



23 September 2015

The Manager  
Company Announcements Office  
ASX  
Level 4  
20 Bridge Street  
SYDNEY NSW 2000

**Nufarm Limited**  
ACN 091 323 312

103-105 Pipe Road  
Laverton North VIC 3026  
Australia

P: +61 3 9282 1000  
F: +61 3 9282 1001

nufarm.com

Dear Sir

**2014-2015 FULL YEAR RESULT & PRELIMINARY FINAL REPORT**

In accordance with ASX Listing Rule 4.3A, the following documents are attached for release to the market:

- Appendix 4E – Preliminary Final Report
- Directors' Comments on Preliminary Final Report
- Financial Statements and Accounting Policies
- Directors' Declaration
- Directors' Report
- Auditor's Independence Declaration
- Independent Audit Report

Yours faithfully

A handwritten signature in black ink, appearing to read 'Rodney Heath'.

Rodney Heath  
Nufarm Limited

**APPENDIX 4E**

**NUFARM LIMITED**  
**ABN 37 091 323 312**

**PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 JULY 2015**

**Results for announcement to the market**

				\$,000's
Revenue from ordinary activities:	up	4%	to	2,737,163
Profit/(loss) from ordinary activities after tax attributable to members:				
Excluding material items	up	35%	to	117,059
Including material items	up	15%	to	43,220
Net profit/(loss) attributable to members:				
Excluding material items	up	35%	to	117,059
Including material items	up	15%	to	43,220

<b>Dividends</b>				
	<b>Amount per Security</b>		<b>Franked amount Per security</b>	
Final dividend	This year 6 cents	Prior year 5 cents	This year 0 cents	Prior year 0 cents
Record date: 16 October 2015				

	<b>This year</b>	<b>Prior Year</b>
<b>Final Dividend</b>		
Amount per security	\$ 0.06	\$ 0.05
Total value of dividend	\$ 15,904,045	\$ 13,217,663
Franked amount per security at 30%	\$ nil	\$ nil
Amount per security of Foreign Source Dividend	\$ 0.06	\$ 0.05
Date payable	13/11/2015	14/11/2014
Record date for entitlement	16/10/2015	17/10/2014
<b>Interim Dividend</b>		
Amount per security	\$ 0.04	\$ 0.03
Franked amount per security at 30%	\$ nil	\$ 0.03
Amount per security of Foreign Source Dividend	\$ 0.04	\$ nil
Date paid	8/5/2015	9/5/2014
<b>Total Dividends</b>		
Amount per security	\$ 0.10	\$ 0.08
<b>Dividend Reinvestment Plans</b>	Yes	Yes
<b>Net Tangible assets per ordinary share</b>	\$ 2.58	\$ 2.84
<b>Control Gained Over Entities (refer note 14)</b>		
<b>Control Lost Over Entities</b>	Nil	Nil

#### **Audit Status**

This Appendix 4E is based on accounts which have been audited, and the accounts, including the audit opinion, is attached.

#### **Commentary**

A commentary on the results for the year is attached.



**G A Hunt**  
**Managing Director**

**23 September 2015**

23 September, 2015

**Preliminary announcement  
 Results for the year ended 31 July, 2015**

**Strong underlying profit growth and positive  
 progress on working capital and cost savings targets**

**Highlights**

- **Group revenues: \$2.74 billion, up by 4%**
- **Statutory net profit after tax of \$43.2 million (2014: \$37.7 million)**
- **Underlying EBIT<sup>(1)(2)</sup> of \$236.9 million, up by 18%**
- **Underlying net profit after tax<sup>(3)</sup> of \$117.1 million, up by 35%**
- **Statutory earnings per share: 11.7 cents (2014: 9.6 cents)**
- **Earnings per share, excluding material items: 39.6 cents (2014: 28.1 cents)**
- **Net operating cash flow: \$228.5 million**
- **Average net working capital to sales: 41.9% (2014: 47.7%)**
- **Full year dividend: 10 cents per share (2014: 8 cents per share)**

<b>Year ended 31 July</b>	<b>2015</b>	<b>2014</b>	<b>Change</b>
	<b>\$000</b>	<b>\$000</b>	
Revenue	2,737,163	2,622,704	4.4%
Gross profit	716,873	667,341	7.4%
Underlying EBITDA <sup>(1)</sup>	317,090	281,423	12.7%
Underlying EBIT <sup>(1)(2)</sup>	236,882	200,607	18.1%
Operating profit	150,218	149,846	0.2%
Underlying net profit after tax <sup>(3)</sup>	117,059	86,411	35.5%
Net profit after tax	43,220	37,707	14.6%
Net operating cash flow	228,510	268,097	-14.8%
Net operating cash flow excluding material items	248,409	272,868	-9.0%
Basic earnings per share - excluding material items (cents)	39.6	28.1	11.5
Basic earnings per share (cents)	11.7	9.6	2.1
Final dividend per share declared	6.0	5.0	1.0
Total dividend per share declared in respect of period (cents)	10.0	8.0	2.0

The financial information contained within our statutory accounts has been prepared in accordance with IFRS. Refer to footnotes, including explanations of the non-IFRS measures used in this announcement. All references to the prior period are to the year ended 31 July 2014 unless otherwise stated. This report is based on financial statements which have been audited by KPMG. Non-IFRS measures have not been subject to audit or review. Refer to the 31 July 2015 Nufarm Limited Financial Report for the independent auditor's report to the members of Nufarm Limited.



Nufarm Limited today announced a statutory profit after tax of \$43.2 million for the 12 months to 31 July, 2015. This included \$73.8 million in one-off costs associated with restructuring initiatives and asset rationalisation and compares to a statutory profit after tax of \$37.7 million in the previous financial year.

Group revenues increased by 4% to \$2.74 billion (2014: \$2.62 billion), while underlying earnings before interest and tax (EBIT) increased by 18% to \$236.9 million (2014: \$200.6 million).

Underlying net profit after tax was \$117.1 million, up 35% on the \$86.4 million reported in the previous year.

Earnings per share were 11.7 cents (2014: 9.6 cents per share). Excluding material items, earnings per share were 39.6 cents (2014: 28.1 cents).

Despite challenging market conditions in a number of regions, the group generated a higher gross profit margin of 28.0%, which was a material improvement on the prior year (26.7%) and reflected a strong focus on higher margin products; on cost savings and restructuring initiatives; and on disciplined selling policies.

Average net working capital to sales was 41.9%, a significant reduction on the prior 12 month period (47.7%) and represented very positive progress towards the company's target of 40% by the end of financial year 2016.

Average net debt was \$865 million, down on the \$913 million average debt in 2014. Net debt at balance date was slightly up on the prior year (\$547 million versus \$513 million), but on a constant currency basis fell by 18% to \$420 million.

## **Final Dividend**

Directors declared an unfranked final dividend of 6 cents per share, resulting in a full year dividend of 10 cents. This represents a 25% increase on the full year dividend of 8 cents per share (partially franked) paid in the previous year.

The final dividend will be paid on 13 November, 2015 to the holders of all fully paid shares in the company as at the close of business on 16 October, 2015. The final dividend will be 100% conduit foreign income.

The Dividend Reinvestment Plan (DRP) will be made available to shareholders for the final dividend. Directors have determined that the Issue Price will be calculated on the volume weighted average of the company's ordinary shares on the ASX over a period of 10 consecutive trading days commencing after the record date and concluding prior to the date of allotment of ordinary shares under the plan. The last election date for shareholders who are not yet participants in the DRP is 19 October, 2015.



