(43,316)	(38,099)	58,684	29,052
Set off of tax	(8,423)	(10,011)	8,423	10,011	-	-
Net tax assets/(liabilities)	93,577	57,140	(34,893)	(28,088)	58,684	29,052
Company						
Property, plant and equipment	-	2	(2)	(52)	(2)	(50)
Intangibles assets	-	-	-	(4)	-	(4)
Other investments	-	-	-	-	-	-
Employee benefits	369	121	-	-	369	121
Provisions	9	67	-	-	9	67
Other items	701	947	-	-	701	947
Tax value of losses carried forward	-	-	-	-	-	-
Tax assets/(liabilities)	1,079	1,137	(2)	(56)	1,077	1,081
Set off of tax	-	-	-	-	-	-
Net tax assets/(liabilities)	1,079	1,137	(2)	(56)	1,077	1,081

Notes to the financial statements

21 Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

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

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

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

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

Notes to the financial statements

21 Deferred tax assets and liabilities (continued)

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

Unrecognised deferred tax assets

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

	Consolidated		Company	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Deductible temporary differences	-	1,292	-	-
Tax losses	-	2,878	-	-
	<u>-</u>	<u>4,170</u>	<u>-</u>	<u>-</u>

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

22 Other non-current assets

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

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

Notes to the financial statements

23 Property, plant and equipment

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

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

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

Notes to the financial statements

23 Property, plant and equipment (continued)

	Company				Total
	Land and buildings	Plant and machinery	Leased plant and machinery	Capital work in progress	
	\$000	\$000	\$000	\$000	\$000
2007					
Cost					
Balance at 1 August 2006	2,209	3,178	-	286	5,673
Additions	564	550	-	319	1,433
Disposals	(6)	(549)	-	-	(555)
Other transfers	131	187	-	(318)	-
Exchange adjustment	235	338	-	31	604
Balance at 31 July 2007	<u>3,133</u>	<u>3,704</u>	<u>-</u>	<u>318</u>	<u>7,155</u>
Depreciation and impairment losses					
Balance at 1 August 2006	(198)	(1,583)	-	-	(1,781)
Depreciation charge for the year	(74)	(511)	-	-	(585)
Disposals	6	434	-	-	440
Other transfers	13	(13)	-	-	-
Exchange adjustment	(22)	(173)	-	-	(195)
Balance at 31 July 2007	<u>(275)</u>	<u>(1,846)</u>	<u>-</u>	<u>-</u>	<u>(2,121)</u>
Net property, plant and equipment at 31 July 2007	<u>2,858</u>	<u>1,858</u>	<u>-</u>	<u>318</u>	<u>5,034</u>
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>

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

Notes to the financial statements

24 Intangible assets

Consolidated

Goodwill \$000	Intellectual Property		Capitalised development costs \$000	Computer software \$000	Total \$000
	indefinite life \$000	definite life \$000			

2007

Cost

Balance at 1 August 2006	161,945	150,627	45,356	34,921	16,544	409,393
Additions	376	13,158	10	16,062	868	30,474
Additions through business combinations	128,768	128,488	10,682	6,512	82	274,532
Disposals	-	(5)	-	(1,582)	(74)	(1,661)
Other transfers	15,625	(431)	839	-	131	16,164
Exchange adjustment	(7,426)	(6,087)	(1,014)	(1,207)	(421)	(16,155)
Balance at 31 July 2007	<u>299,288</u>	<u>285,750</u>	<u>55,873</u>	<u>54,706</u>	<u>17,130</u>	<u>712,747</u>

Amortisation and impairment losses

Balance at 1 August 2006	(61,917)	(10,606)	(21,063)	(11,297)	(8,104)	(112,987)
Amortisation charge for the year	-	-	(3,448)	(2,585)	(2,162)	(8,195)
Additions through business combinations	-	-	-	-	(55)	(55)
Disposals	-	1	-	793	54	848
Other transfers	(15,194)	-	(1,004)	67	(33)	(16,164)
Exchange adjustment	2,863	342	498	456	368	4,527
Balance at 31 July 2007	<u>(74,248)</u>	<u>(10,263)</u>	<u>(25,017)</u>	<u>(12,566)</u>	<u>(9,932)</u>	<u>(132,026)</u>

Intangibles carrying amount at 31 July 2007	<u>225,040</u>	<u>275,487</u>	<u>30,856</u>	<u>42,140</u>	<u>7,198</u>	<u>580,721</u>
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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>
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The major intangibles with an indefinite economic life are the product registrations that Nufarm owns. These registrations are considered to have an indefinite life because, based on past experience, they will be renewed by the relevant regulatory authorities and the underlying products will continue to be commercialised and available for sale in the foreseeable future. The company will satisfy all of the conditions necessary for renewal and the cost of renewal is minimal. In determining that the registrations have indefinite useful life, the principal factor that influenced this determination is the expectation that the existing registration will not be subject to significant amendment in the foreseeable future.