## Material items

The company has initiated a restructuring program aimed at lowering the fixed cost base and permanently improving the performance of the business. As part of that program, under-utilised assets are being rationalised. This program resulted in one-off, after tax costs of \$73.8 million in the 2015 financial year. On a pre tax basis, the cash component of material items will be \$43 million, with the balance of \$44 million relating to non-cash items.

The majority of these costs related to the European manufacturing footprint rationalisation which involves the closure of the production facility in Botlek (The Netherlands). Other costs related to the rationalisation of underperforming assets and product intangibles, and various redundancy and consulting costs.

<b>Year ended 31 July 2015</b>	<b>Pre-tax \$000</b>	<b>After-tax \$000</b>
<i>Material items by category</i>		
Asset rationalisation and restructure	(86,664)	(73,839)
<b>Total material items</b>	<b>(86,664)</b>	<b>(73,839)</b>

## Interest / tax / cash flow

While average net debt was lower than in the prior year, higher base rates in Brazil and increased interest costs in Argentina resulted in net external interest costs<sup>(3)</sup> of \$67.7 million compared to \$64.3 million in the 2014 year.

Total net financing costs were \$75.2 million, compared to \$88.0 million in the prior year. Foreign exchange losses were \$0.3 million, well down on the \$12.6 million loss recorded in the 2014 year.

The underlying effective tax rate was 27.7%. This compared to 23.5% in the prior year, which included a number of one-off tax impacts.

The business generated strong net operating cash inflows of \$228.5 million.

## Business review

Market conditions varied, but were generally weaker due to the fall in crop prices and lower demand in a number of crop protection segments, in particular insecticides. Despite this, the company achieved margin growth in all of its major regional crop protection businesses.

Earnings recovery in the Australian and US businesses, and strong results in Brazil and Europe, more than off-set a weaker performance in the seed technologies segment.

Together with growth in the crop protection business, near term benefits associated with the company's cost-savings and performance improvement program helped contribute to higher underlying earnings. It is estimated that the 2015 results include cost savings and other efficiency benefits of \$15 million at an EBIT level.



Nufarm's crop protection business grew sales by 4% to \$2.58 billion and underlying EBIT by 24% to \$250.9 million. Crop protection sales accounted for just over 94% of group revenues and generated an average gross margin of 28%, which is a significant improvement on the previous year.

The seed technologies segment generated revenues of \$159.6 million, an increase of 10% on the previous year (\$144.4 million) but encountered more challenging market conditions and posted a 14% decline in underlying EBIT of \$31.8 million. With market conditions driving a lower value product mix, the segment generated an average gross margin of 44%, which was well down on the 51% achieved in 2014 and below margin expectations for future periods.

Corporate (head office) costs were \$45.9 million, up on the \$37.2 million in the prior year, a driver being higher bonus/incentive payment accruals that reflected the stronger financial performance of the business.

The company's continued focus on working capital efficiencies helped drive a significant improvement in the net working capital to sales ratio and contributed to a reduction in average net debt over the 12 month period.

## Operating segments summary

The following table provides a summary of the performance of the operating segments for the 2015 financial year and the prior corresponding period.

Year ended 31 July (\$000s)	Revenue			Underlying EBIT		
	2015	2014	Change %	2015	2014	Change %
<i>Crop protection</i>						
Australia and New Zealand	582,391	605,761	-3.9%	52,745	33,903	55.6%
Asia	155,233	140,885	10.2%	18,134	19,481	-6.9%
Europe	544,775	555,521	-1.9%	64,426	56,420	14.2%
North America	588,650	513,596	14.6%	38,921	20,638	88.6%
South America	706,533	662,512	6.6%	76,684	71,622	7.1%
<i>Total Crop protection</i>	<i>2,577,582</i>	<i>2,478,275</i>	<i>4.0%</i>	<i>250,910</i>	<i>202,064</i>	<i>24.2%</i>
Seed Technologies - global	159,581	144,429	10.5%	31,829	37,160	-14.3%
Corporate	-	-	n/a	(45,857)	(38,617)	18.7%
<b>Nufarm Group</b>	<b>2,737,163</b>	<b>2,622,704</b>	<b>4.4%</b>	<b>236,882</b>	<b>200,607</b>	<b>18.1%</b>

### Australia / New Zealand

The Australian and New Zealand businesses generated sales of \$582.4 million, down 4% on the previous year (\$605.8 million). Underlying EBIT, however, was up by 56% to \$52.7 million.

Australia experienced another relatively dry summer and autumn, which negatively impacted on demand. While Australian sales were slightly down on the prior year, a focus on higher margin



products; more disciplined selling policies; and a lower cost base resulted in an improved operating profit.

The previously announced closure of three manufacturing facilities in Australia and New Zealand is continuing on schedule, with capacity now being relocated into other facilities. The full benefit of these changes will be realised in the 2017 financial year, with lower fixed costs; better plant utilisation; and improved efficiencies.

New Zealand sales were also down on the prior year, due to adverse seasonal conditions and a depressed dairy sector. However, some successful new product launches and strong sales into the horticultural segment helped the business generate a higher profit contribution.

## **Asia**

Asian crop protection sales increased by 10% to \$155.2 million. Underlying EBIT was \$18.1 million, down on the \$19.8 million generated in the prior year.

In local currency, sales were up slightly in the company's major regional markets of Indonesia and Malaysia. Additional field staff and increased product development helped support a continued diversification of both the product portfolio and the crop segments into which products are sold. These investments are forecast to drive local earnings growth over coming years.

## **North America**

North American crop protection sales grew by 15% in Australian dollars (\$588.7 million) and underlying EBIT recovered strongly, up by 89% to \$38.9 million.

US sales were up by 5% in local currency with improved marketing and a re-phasing of sales campaigns generating increased demand in both the crop segment and the turf and specialty segment. Despite softer commodity prices impacting all broad-acre crop segments, Nufarm saw strong growth in newer products that address the increasing challenges associated with resistant weeds.

More favourable spring conditions, and a successful early order program, also allowed the company to leverage its broader portfolio in turf, nursery and greenhouse markets, with the business benefitting from a number of new product launches.

Local currency sales in Canada were down 11% on the prior year, with very dry conditions impacting cropping activity in the Western provinces. The company launched new products in a number of segments and continues to strengthen its position with differentiated offerings.





## **South America**

While local market conditions were more challenging in South America and the value of the total crop protection market contracted (measured in US dollars), the company posted another strong year with 7% revenue growth (\$706.5 million) and a similar increase in underlying EBIT (\$76.7 million).

Lower crop prices impacted overall demand for inputs in Brazil. Despite this, the company's sales were up by 8% in local currency and generated a higher average margin than in the prior year. The excellent result was driven by a focus on newer and higher margin products, along with expanded reach into a number of market segments. Higher beef prices supported additional crop protection investment in the pasture market – where Nufarm has a strong position – and the business capitalised on stronger demand for fungicides in some regions. The insecticide segment was well down on the previous year.

Revenue growth was also achieved in Argentina, Chile and Colombia, and the company secured a number of new product registrations in Uruguay.

## **Europe**

European sales were slightly down in Australian dollars (2015: \$544.8 million v 2014: \$555.5 million) but underlying EBIT grew by 17% to \$64.4 million. Seasonal conditions were mixed, with unusually hot and dry weather in Central and Southern Europe impacting demand for some products in the last quarter.

Nufarm's branded sales grew when measured in Euros, with France, Spain, Portugal, Romania and Hungary performing strongly. The company also generated strong growth in its expansion markets in the Middle East and Africa.

New product introductions in the cereal herbicides and cereal fungicides segments helped drive margin expansion.

The restructuring of the European manufacturing base is proceeding on schedule. The Botlek manufacturing facility in The Netherlands is being closed, with capacity relocated to the Wyke facility in Northern England. Production capacity is also being increased in the Gaillon facility (France). These changes will permanently reduce the company's fixed cost base; improve working capital management; and support the continued growth of the European business.

## **Major product segments**

### **Crop Protection**

Nufarm's crop protection business generated \$2.58 billion in revenues, representing a 4% increase on the prior year. These sales generated an average gross margin of 28%, significantly stronger than the 26% average gross margin recorded in financial year 2014.



Herbicide sales were \$1.75 billion, an increase of almost 5% on the previous year. These sales generated an improved average gross margin. Phenoxy herbicide revenues and margins were up, driven by stronger sales in North America and a more profitable product mix in Australia and Europe. Careful management of inventories and a focus on higher margin formulations resulted in a significant improvement in margin generated from glyphosate sales. Dicamba and flumioxazin sales were also up on the prior year.

Group insecticide sales were slightly down on the prior year (\$282 million versus \$290 million), while margins were steady. Lower insect pressure and high channel inventories in South America resulted in reduced demand for these products, while North American sales increased, in particular in the turf and specialty segment.

Fungicide sales were up by 11% to \$274 million and margins improved on the prior year. All regions other than Australia/New Zealand generated higher fungicide revenues. Increased disease pressure together with the approval and launch of new products drove a significant increase in azoxystrobin sales, while a number of other products also contributed to the stronger performance in this segment.

Sales of plant growth regulators (PGRs) and biorational products were also up, reflecting a consistent pattern of relatively high margin growth in recent years. New product introductions and distribution arrangements with Valent BioSciences, a subsidiary of Sumitomo Chemical Company, helped drive growth across these portfolios.

The company continued to strengthen its strategic relationship with Sumitomo Chemical Company and this was reflected in significantly higher sales of Sumitomo products across Nufarm's distribution platforms, particularly in the US, Canada and Brazil, as well as the execution of a new distribution agreement in the UK.

## **Seed Technologies**

Revenues reported in the seed technologies segment grew by 10% to \$159.6 million, but underlying EBIT fell by 14% to \$31.8 million.

Lower canola seed sales in Australia was the major contributor to the fall in earnings, with the area planted to canola estimated to be down by some 20% on the previous year, and an increase in the use of farmer retained seed.

Nuseed continued to expand its market presence in Europe with increased sunflower sales, but this was not sufficient to completely offset the impact of the deterioration in the confectionary sunflower segment in China.

While sorghum sales were relatively strong, a lower commodity price impacted margins.

Seed treatment growth was impacted by both adverse seasonal conditions and lower crop prices. A number of important new seed treatment registrations were approved during the latter part of the year, however, and these new products will generate strong future growth in this high value segment. This included the registration in France of a new imidacloprid formulation on winter cereals (Nuprid 600 FS).



The company's omega-3 canola program continued to advance through field trials and is now in the pre-registration phase of development. Several significant patents relating to this program were published and/or granted during the year, contributing to a very strong intellectual property position.

## **Balance Sheet Management**

Net debt at year end was \$547 million versus \$513 million in the prior year. Currency translation was a negative impact on the net debt figure, with the lower Australian dollar resulting in increased interest costs associated with the company's US dollar denominated high yield bond. On a constant currency basis the year end net debt fell by 18% to \$420 million.

Average net debt was lower than in the previous year (\$865 million versus \$913 million).

Management continued to focus on driving further efficiencies in working capital management, with average net working capital to sales down to 41.9% (2014: 47.7%). The company's objective is to bring this ratio down to 40% by the end of the 2016 financial year.

The improved working capital outcome was achieved despite the need to build safety stock to ensure product supply while manufacturing plant closures take place in Australia, New Zealand and Europe. The major driver of the improved position was in relation to payables, with the company negotiating more favourable terms with several key suppliers and implementing supplier financing programs.

Gearing (net debt to net debt plus equity) was 25% (2014: 24.2%).

## **Cost savings and performance improvement program**

In February, the company announced a cost savings and performance improvement program aimed at delivering a net benefit of \$100 million in underlying EBIT by the end of the 2018 financial year. The benefit target is in addition to earlier announced gains associated with a restructuring of the Australian and New Zealand manufacturing platforms, which is expected to deliver \$16 million in annualised savings by the 2017 financial year.

The performance improvement program covers a broad range of initiatives across all areas of the business. These include:

- The restructuring and rationalisation of the company's manufacturing footprint which will result in a lower fixed cost base and improved efficiencies;
- More effective procurement practices that will change the way in which key inputs are purchased; removing duplication and inefficiency and leveraging Nufarm's global scale;



- The establishment of a globally integrated supply chain which will deliver cost savings and helps support working capital objectives;
- Changes to management structure and the operating model to reduce general expenses and better serve the needs of an integrated global business; and
- A review of the company's product portfolio, with the objective of improving the strength and value of Nufarm's product positions, while removing those products that do not generate acceptable returns.

While the potential benefits of a number of projects continue to be validated, total estimated cost savings and efficiencies – on a gross basis – are well in excess of the targeted net benefit announced by the company. Any additional one-off costs associated with further restructuring changes will be reported within the period those initiatives are approved and the benefits have been validated.

To support sustainable business improvement and to secure benefits on an ongoing basis, some of these savings will be reinvested in new systems and capabilities. This has included the implementation of a new customer relationship management (CRM) system in both Brazil and Australia over the past 12 months, which has contributed directly to margin improvement in those businesses. This system will be implemented in other major markets progressively over the next two years. Investments will also be made to support improved performance in supply chain management, procurement, marketing capabilities and other areas.

While the majority of earnings benefits associated with the program will accrue in the 2017 and 2018 financial years, early successes have resulted in \$15 million in benefit at an EBIT level in the 2015 result, with an additional benefit of at least \$20 million forecast in 2016. This will include further savings associated with the manufacturing platform rationalisation; efficiency gains in retained production facilities; procurement savings; and a reduction in head office costs.

The company has also announced an objective to achieve a Return on Funds Employed (ROFE) of 16% by the 2018 financial year. In 2015, the company generated a ROFE of 11%, up on the 9.1% generated in the previous year.

## Outlook

The combination of cost savings benefits; margin expansion and revenue growth in a number of the company's businesses is expected to result in another solid profit performance in 2016. This is despite an expectation that general market conditions will continue to be subdued.

Initiatives associated with the cost savings and performance improvement program are forecast to contribute an additional underlying EBIT benefit of at least \$20 million in 2016. These will include savings relating to the rationalisation of the manufacturing footprint in both Australia and Europe and benefits resulting from other manufacturing efficiencies; improved procurement practices; and expense reductions in head office.



The company's performance in Australia is expected to continue to improve, with restructuring initiatives resulting in a lower and more flexible cost base and a continued focus on margin expansion.

The likely impacts of an El Niño weather pattern have been factored into the company's forecasts for 2016. This weather pattern typically results in drier than normal spring conditions in Eastern Australia; more reliable rainfall patterns in Western Australia; and higher rainfall in South America. Given Australia is cycling several years of relatively dry spring conditions, the additional impact on the Australian business is expected to be marginal. The impact in Brazil is likely to result in stronger demand for both insecticide and fungicide products.