Notes to the financial statements

24 Intangible assets (continued)

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

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

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

Company

Goodwill \$000	Intellectual Property		Capitalised development costs \$000	Computer software \$000	Total \$000
	indefinite life \$000	definite life \$000			

2007**Cost**

Balance at 1 August 2006	-	-	-	-	66	66
Additions	-	-	-	-	16	16
Exchange adjustment	-	-	-	-	2	2
Balance at 31 July 2007	-	-	-	-	84	84

Amortisation and impairment losses

Balance at 1 August 2006	-	-	-	-	(49)	(49)
Amortisation charge for the year	-	-	-	-	(11)	(11)
Balance at 31 July 2007	-	-	-	-	(60)	(60)
Intangibles carrying amount at 31 July 2007	-	-	-	-	24	24

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

Notes to the financial statements

26 Interest-bearing loans and borrowings (continued)

Financing arrangements

Capital notes

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

Bank loans

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

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

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

Finance lease liabilities

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

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

Finance lease liabilities are secured over the relevant leased plant.

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

Notes to the financial statements

27 Employee benefits	Consolidated		Company	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Current				
Liability for annual leave	15,328	14,389	317	358
	<u>15,328</u>	<u>14,389</u>	<u>317</u>	<u>358</u>
Non-current				
Present value of wholly unfunded obligations	8,440	8,543	-	-
Present value of wholly funded obligations	50,847	54,044	-	-
Fair value of fund assets - funded	<u>(39,732)</u>	<u>(35,477)</u>	-	-
Recognised liability for defined benefit fund obligations	19,555	27,110	-	-
Liability for long service leave	12,187	11,628	52	31
	<u>31,742</u>	<u>38,738</u>	<u>52</u>	<u>31</u>
Total employee benefits	<u>47,070</u>	<u>53,127</u>	<u>369</u>	<u>389</u>

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

Historical information

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

Changes in the present value of the defined benefit obligation are as follows:	Consolidated	
	2007	2006
	\$000	\$000
Opening defined benefit obligation	62,587	57,881
Indonesia defined benefit plan inclusion	382	-
Service cost	2,696	2,726
Interest cost	3,109	2,657
Actuarial losses/(gains)	(5,087)	932
Plan changes	404	(631)
Past service cost	6	-
Losses/(gains) on curtailment	(932)	(1,261)
Contributions	(808)	(1,253)
Benefits paid	(1,166)	(1,219)
Liability in disposed business	-	(196)
Exchange differences on foreign funds	<u>(1,904)</u>	<u>2,951</u>
Closing defined benefit obligation	<u>59,287</u>	<u>62,587</u>

Changes in the fair value of fund assets are as follows:

Opening fair value of fund assets	35,477	30,534
Expected return	2,161	1,687
Actuarial gains	1,687	586
Contributions by employer	2,018	1,404
Distributions	(409)	(393)
Exchange differences on foreign funds	<u>(1,202)</u>	<u>1,659</u>
Closing fair value of fund assets	<u>39,732</u>	<u>35,477</u>

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

Notes to the financial statements

27 Employee benefits (continued)

	Consolidated	
	2007	2006
	\$000	\$000
Expense recognised in profit or loss		
Current service costs	2,696	2,726
Interest on obligation	3,109	2,657
Expected return on fund assets	(2,161)	(1,687)
Past service cost	6	-
Plan changes	404	(631)
Losses/(gains) on curtailment	(932)	(1,261)
	<u>3,122</u>	<u>1,804</u>

The expense is recognised in the following line items in the income statement:

Cost of sales	1,776	911
Sales, marketing and distribution expenses	617	455
General and administrative expenses	583	382
Research and development expenses	146	56
	<u>3,122</u>	<u>1,804</u>

Actuarial gains/(losses) recognised directly in equity (net of tax)

Cumulative amount at 1 August	(713)	-
Recognised during the period	4,093	(713)
Cumulative amount at 31 July	<u>3,380</u>	<u>(713)</u>