Despite low soft commodity prices and tighter farm economics in the Americas, the company expects to generate growth in the US, where our business will benefit from new product introductions and stronger support from local distribution.

While the US dollar value of the Brazilian market may see further declines over the next year, the area planted to crops and the volume of crop protection inputs are expected to rise. Careful management of inventories; positive exposure to stronger market segments; and a strengthening product portfolio result in Nufarm's Brazilian business being well placed to achieve further market share gains in the 2016 financial year.

Solid growth is forecast in Europe, with the company well placed to expand its position across a number of European country markets.

The combination of important new seed treatment product launches; continued expansion of the European sunflower business and more favourable market conditions in the Australian canola segment should drive earnings growth in seed technologies over the next 12 months.

A strong focus will be maintained on balance sheet objectives, in particular working capital efficiencies, with the aim of reducing average net working capital to sales below 40% by July 2016.

Beyond the current 2016 financial year, additional benefits resulting from the ongoing performance improvement program, along with profitable growth opportunities across products, crop segments and geographies, place the company in a strong position to deliver sustainable earnings growth and improved shareholder returns over the medium to long term.

A handwritten signature in black ink, appearing to read 'G A Hunt', with a long, sweeping flourish extending to the right.

**G A Hunt**  
**Managing Director & CEO**

---

**IFRS and Non-IFRS financial information**

Nufarm results are reported under International Financial Reporting Standards (IFRS) including Underlying EBIT and Underlying EBITDA which are used to measure segment performance. This release also includes certain non-IFRS measures including Underlying net profit



after tax and Gross profit margin. These measures are used internally by management to assess the performance of our business, make decisions on the allocation of our resources and assess operational management. Non-IFRS measures have not been subject to audit or review.

The following notes explain the terms used throughout this profit release:

- (1) Underlying EBIT is earnings before net finance costs, taxation and material items. Underlying EBITDA is Underlying EBIT before depreciation and amortisation of \$80.208 million for the year ended 31 July 2015 and \$80.816 million for the year ended 31 July 2014. We believe that Underlying EBIT and Underlying EBITDA provide useful information, but should not be considered as an indication of, or an alternative to, Profit / (loss) for the period as an indicator of operating performance or as an alternative to cash flow as a measure of liquidity.
- (2) Underlying EBIT is used to reflect the underlying performance of Nufarm's operations. Underlying EBIT is reconciled to Operating profit below.

Year ended 31 July	2015	2014
	\$000	\$000
Underlying EBIT	236,882	200,607
Material items impacting operating profit	(86,664)	(50,761)
Operating profit	150,218	149,846

- (3) Non-IFRS measures are defined as follows:
  - Underlying net profit after tax – comprises Profit / (loss) for the period attributable to the equity holders of Nufarm Limited less material items.
  - Average gross margin – defined as average gross profit as a percentage of revenue.
  - Average gross profit – defined as revenue less a standardized estimate of production costs excluding material items and non-product specific rebates and other pricing adjustments.
  - Net external interest expense – comprises Interest income – external, Interest expense – external and Lease expense – finance charges as described in note 10 to the 31 July 2015 Nufarm Limited financial report.
  - ROFE – defined as underlying EBIT divided by the average of opening and closing funds employed (total equity plus net debt).
  - Net debt – total debt less cash and cash equivalents.
  - Average net debt – net debt measured at each month end as an average.
  - Net working capital – current trade and other receivables and inventories less current trade and other payables.
  - Average net working capital – net working capital measured at each month end as an average.

## Income statement

For the year ended 31 July

	Note	Consolidated 2015 \$000	2014 \$000
<b>Continuing operations</b>			
Revenue		2,737,163	2,622,704
Cost of sales		(2,020,290)	(1,955,363)
<b>Gross profit</b>		<b>716,873</b>	<b>667,341</b>
Other income	7	11,710	10,882
Sales, marketing and distribution expenses		(348,120)	(321,912)
General and administrative expenses		(198,620)	(168,489)
Research and development expenses		(32,745)	(40,184)
Share of net profits/(losses) of equity accounted investees	19	1,120	2,208
<b>Operating profit</b>		<b>150,218</b>	<b>149,846</b>
Financial income excluding foreign exchange gains/(losses)	10	7,423	5,050
Net foreign exchange gains/(losses)	10	(302)	(12,609)
Net financing income		7,121	(7,559)
Financial expenses	10	(82,329)	(80,436)
<b>Net financing costs</b>		<b>(75,208)</b>	<b>(87,995)</b>
<b>Profit/(Loss) before income tax</b>		<b>75,010</b>	<b>61,851</b>
Income tax benefit/(expense)	11	(31,961)	(24,104)
<b>Profit/(Loss) for the period from continuing operations</b>		<b>43,049</b>	<b>37,747</b>
<b>Attributable to:</b>			
Equity holders of the Company		43,220	37,707
Non-controlling interests		(171)	40
<b>Profit/(Loss) for the period</b>		<b>43,049</b>	<b>37,747</b>
<b>Earnings per share</b>			
Basic earnings/(loss) per share	30	11.7	9.6
Diluted earnings/(loss) per share	30	11.6	9.6

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

## Statement of comprehensive income

For the year ended 31 July

	Note	Consolidated	
		2015 \$000	2014 \$000
<b>Profit/(loss) for the period</b>		43,049	37,747
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign exchange translation differences for foreign operations		36,352	(62,136)
Effective portion of changes in fair value of cash flow hedges		1,437	(860)
Effective portion of changes in fair value of net investment hedges		(7,572)	10,314
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial gains/(losses) on defined benefit plans		(19,323)	(15,321)
Income tax on share based payment transactions		(201)	(71)
<b>Other comprehensive profit/(loss) for the period, net of income tax</b>		10,693	(68,074)
<b>Total comprehensive profit/(loss) for the period</b>		53,742	(30,327)
<b>Attributable to:</b>			
Equity holders of the Company		53,913	(30,367)
Non-controlling interest		(171)	40
<b>Total comprehensive profit/(loss) for the period</b>		53,742	(30,327)

The amounts recognised directly in equity are disclosed net of tax.

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



**Balance sheet**

As at 31 July

	Note	Consolidated	
		2015	2014
		\$000	\$000
<b>Assets</b>			
Cash and cash equivalents	15	391,418	241,638
Trade and other receivables	16	732,391	724,555
Inventories	17	753,690	632,901
Current tax assets	18	39,259	30,362
<b>Total current assets</b>		<b>1,916,758</b>	<b>1,629,456</b>
<b>Non-current assets</b>			
Trade and other receivables	16	73,123	67,481
Investments in equity accounted investees	19	10,552	7,786
Other investments	20	466	477
Deferred tax assets	18	250,942	235,741
Property, plant and equipment	22	369,883	371,055
Intangible assets	23	952,464	859,450
<b>Total non-current assets</b>		<b>1,657,430</b>	<b>1,541,990</b>
<b>TOTAL ASSETS</b>		<b>3,574,188</b>	<b>3,171,446</b>
<b>Current liabilities</b>			
Bank overdraft	15	1,282	-
Trade and other payables	24	671,483	515,933
Loans and borrowings	25	380,426	318,948
Employee benefits	26	19,552	19,423
Current tax payable	18	5,919	20,605
Provisions	28	33,174	15,701
<b>Total current liabilities</b>		<b>1,111,836</b>	<b>890,610</b>
<b>Non-current liabilities</b>			
Payables	24	22,691	42,326
Loans and borrowings	25	556,427	436,057
Deferred tax liabilities	18	151,807	124,562
Employee benefits	26	94,632	69,191
<b>Total non-current liabilities</b>		<b>825,557</b>	<b>672,136</b>
<b>TOTAL LIABILITIES</b>		<b>1,937,393</b>	<b>1,562,746</b>
<b>NET ASSETS</b>		<b>1,636,795</b>	<b>1,608,700</b>
<b>Equity</b>			
Share capital		1,074,119	1,068,871
Reserves		(213,134)	(248,573)
Retained earnings		524,089	536,241
<b>Equity attributable to equity holders of the Company</b>		<b>1,385,074</b>	<b>1,356,539</b>
Nufarm step-up securities		246,932	246,932
Non-controlling interest		4,789	5,229
<b>TOTAL EQUITY</b>		<b>1,636,795</b>	<b>1,608,700</b>