	Consolidated	
	2007	2006
	%	%
The major categories of fund assets as a percentage of total fund assets are as follows:		
European equities	58.7%	60.8%
European bonds	31.3%	30.1%
Property	2.8%	2.8%
Cash	7.2%	6.3%

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

Discount rate at 31 July	5.5%	4.9%
Expected return on fund assets at 31 July	6.6%	6.0%
Future salary increases	3.4%	3.4%
Future pension increases	2.9%	2.8%

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

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

28 Share-based payments

The Nufarm Limited Executive Share Purchase Scheme (1984) enabled the issue of fully paid ordinary shares to executive directors and senior executives, issued at a price equal to 70% of the market price at the date of the offer. There is an eight year restrictive period during which time the allocated shares are held by the trustees and the consideration will be paid over the restrictive period with all dividends, net of tax, being applied in reduction of the advances by the company to the trustees which total \$21,740 at 31 July 2007 (2006: \$65,341). Each executive is entitled to exercise voting rights attached to the shares allocated. At 31 July 2007 the trustees of the Executive Share Purchase Scheme (1984) held 25,000 (2006: 50,000) ordinary shares, all of which were allocated. There are 4 remaining participants (2006: 4 participants) in the scheme.

Notes to the financial statements

28 Share-based payments (continued)

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

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 2007 there were 751 participants (2006: 824 participants) in the scheme and 1,527,135 shares (2006: 1,703,775) were allocated and held by the trustee on behalf of the participants. The cost of the Global Share Plan expensed for the year ended 31 July 2007 was \$1,241,729 (2006: \$2,647,798).

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

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

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

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

Nufarm Limited

Notes to the financial statements

30 Capital and reserves

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

Consolidated	Share capital \$000	Translation reserve \$000	Capital profit reserve \$000	Hedging reserve \$000	Other reserve \$000	Retained earnings \$000	Nufarm step-up securities \$000	Minority interest \$000	Total equity \$000
Balance at 1 August 2005	219,049	(10,450)	33,603	-	242	365,660	-	5,966	614,070
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	-	-	-	-	-	117,220	-	579	117,799
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>436,530</u>	<u>-</u>	<u>1,008</u>	<u>702,189</u>
Balance at 1 August 2006	240,760	(9,716)	33,627	(20)	-	436,530	-	1,008	702,189
Foreign exchange translation differences	-	(14,628)	-	-	-	-	-	(52)	(14,680)
Foreign exchange movement taken to hedging reserve	-	-	-	20	-	-	-	-	20
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	4,093	-	-	4,093
Share issued to employees	-	-	-	-	-	-	-	-	-
Accrual and issue of shares under global share plan	-	-	-	-	(91)	-	-	-	(91)
Shares issued as consideration for business acquisition	99	-	-	-	-	-	-	-	99
Tax benefit on share issue costs	27	-	-	-	-	-	-	-	27
Transfer to current year income statement	-	-	-	-	-	-	-	-	-
Transfer to/from reserves	-	-	-	-	-	334	-	-	334
Profit for the period	-	-	-	-	-	148,796	-	367	149,163
Dividends paid to shareholders	-	-	-	-	-	(53,145)	-	(306)	(53,451)
Issue of Nufarm Step-up Securities	-	-	-	-	-	-	246,932	-	246,932
Distributions to Nufarm Step-up Security holders	-	-	-	-	-	(5,484)	-	-	(5,484)
Balance at 31 July 2007	<u>240,886</u>	<u>(24,344)</u>	<u>33,627</u>	<u>-</u>	<u>(91)</u>	<u>531,124</u>	<u>246,932</u>	<u>1,017</u>	<u>1,029,151</u>

Notes to the financial statements

30 Capital and reserves (continued)

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

Company	Share capital \$000	Translation reserve \$000	Capital profit reserve \$000	Hedging reserve \$000	Other reserve \$000	Retained earnings \$000	Nufarm step-up securities \$000	Minority interest \$000	Total equity \$000
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>-</u>	<u>451,976</u>
Balance at 1 August 2006	240,760	(325)	40,074	50	-	171,417	-	-	451,976
Foreign exchange translation differences	-	(1)	-	-	-	-	-	-	(1)
Change in accounting policy for financial instruments	-	-	-	-	-	-	-	-	-
Foreign exchange movement taken to hedging reserve	-	-	-	(50)	-	-	-	-	(50)
Share issued to employees	-	-	-	-	-	-	-	-	-
Accrual and issue of shares under global share plan	-	-	-	-	(91)	-	-	-	(91)
Shares issued as consideration for business acquisition	99	-	-	-	-	-	-	-	99
Tax benefit on share issue costs	27	-	-	-	-	-	-	-	27
Profit for the period	-	-	-	-	-	63,114	-	-	63,114
Dividends paid to shareholders	-	-	-	-	-	(53,145)	-	-	(53,145)
Balance at 31 July 2007	<u>240,886</u>	<u>(326)</u>	<u>40,074</u>	<u>-</u>	<u>(91)</u>	<u>181,386</u>	<u>-</u>	<u>-</u>	<u>461,929</u>

Notes to the financial statements

30 Capital and reserves (continued)

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

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

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

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

Nufarm Step-up Securities

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

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

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.

Notes to the financial statements

30 Capital and reserves (continued)**Dividends**

Dividends recognised in the current year by the company are:	Cents per share	Total amount \$000	Franked/ unfranked	Payment date
2007				
Interim 2007 ordinary	11.0	18,894	Franked	27-Apr-07
Final 2006 ordinary	20.0	<u>34,251</u>	Franked	10-Nov-06
Total amount		<u>53,145</u>		
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>		

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

Distributions recognised in the current year by Nufarm Finance (NZ) Ltd on the Nufarm Step-up Securities are:	Distribution rate	Total amount \$000	Payment date
Nufarm Step-up Securities distribution	8.35%	8,184	16-Apr-07

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

Franking credit balance	Consolidated		Company	
	2007	2006	2007	2006
The amount of franking credits available for the subsequent financial year are:	\$000	\$000	\$000	\$000
Franking account balance as at the end of the year at 30% (2006: 30%)	13,163	22,800	13,163	22,800
Franking credits that will arise from the payment of income tax payable as at the end of the year	(2,769)	3,893	(2,769)	3,893
Balance at 31 July	<u>10,394</u>	<u>26,693</u>	<u>10,394</u>	<u>26,693</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 \$15,435,113 (2006: \$14,699,336). In accordance with the tax consolidation legislation, the company as the head entity in the tax-consolidated group has also assumed the benefit of \$10,394,000 (2006: \$26,693,000) franking credits.

31 Earnings per share

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

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

Notes to the financial statements

31 Earnings per share (continued)

	Number of shares	
	2007	2006
Weighted average number of ordinary shares used in calculation of basic earnings per share	171,498,071	170,224,284
Weighted average number of ordinary shares used in calculation of diluted earnings per share	<u>171,498,071</u>	<u>170,224,284</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	
	2007	2006
Earnings per share for continuing and discontinued operations		
<i>Basic earnings per share</i>		
From continuing operations	59.2	60.3
From discontinued operations	<u>24.4</u>	<u>8.6</u>
	<u>83.6</u>	<u>68.9</u>
<i>Diluted earnings per share</i>		
From continuing operations	59.2	60.3
From discontinued operations	<u>24.4</u>	<u>8.6</u>
	<u>83.6</u>	<u>68.9</u>
<i>Earnings per share (excluding items of material income/expense - see note 6)</i>		
Basic earnings per share	67.3	71.1
Diluted earnings per share	67.3	71.1

32 Financial instruments

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

Credit risk

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

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

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

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

Interest rate risk

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

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

Cash flow risk on Nufarm Step-up Securities

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

Notes to the financial statements

32 Financial instruments (continued)

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.