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

## Statement of cash flows

For the year ended 31 July

	Note	Consolidated	
		2015	2014
		\$000	\$000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		2,841,147	2,698,423
Cash paid to suppliers and employees		(2,484,368)	(2,316,894)
Cash generated from operations		356,779	381,529
Interest received		7,423	5,050
Dividends received		538	254
Interest paid		(73,182)	(68,937)
Income tax paid		(43,149)	(45,028)
Material items	6	(19,899)	(4,771)
<b>Net cash from operating activities</b>	<b>38</b>	<b>228,510</b>	<b>268,097</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		6,806	689
Proceeds from sales of businesses and investments		-	2,088
Payments for plant and equipment		(46,654)	(44,460)
Purchase of businesses, net of cash acquired		-	-
Payments for acquired intangibles and major product development expenditure		(64,251)	(59,668)
<b>Net investing cash flows</b>		<b>(104,099)</b>	<b>(101,351)</b>
<b>Cash flows from financing activities</b>			
Debt establishment transaction costs		(1,536)	(6,558)
Proceeds from borrowings		1,071,244	910,991
Repayment of borrowings		(1,023,581)	(1,047,435)
Distribution to Nufarm step-up security holders		(16,689)	(16,905)
Dividends paid		(20,913)	(18,371)
<b>Net financing cash flows</b>		<b>8,525</b>	<b>(178,278)</b>
Net increase/(decrease) in cash and cash equivalents		132,936	(11,532)
Cash at the beginning of the year		241,638	264,972
Exchange rate fluctuations on foreign cash balances		15,562	(11,802)
<b>Cash and cash equivalents at 31 July</b>	<b>15</b>	<b>390,136</b>	<b>241,638</b>

The statement of cash flows is to be read in conjunction with the attached notes.

Nufarm Limited

Statement of changes in equity

For the year ended 31 July

	Share capital \$000	Translation reserve \$000	Capital profit reserve \$000	Other reserve \$000	Retained earnings \$000	Total \$000	Nufarm step-up securities \$000	Non-controlling interest \$000	Total equity \$000
<b>Consolidated</b>									
<b>Balance at 1 August 2013</b>	1,063,992	(196,643)	33,627	(35,654)	547,302	1,412,624	246,932	5,189	1,664,745
Profit/(Loss) for the period	-	-	-	-	37,707	37,707	-	40	37,747
<b>Other comprehensive income</b>									
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	(15,321)	(15,321)	-	-	(15,321)
Foreign exchange translation differences	-	(62,136)	-	-	-	(62,136)	-	-	(62,136)
Gains/(losses) on cash flow hedges taken to equity	-	-	-	(860)	-	(860)	-	-	(860)
Gains/(losses) on net investment hedges taken to equity	-	-	-	10,314	-	10,314	-	-	10,314
Income tax on share based payment transactions	-	-	-	(71)	-	(71)	-	-	(71)
<b>Total comprehensive income/(loss) for the period</b>	-	(62,136)	-	9,383	22,386	(30,367)	-	40	(30,327)
<b>Transactions with owners, recorded directly in equity</b>									
Accrued employee share award entitlement	-	-	-	1,782	-	1,782	-	-	1,782
Issuance of shares under employee share plans	2,172	-	-	(2,172)	-	-	-	-	-
Dividends paid to shareholders	-	-	-	-	(21,078)	(21,078)	-	-	(21,078)
Dividend Reinvestment Plan	2,707	-	-	-	-	2,707	-	-	2,707
Distributions to Nufarm Step-up Security holders	-	-	-	-	(12,369)	(12,369)	-	-	(12,369)
Remeasurement of non-controlling interest option	-	-	-	3,240	-	3,240	-	-	3,240
<b>Balance at 31 July 2014</b>	1,068,871	(258,779)	33,627	(23,421)	536,241	1,356,539	246,932	5,229	1,608,700
<b>Balance at 1 August 2014</b>	1,068,871	(258,779)	33,627	(23,421)	536,241	1,356,539	246,932	5,229	1,608,700
Profit/(Loss) for the period	-	-	-	-	43,220	43,220	-	(171)	43,049
<b>Other comprehensive income</b>									
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	(19,323)	(19,323)	-	-	(19,323)
Foreign exchange translation differences	-	36,352	-	-	-	36,352	-	-	36,352
Gains/(losses) on cash flow hedges taken to equity	-	-	-	1,437	-	1,437	-	-	1,437
Gains/(losses) on net investment hedges taken to equity	-	-	-	(7,572)	-	(7,572)	-	-	(7,572)
Income tax on share based payment transactions	-	-	-	(201)	-	(201)	-	-	(201)
<b>Total comprehensive income/(loss) for the period</b>	-	36,352	-	(6,336)	23,897	53,913	-	(171)	53,742
<b>Transactions with owners, recorded directly in equity</b>									
Accrued employee share award entitlement	-	-	-	4,304	-	4,304	-	-	4,304
Issuance of shares under employee share plans	2,104	-	-	(2,104)	-	-	-	-	-
Dividends paid to shareholders	-	-	-	-	(23,788)	(23,788)	-	(269)	(24,057)
Dividend Reinvestment Plan	3,144	-	-	-	-	3,144	-	-	3,144
Distributions to Nufarm Step-up Security holders	-	-	-	-	(12,261)	(12,261)	-	-	(12,261)
Remeasurement of non-controlling interest option	-	-	-	3,223	-	3,223	-	-	3,223
<b>Balance at 31 July 2015</b>	1,074,119	(222,427)	33,627	(24,334)	524,089	1,385,074	246,932	4,789	1,636,795

The statement of changes in equity is to be read in conjunction with the attached notes.

## Notes to the financial statements

### 1 Reporting entity

Nufarm Limited (the 'company') is a company limited by shares and domiciled in Australia that is listed on the Australian Securities Exchange. The address of the company's registered office is 103-105 Pipe Road, Laverton North, Victoria, 3026. The consolidated financial statements of the company as at and for the year ended 31 July 2015 comprise the company and its subsidiaries (together referred to as the 'group' and individually as 'group entities') and the group's interest in associates and jointly controlled entities. The group is a for-profit entity and is primarily involved in the manufacture and sale of crop protection products used by farmers to protect crops from damage caused by weeds, pests and disease, and seed treatment products.

### 2 Basis of preparation

#### (a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 23 September 2015.

#### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value. The methods used to measure fair values are discussed further in note 4.

#### (c) Functional and presentation currency

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

#### (d) Use of estimates and judgements

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant impact on the amount recognised in the financial statements are described below.

##### (i) *Business combinations*

Fair valuing assets and liabilities acquired in a business combination involves making assumptions about the timing of cash inflows and outflows, growth assumptions, discount rates and cost of debt. Refer to note 14 for details of acquisitions made during the period.