		Effective interest rate	Total \$000	Less than 1 year \$000	1-2 years \$000	More than 2 years \$000
Consolidated						
	Note		2007			
Financial assets						
Cash and cash equivalents	15	6.8%	92,377	92,377	-	-
Financial liabilities						
<i>Unsecured debt</i>						
Bank overdrafts	15	7.3%	12,716	12,716	-	-
Bank loans - unsecured	26	6.6%	450,617	359,662	62,748	28,207
Other loans - unsecured	26	3.0%	854	-	-	854
Finance lease liabilities - secured	26	13.2%	682	399	266	17
			<u>464,869</u>	<u>372,777</u>	<u>63,014</u>	<u>29,078</u>
2006						
Financial assets						
Cash and cash equivalents	15	4.4%	51,269	51,269	-	-
Financial liabilities						
<i>Unsecured debt</i>						
Bank overdrafts	15	5.4%	19,940	19,940	-	-
Bank loans - unsecured	26	5.2%	400,437	293,898	44,847	61,692
Other loans - unsecured	26	3.0%	248	-	-	248
Interest rate swaps		5.0%	20,000	20,000	-	-
Capital notes	26	8.6%	181,649	181,649	-	-
Finance lease liabilities - secured	26	7.8%	485	260	186	39
			<u>622,759</u>	<u>515,747</u>	<u>45,033</u>	<u>61,979</u>
Company						
	Note		2007			
Financial assets						
Cash and cash equivalents	15	8.25%	15,034	15,034	-	-
Financial liabilities						
Bank overdrafts	15	9.5%	2,667	2,667	-	-
			<u>2,667</u>	<u>2,667</u>	<u>-</u>	<u>-</u>
2006						
Financial assets						
Cash and cash equivalents	15	7.25%	10,739	10,739	-	-
Financial liabilities						
Bank overdrafts	15	9.5%	23,574	23,574	-	-
Subordinated loans from controlled entities	26	9.2%	190,258	190,258	-	-
			<u>213,832</u>	<u>213,832</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

32 Financial instruments (continued)

Foreign currency risk

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

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

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

Fair values

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

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

Notes to the financial statements

32 Financial instruments (continued)

Fair values (continued)

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

Estimation of fair values

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

Interest rates used for determining fair value

The average interest rates used for determining fair value are:

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

33 Operating leases

Non-cancellable operating lease rentals are payable as follows:

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

Notes to the financial statements

34 Capital and other commitments

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

35 Contingencies

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

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

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

Notes to the financial statements

36 Group entities

	Notes	Place of incorporation	Percentage of shares held	
			2007	2006
Parent entity				
Nufarm Limited - ultimate controlling entity				
Subsidiaries				
Abel Lemon and Company Pty Ltd (<i>liquidated</i>)	(a)	Australia	-	100
Access Genetics Pty Ltd		Australia	100	100
ACN000425927 Pty Ltd (<i>formerly Nuturf Pty Ltd</i>)	(a),(b)	Australia	100	100
Agcare Biotech Pty Ltd		Australia	70	70
Agchem Receivables Corporation		USA	40	40
Agripec Quimica e Farmaceutica SA		Brazil	100	49.9
Agrogen Nufarm de Colombia S.A. (<i>formerly Nufarm Colombia Ltda</i>)	(b)	Colombia	100	100
Agroquimicos Genericos S.A. (<i>merged into Agrogen Nufarm de Colombia S.A.</i>)		Colombia	-	100
Agryl Holdings Limited	(a),(b)	Australia	100	100
Ag-seed Research Pty Ltd	(a)	Australia	100	100
Artfern Pty Ltd	(a)	Australia	100	100
Australis Services Pty Ltd	(a)	Australia	100	100
Bestbeech Pty Ltd (<i>formerly Captec Pty Ltd</i>)	(a)	Australia	100	100
CFPI GmbH (<i>liquidated</i>)		Germany	-	100
Chemicca Limited	(a)	Australia	100	100
Chemturf Pty Ltd (<i>liquidated</i>)	(a)	Australia	-	100
Chloral Investment Trust (<i>sold July 2007</i>)		Australia	-	80
Chloral Unit Trust No1 (<i>sold July 2007</i>)		Australia	-	80
Chloral Unit Trust No2 (<i>sold July 2007</i>)		Australia	-	80
Clama s.a.s (<i>merged into Nufarm Holdings s.a.s</i>)		France	-	100
CNG Holdings BV		Netherlands	100	100
CNZL Limited (<i>formerly Captec (NZ) Limited and later amalgamated into Nufarm Holdings (NZ) Limited</i>)	(b)	New Zealand	-	100
Crop Care Australasia Pty Ltd	(a),(b)	Australia	100	100
Crop Care Holdings Limited		New Zealand	100	100
Croplands Equipment Limited	(b)	New Zealand	100	100
Croplands Equipment Pty Ltd	(a),(b)	Australia	100	100
CSRPAR Participacoes LTDA		Brazil	100	-
Danestoke Pty Ltd		Australia	100	100
Electronic Agriculture Limited (<i>liquidated</i>)	(a)	Australia	-	100
Fada S.A. (<i>merged into Agrogen Nufarm de Colombia S.A.</i>)		Colombia	-	100
Fchem (Aust) Limited	(a),(b)	Australia	100	100
Fchem Limited (<i>amalgamated into Nufarm Holdings (NZ) Limited</i>)	(b)	New Zealand	-	100
Fernz Canada Limited	(b)	Canada	100	100
Fernz Singapore Pte Ltd	(b)	Singapore	100	100
Fidene Limited		New Zealand	100	100
Finotech BV	(b)	Netherlands	100	100
Framchem SA	(b)	Egypt	100	100
Frost Technology Corporation		USA	100	100
Health & Science Limited (<i>amalgamated into Nufarm Holdings (NZ) Limited</i>)	(b)	New Zealand	-	100
Inpar s.a.s (<i>merged into Nufarm Holdings s.a.s</i>)	(b)	France	-	100
Interferon Limited (<i>liquidated</i>)	(a)	Australia	-	100
Interferon NZ Limited (<i>amalgamated into Nufarm Holdings (NZ) Limited</i>)	(b)	New Zealand	-	100
Laboratoire European de Biotechnologie s.a.s		France	100	100
Le Moulin des Ecluses s.a	(b)	France	100	100
Les Ecluses de la Garenne s.a.s		France	100	100
Manaus Holdings Sdn Bhd	(b)	Malaysia	100	100
Marman (Nufarm) Inc		USA	100	100