##### (ii) *Impairment testing*

The group determines whether goodwill and intangibles with indefinite useful lives are impaired on an annual basis or at each reporting date if required. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology. The estimation of future cash flows requires management to make significant assumptions concerning the identification of impairment indicators, earnings before interest and tax, growth rates, applicable discount rates and useful lives. Further details can be found in note 23 on intangibles. Other non-current assets are also assessed for impairment indicators.

## Notes to the financial statements (continued)

### 2 Basis of preparation (continued)

#### (d) Use of estimates and judgements (continued)

(iii) *Income taxes*

The group is subject to income taxes in Australia and overseas jurisdictions. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the current and deferred tax provisions in the period in which the tax determination is made. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. The assessment of probability involves estimation of a number of factors including future taxable income.

(iv) *Defined benefit plans*

A liability in respect of defined benefit pension plans is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the pension plan's assets. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund at the reporting date, calculated annually by independent actuaries. Consideration is given to expected future salary levels, experience of employee departures and periods of service. Refer note 26 for details of the key assumptions used in determining the accounting for these plans.

(v) *Valuation of inventories*

Inventories of finished goods, raw materials and work in progress are valued at lower of cost and net realisable value. The net realisable value of inventories is the estimated market price less costs to sell at the time the product is expected to be sold.

(vi) *Capitalised development costs*

Development expenditures are recognised as an intangible asset when the group judges and is able to demonstrate:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use
- (b) intention to complete
- (c) ability to use the asset; and
- (d) how the asset will generate future economic benefits and the ability to measure reliably the expenditure during development.

#### (e) Reclassification

Comparatives have been adjusted to present them on the same basis as current period figures.

### 3 Significant accounting policies

Except as described immediately below, the group's accounting policies have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by group entities.

During the current reporting period, a number of new or amended standards became applicable for the first time: *IFRIC21 Levies*, *Annual Improvements to IFRSs 2010-2012 and 2011-2013 Cycle* and *Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)*. These standards did not materially effect the entity's accounting policies or any of the amounts recognised in the financial statements.

#### New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2015, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 *Financial Instruments*, which becomes mandatory for the group's 2019 consolidated financial statements and IFRS 15 *Revenue from contracts with customers*, which becomes mandatory for 2018 consolidated financial statements. AASB 9 could change the classification and measurement of financial assets and IFRS 15 could change revenue recognition practices. The group does not currently plan to adopt these standards early and the extent of the impact (if any) has not been determined.

## Notes to the financial statements (continued)

### 3 Significant accounting policies (continued)

#### (a) Basis of consolidation

##### (i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that currently are exercisable.

For acquisitions on or after 1 July 2009, the group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

##### (ii) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

When a written put option is established with non-controlling shareholders in an existing subsidiary, then the group will recognise a liability for the present value of the exercise price of the option. When the NCI still has present access to the returns associated with the underlying ownership interest, NCI continues to be recognised and accordingly the liability is considered a transaction with owners and recognised via a reserve. Any changes in the carrying value of the put liability over time is recognised directly in reserves.

##### (iii) Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

### 3 Significant accounting policies (continued)

#### (a) Basis of consolidation (continued)

##### (iv) *Investments in equity accounted investees*

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the group has joint control, whereby the group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognised at cost. The group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the group's share of the income and expenses and equity movements investees, after adjustments to align the accounting policies with those of the group, from the date that significant influence of equity accounted or joint control commences until the date that significant influence or joint control ceases. When the group's share of losses exceeds its interest in an equity accounted investment, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the group has an obligation or has made payments on behalf of the investee.

##### (v) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### (b) Foreign currency

##### (i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency gains and losses are included in net financing costs as they are mostly derived from financing arrangements.

The group has on issue a hybrid security called Nufarm step-up securities (NSS). Proceeds from the NSS (note 29) have been utilised to provide funding throughout the group. This creates a foreign currency exposure when the funding currency denomination differs from the respective entity's functional currency.

##### (ii) *Foreign operations*

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

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

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the FCTR.

#### (c) Financial instruments

##### (i) *Non-derivative financial assets*

The group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the group becomes a party to the contractual provisions of the instrument.

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

## Notes to the financial statements (continued)

### 3 Significant accounting policies (continued)

#### (c) Financial instruments (continued)

##### (i) *Non-derivative financial assets (continued)*

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the group has the legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

The group has the following non-derivative financial assets: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

##### *Financial assets at fair value through profit or loss*

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit and loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

##### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. 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 purposes of the statement of cash flows.

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as another category of financial asset. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and any changes other than impairment losses are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

##### (ii) *Non-derivative financial liabilities*

The group initially recognises debt securities and subordinated liabilities on the date they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the group becomes a party to the contractual provisions of the instrument. The group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the group has the legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

The group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method. This includes trade payables that represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid.

##### (iii) *Share capital*

###### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any related income tax benefit. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

###### *Hybrid securities*

The NSS are classified as equity instruments but as non-controlling interests as they are issued by a subsidiary. After-tax distributions thereon are recognised as distributions within equity. Further details can be found in note 29.



### 3 Significant accounting policies (continued)

#### (c) Financial instruments (continued)

##### (iv) *Derivative financial instruments, including hedge accounting*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges); or
- hedges of a net investment in a foreign operation (net investment hedges).

The group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

##### *Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

##### *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

##### *Net investment hedges*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

## Notes to the financial statements (continued)

### 3 Significant accounting policies (continued)

#### (c) Financial instruments (continued)

##### (iv) *Derivative financial instruments, including hedge accounting (continued)*

###### *Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

#### (d) Property, plant and equipment

##### (i) *Recognition and measurement*

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

Cost includes expenditure that is 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, and capitalised borrowing costs. 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.

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

##### (ii) *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 carrying amount of the replaced part is derecognised. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

##### (iii) *Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value. 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, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the group will obtain ownership by the end of the lease term. Land is not depreciated.

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

* buildings	15-50 years
* leasehold improvements	5 years
* plant and equipment	10-15 years
* motor vehicles	5 years
* computer equipment	3 years

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

#### (e) Intangible assets

##### (i) *Goodwill*

Goodwill that arises upon the acquisition of business combinations is included in intangible assets. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

## Notes to the financial statements (continued)

**3 Significant accounting policies (continued)****(e) Intangible assets (continued)***(ii) Research and development*

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

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the group has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use and capitalised borrowing costs. Development expenditure that does not meet the above criteria is recognised in profit or loss as incurred.

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

*(iii) 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. 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.

*(iv) Other intangible assets*

Other intangible assets that are acquired by the group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

*(v) 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.

*(vi) Amortisation*

Amortisation is calculated over the cost of the asset, less its residual value. With the exception of goodwill, intangibles with a finite life are amortised on a straight-line basis in profit and loss over the estimated useful lives of the intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life for intangible assets with a finite life, in the current and comparative periods, are as follows:

* capitalised development costs	5 to 10 years
* intellectual property - finite life	over the useful life in accordance with the acquisition agreement terms
* computer software	3 to 7 years

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

**(f) Leased assets**

Leases where the group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in 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, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## Notes to the financial statements (continued)

### 3 Significant accounting policies (continued)

#### (h) Impairment

##### (i) *Non-derivative financial assets*

A financial asset, not carried at fair value through profit or loss, is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence of impairment includes default or delinquency by a debtor, indications that a debtor will enter bankruptcy, and, in the case of an investment in an equity security, a significant or prolonged decline in its fair value.

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 on an available-for-sale financial asset is recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit and loss. The cumulative loss that is reclassified from equity to profit and loss is the difference between the acquisition cost and the current fair value less any impairment loss previously recognised in profit and loss. If, in a subsequent period, the fair value of an impaired available-for-sale financial asset increases and the increase relates to an event occurring after the impairment loss was recognised then the impairment loss is reversed, with the amount of the reversal recognised in profit and loss.

##### (ii) *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, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

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

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

##### (i) **Non-current assets held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the group's accounting policies.

## Notes to the financial statements (continued)

### 3 Significant accounting policies (continued)

#### (i) Non-current assets held for sale (continued)

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.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity accounted investees ceases once classified as held for sale or distribution.

#### (j) Employee benefits

##### (i) *Defined contribution plans*

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

##### (ii) *Defined benefit plans*

The group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan asset (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit and loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

##### (iii) *Other long-term employee benefits*

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

##### (iv) *Termination benefits*

Termination benefits are recognised as an expense when the group is demonstrably committed, without a realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are payable more than twelve months after the reporting period, then they are discounted to their present value.

## Notes to the financial statements (continued)

### 3 Significant accounting policies (continued)

#### (j) Employee benefits (continued)

##### (v) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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

##### (vi) Share-based payment transactions

The group has a global share plan for employees whereby matching and loyalty shares are granted to employees. The fair value of matching and loyalty shares granted is recognised as expense in the profit or loss over the respective service period, with a corresponding increase in equity, rather than as the matching and loyalty shares are issued. Refer note 27 for details of the global share plan.

The group has a short term incentive plan (STI) available to key executives, senior managers and other managers globally. A pre-determined percentage of the STI is paid in cash with the remainder deferred into shares which have either a one or two year vesting period. The cash portion is recognised immediately as an expense at the time of performance testing. The expense relating to deferred shares is expensed over the vesting period. Refer to note 27 for further details on this plan.

The group has a long term incentive plan (LTIP) which is available to key executives and certain selected senior managers. Performance rights have been granted to acquire ordinary shares in the company subject to the achievement of global performance hurdles. The expense in relation to the LTIP is recognised over the vesting period of 3 years. Refer note 27 for further details on this 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 and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

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 losses are not provided for.

#### (l) Revenue

##### (i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence of an arrangement exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

##### (ii) Dividend income

Dividend income is recognised when the right to receive the payment is established. This is generally at the point the dividend has been formally declared.

#### (m) Lease payments

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

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

## Notes to the financial statements (continued)

### 3 Significant accounting policies (continued)

#### (m) Lease payments (continued)

##### *Determining whether an arrangement contains a lease*

At the inception of an arrangement, the group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the group the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the group's incremental borrowing rate.

#### (n) Finance income and finance costs

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

Finance costs comprise interest expense on borrowings, transaction costs, unwinding of the discount on provisions, changes in the fair value of financial assets classified as fair value through profit or loss, dividends on preference shares classified as liabilities, impairment losses recognised on financial assets and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest rate method.

#### (o) Income tax

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

Additional income taxes that arise from the distribution of cash dividends are recognised at the same time as the liability to pay the related dividend is recognised. The group does not distribute non-cash assets as dividends to its shareholders.

#### (i) Tax consolidation

The company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Nufarm Limited.

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

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

## Notes to the financial statements (continued)

### 3 Significant accounting policies (continued)

#### (o) Income tax (continued)

##### (i) Tax consolidation (continued)

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.

##### (ii) 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 tax authority 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) 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.

#### (r) Segment reporting

##### *Determination and presentation of operating segments*

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. All operating segments' results are reviewed regularly by the group's CEO to make decisions about resources to be allocated to the segment and to assess its performance.



## Notes to the financial statements (continued)

### 3 Significant accounting policies (continued)

#### (r) Segment reporting (continued)

##### *Determination and presentation of operating segments (continued)*

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly loans and borrowings and related expenses, corporate assets and head office expenses, and income tax assets and liabilities.

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

### 4 Determination of fair values

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### (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, and willingly. The market value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches quoted market prices for similar items when available and replacement cost when appropriate.

#### (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 inventories 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 inventories.

#### (iv) *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. This fair value is determined for disclosure purposes.

#### (v) *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 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.

## Notes to the financial statements (continued)

### 4 Determination of fair values (continued)

(vi) *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.

(vii) *Share-based payment transactions*

The fair value of the performance rights issued under the Nufarm Long Term Incentive Plan have been measured using Monte Carlo Simulation and the Binomial Tree. The fair value of the deferred shares granted to participants under the Nufarm Short Term Incentive will be measured using the volume weighted average price for the five day period subsequent to year end results announcement. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility, expected term of the instruments, dividends, and the risk-free rate (based on government bonds).

### 5 Operating segments

Segment information is presented in respect of the group's key operating segments. The operating segments are based on the group's management and internal reporting structure.

*Operating segments*

The group operates predominantly along two business lines, being crop protection and seed technologies.

The crop protection business deals in the manufacture and sale of crop protection products used by farmers to protect crops from damage caused by weeds, pests and disease. It is managed by major geographic segments, being Australia and New Zealand, Asia, Europe, North America and South America. The North America region includes Canada, USA, Mexico and the Central American countries. The South America region includes Brazil, Argentina, Chile, Uruguay, Paraguay, Bolivia, Columbia and the Andean countries.

The seed technologies business deals in the sale of seeds and seed treatment products. The seed technologies business is managed on a worldwide basis.

Information regarding the results of each operating segment is included below. Performance is measured based on underlying EBIT as included in the internal management reports that are reviewed by the group's CEO. Underlying EBIT is used to measure performance as management believes that such information is the most relevant in evaluating the results of each segment. Segment revenue is based on the geographic location of customers. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The corporate segment comprises mainly corporate expenses, interest-bearing loans, borrowings and corporate assets.

## Notes to the financial statements

## 5 Operating segments (continued)

2015 Operating Segments	Crop Protection					Total \$000	Seed Technologies	Corporate	Group Total \$000
	Australia and New Zealand \$000	Asia \$000	Europe \$000	North America \$000	South America \$000		Global \$000	\$000	
<b>Revenue</b>									
Total segment revenue	582,391	155,233	544,775	588,650	706,533	2,577,582	159,581	-	2,737,163
<b>Results</b>									
Underlying EBITDA <sup>(a)</sup>	69,952	21,661	98,565	54,579	79,604	324,361	37,648	(44,919)	317,090
Depreciation & amortisation excluding material items	(17,207)	(3,527)	(34,139)	(15,658)	(2,920)	(73,451)	(5,819)	(938)	(80,208)
<b>Underlying EBIT <sup>(a)</sup></b>	<b>52,745</b>	<b>18,134</b>	<b>64,426</b>	<b>38,921</b>	<b>76,684</b>	<b>250,910</b>	<b>31,829</b>	<b>(45,857)</b>	<b>236,882</b>
Material items included in operating profit (refer note 6)									(86,664)
Material items included in net financing costs (refer note 6)									-
Net financing costs (excluding material items)									(75,208)
<b>Profit/(loss) before tax</b>									<b>75,010</b>
<b>Assets</b>									
Segment assets	440,197	97,380	751,869	531,119	671,788	2,492,353	375,982	695,301	3,563,636
Investment in associates	-	8,761	1,441	-	-	10,202	350	-	10,552
<b>Total assets</b>	<b>440,197</b>	<b>106,141</b>	<b>753,310</b>	<b>531,119</b>	<b>671,788</b>	<b>2,502,555</b>	<b>376,332</b>	<b>695,301</b>	<b>3,574,188</b>
<b>Liabilities</b>									
Segment liabilities	146,079	110,567	257,625	103,421	194,533	812,225	26,914	1,098,254	1,937,393
<b>Total liabilities</b>	<b>146,079</b>	<b>110,567</b>	<b>257,625</b>	<b>103,421</b>	<b>194,533</b>	<b>812,225</b>	<b>26,914</b>	<b>1,098,254</b>	<b>1,937,393</b>
<b>Other segment information</b>									
Capital expenditure	14,727	1,316	40,282	22,969	6,844	86,138	25,580	-	111,718