Notes to the financial statements

36 Consolidated entities (continued)

	Notes	Place of incorporation	Percentage of shares held	
			2007	2006
Marman de Guatemala Sociedad Anonima		Guatemala	100	100
Marman de Mexico Sociedad Anonima De Capital Variable		Mexico	100	100
Marman Holdings LLC		USA	100	100
Mastra Corporation Pty Ltd	(b)	Australia	70	70
Mastra Corporation Sdn Bhd	(b)	Malaysia	70	70
Mastra Corporation USA Pty Ltd		Australia	70	70
Mastra Holdings Sdn Bhd	(b)	Malaysia	70	70
Mastra Industries Sdn Bhd	(b)	Malaysia	70	70
Medisup International NV		N. Antillies	100	100
Medisup Securities Limited	(a),(b)	Australia	100	100
Neuchatel Pty Ltd (<i>liquidated</i>)	(a)	Australia	-	100
Nufarm (Asia) Pte Ltd	(b)	Singapore	100	100
Nufarm Agriculture (Pty) Ltd		South Africa	100	100
Nufarm Agriculture Inc	(b)	Canada	100	100
Nufarm Agriculture Inc (USA)		USA	100	100
Nufarm Agriculture Zimbabwe (Pvt) Ltd		Zimbabwe	100	100
Nufarm Americas Holding Company	(b)	USA	100	100
Nufarm Americas Inc	(b)	USA	100	100
Nufarm Asia Sdn Bhd		Malaysia	100	100
Nufarm Australia Limited	(a),(b)	Australia	100	100
Nufarm BV	(b)	Netherlands	100	100
Nufarm Chemical (Shanghai) Co Ltd		China	100	100
Nufarm Chile Limitada	(b)	Chile	100	100
Nufarm Coogee Pty Ltd (<i>sold July 2007</i>)		Australia	-	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 (<i>liquidated</i>)	(a)	Australia	-	100
Nufarm Espana SA	(b)	Spain	100	100
Nufarm Finance (NZ) Limited (<i>formerly Fernz Corporation (NZ) Limited</i>)	(b)	New Zealand	100	100
Nufarm GmbH	(b)	Germany	100	100
Nufarm GmbH	(b)	Austria	100	100
Nufarm GmbH & Co KG	(b)	Austria	100	100
Nufarm Holdings (NZ) Limited	(b)	New Zealand	100	100
Nufarm Holdings BV	(b)	Netherlands	100	100
Nufarm Holdings s.a.s	(b)	France	100	100
Nufarm Inc.	(b)	USA	100	100
Nufarm Insurance Pte Ltd		Singapore	100	100
Nufarm Investments Cooperatie WA	(b)	Netherlands	100	100
Nufarm Italia srl		Italy	100	-
Nufarm Italia Holding srl		Italy	100	-
Nufarm KK		Japan	100	100
Nufarm Labuan Pte Ltd	(b)	Malaysia	100	100
Nufarm Malaysia Sdn Bhd	(b)	Malaysia	100	100
Nufarm Materials Limited	(a),(b)	Australia	100	100
Nufarm NZ Limited	(b)	New Zealand	100	100
Nufarm Platte Pty Ltd		Australia	100	100

Notes to the financial statements

36 Consolidated entities (continued)	Notes	Place of incorporation	Percentage of shares held 2007	2006
Nufarm Portugal LDA	(b)	Portugal	100	100
Nufarm s.a.s	(b)	France	100	100
Nufarm SA	(b)	Argentina	100	100
Nufarm Specialty Products Inc (<i>liquidated</i>)	(b)	USA	-	100
Nufarm Srl		Romania	100	-
Nufarm Technologies (M) Sdn Bhd		Malaysia	51	51
Nufarm Technologies USA		New Zealand	100	100
Nufarm Technologies USA Pty Ltd		Australia	100	100
Nufarm Treasury Pty Ltd	(a),(b)	Australia	100	100
Nufarm UK Limited	(b)	United Kingdom	100	100
Nugrain Pty Ltd		Australia	100	100
Nuseed Pty Ltd		Australia	100	100
Nutrihealth Grains Pty Ltd		Australia	100	100
Nutrihealth Pty Ltd		Australia	100	100
Opti-Crop Systems Pty Ltd	(b)	Australia	75	75
Pacific Raw Materials Australia Pty Ltd (<i>liquidated</i>)	(a)	Australia	-	100
Pacific Raw Materials Limited (<i>liquidated</i>)		New Zealand	-	100
Pharma Pacific Pty Ltd	(a)	Australia	100	100
PT Crop Care		Indonesia	100	100
PT Nufarm Indonesia	(b)	Indonesia	100	100
Rockmere Pty Ltd (<i>liquidated</i>)	(a)	Australia	-	100
Safepak Industries Sdn Bhd		Malaysia	70	70
Selchem Pty Ltd	(a)	Australia	100	100
TPL Limited	(b)	New Zealand	100	100

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

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

37 Deed of cross guarantee

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

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

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

Notes to the financial statements

37 Deed of cross guarantee (continued)

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

Notes to the financial statements

38 Reconciliation of cash flows from operating activities

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

39 Key management personnel disclosures

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

Non-executive directors

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

Executives

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

Executive directors

DJ Rathbone

Managing director and chief executive

Key management personnel compensation

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

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

Notes to the financial statements

39 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.

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

Loans to key management personnel and their related parties

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

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

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

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

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

Options and rights over equity instruments granted as compensation

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

Movements in shares

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

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

Notes to the financial statements

39 Key management personnel disclosures (continued)**Movements in shares (continued)**

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						
BF Benson		152,145	21,462	-	(15,913)	157,694
R Heath		223,482	14,308	-	(40,000)	197,790
KP Martin		355,470	26,140	-	-	381,610
DA 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
RG Reis		188,596	17,500	-	(40,000)	166,096
Total		35,377,441	149,964	-	(77,395)	35,450,010

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

- ¹ Messrs Hoggard, Goodfellow, Hounsell, McGauchie, Stocker and Warburton are participants in the non-executive share plan which enables participants to sacrifice 20% 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:
- St Kentigern Trust Board (429,855 shares and 19,727 Nufarm Step-up Securities) - Dr Goodfellow is Chairman of the Trust Board. Dr Goodfellow does not have a beneficial interest in these shares or Step-up Securities.
 - Sulkem Company Limited (113,616 shares);
 - Auckland Medical Research Foundation (25,462 Step-up Securities). Dr Goodfellow does not have a beneficial interest in the Step-up Securities.

40 Non-key management personnel disclosures**a) Transactions with related parties in the wholly-owned group**

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

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

These transactions were undertaken on commercial terms and conditions.

b) Transactions with associated parties

		Consolidated	
		2007 \$000	2006 \$000
Bayer CropScience Nufarm Limited	sales to	11,734	8,309
	purchases from	14,342	11,517
	trade receivable	41	740
	trade payable	3,949	2,704

Notes to the financial statements

40 Non-key management personnel disclosures (continued)

b) Transactions with associated parties (continued)

		Consolidated	
		2007	2006
		\$000	\$000
SRFA LLC	sales to	2,159	326
	loan receivable	582	754
	interest received	19	20
	trade payable	-	110
	trade receivable	60	-
Excel Crop Care Ltd	purchases from	2,610	-
	trade payable	573	-

These transactions were undertaken on commercial terms and conditions.

41 Subsequent events

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

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

42 Auditors' remuneration

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

43 Correction of error

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

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

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