2014 Operating Segments	Crop Protection					Total \$000	Seed Technologies	Corporate	Group Total \$000
	Australia and New Zealand \$000	Asia \$000	Europe \$000	North America \$000	South America \$000		Global \$000	\$000	
<b>Revenue</b>									
Total segment revenue	605,761	140,885	555,521	513,596	662,512	2,478,275	144,429	-	2,622,704
<b>Results</b>									
Underlying EBITDA <sup>(a)</sup>	53,869	22,418	89,629	35,879	75,286	277,081	41,963	(37,621)	281,423
Depreciation & amortisation excluding material items	(19,966)	(2,937)	(33,209)	(15,241)	(3,664)	(75,017)	(4,803)	(996)	(80,816)
<b>Underlying EBIT <sup>(a)</sup></b>	<b>33,903</b>	<b>19,481</b>	<b>56,420</b>	<b>20,638</b>	<b>71,622</b>	<b>202,064</b>	<b>37,160</b>	<b>(38,617)</b>	<b>200,607</b>
Material items included in operating profit (refer note 6)									(50,761)
Material items included in net financing costs (refer note 6)									-
Net financing costs (excluding material items)									(87,995)
<b>Profit/(loss) before tax</b>									<b>61,851</b>
<b>Assets</b>									
Segment assets	417,599	85,878	753,554	442,360	645,914	2,345,305	316,316	502,039	3,163,660
Investment in associates	-	5,409	1,993	-	-	7,402	384	-	7,786
<b>Total assets</b>	<b>417,599</b>	<b>91,287</b>	<b>755,547</b>	<b>442,360</b>	<b>645,914</b>	<b>2,352,707</b>	<b>316,700</b>	<b>502,039</b>	<b>3,171,446</b>
<b>Liabilities</b>									
Segment liabilities	134,764	98,342	186,768	56,022	133,211	609,107	31,307	922,332	1,562,746
<b>Total liabilities</b>	<b>134,764</b>	<b>98,342</b>	<b>186,768</b>	<b>56,022</b>	<b>133,211</b>	<b>609,107</b>	<b>31,307</b>	<b>922,332</b>	<b>1,562,746</b>
<b>Other segment information</b>									
Capital expenditure	12,834	5,102	37,675	13,979	7,175	76,765	16,900	-	93,665

## Notes to the financial statements

## 5 Operating segments (continued)

Geographical information	Revenue by location of customer		Non current assets by location	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
Australia	548,307	570,396	250,651	228,520
New Zealand	59,391	67,866	5,429	7,051
Asia	155,233	151,065	43,607	39,915
Europe	567,446	579,131	437,265	393,527
USA	561,674	459,625	405,718	321,470
Rest of North America	105,913	105,100	14,311	24,050
Brazil	556,475	552,391	231,166	272,202
Rest of South America	182,724	137,130	18,341	19,513
Unallocated <sup>(b)</sup>	-	-	250,942	235,742
<b>Total</b>	<b>2,737,163</b>	<b>2,622,704</b>	<b>1,657,430</b>	<b>1,541,990</b>

(a) Underlying EBIT is earnings before net finance costs, taxation and material items. Underlying EBITDA is Underlying EBIT, before depreciation, amortisation and impairments.

(b) Unallocated assets predominately include deferred tax assets.

## 6 Items of material income and expense

Material items are those items where their nature and/or amount is considered material to the financial statements. Such items included within the group's profit for the year are detailed below.

	Consolidated		Consolidated	
	2015	2015	2014	2014
	\$000	\$000	\$000	\$000
	Pre-tax	After-tax	Pre-tax	After-tax
<i>Material items by category:</i>				
Asset rationalisation and restructure	(86,664)	(73,839)	(50,761)	(48,704)
	(86,664)	(73,839)	(50,761)	(48,704)

2015 asset rationalisation and restructure

The 2015 asset rationalisation and restructuring program has resulted in the rationalisation of under-utilised assets and an organisational restructure throughout the Nufarm group. Asset rationalisation and restructure costs amounting to \$86.664 million mainly relate to the rationalisation of European manufacturing assets, whereby the Botlek manufacturing facilities will be closed and manufacturing consolidated. A breakdown of the nature of the costs incurred are further described below. Asset rationalisation costs have only been tax benefitted to the extent that it is probable that the benefit will be utilised.

Summary of nature of cost	Note	Further explanation of nature of cost	
Organisational restructuring costs	(a)	14,335	Primarily redundancy and consultancy costs.
European manufacturing asset rationalisation		46,349	Primarily redundancies, consultancy and plant closure costs
Other asset rationalisation costs	(b)	25,980	
		<b>86,664</b>	

(a) Costs associated with the departure of Doug Rathbone (Managing Director) in February 2015 form a part of this material item. Refer to the remuneration report for further information regarding termination payments made to Doug Rathbone during the year ended 31 July 2015.

(b) Primarily costs associated with the rationalisation and outsourcing of underperforming assets such as low yielding stock lines, product related intangibles and other fixed assets.

2014 asset rationalisation and restructure

Asset rationalisation and restructure costs of \$50.761 million mainly relate to the rationalisation of Australian and New Zealand manufacturing assets, whereby three manufacturing facilities will be closed and manufacturing consolidated. The program has resulted in the rationalisation of under utilised assets and an organisational restructure. Asset rationalisation costs have only been tax benefitted to the extent that it is foreseeable that the benefit will be utilised.

## Notes to the financial statements

## 6 Items of material income and expense (continued)

Material items are classified by function as follows

Year ended 31 July 2015 \$'000s	Cost of sales	Selling, marketing and distribution expense	General & administrative expense	Research and development expenses	Net financing costs	Total Pre-tax
Asset rationalisation and restructure	(48,349)	(5,142)	(33,111)	(62)	-	(86,664)
	(48,349)	(5,142)	(33,111)	(62)	-	(86,664)
<b>Total material items included operating profit</b>	<b>(48,349)</b>	<b>(5,142)</b>	<b>(33,111)</b>	<b>(62)</b>	<b>-</b>	<b>(86,664)</b>

Year ended 31 July 2014 \$'000s	Cost of sales	Selling, marketing and distribution expense	General & administrative expense	Research and development expenses	Net financing costs	Total Pre-tax
ANZ asset rationalisation and restructure	(33,612)	(7,322)	(8,674)	(1,153)	-	(50,761)
	(33,612)	(7,322)	(8,674)	(1,153)	-	(50,761)
<b>Total material items included operating profit</b>	<b>(33,612)</b>	<b>(7,322)</b>	<b>(8,674)</b>	<b>(1,153)</b>	<b>-</b>	<b>(50,761)</b>

## 7 Other income

	Consolidated	
	2015 \$000	2014 \$000
Dividend income	137	134
Rental income	241	199
Sundry income	11,332	10,549
<b>Total other income</b>	<b>11,710</b>	<b>10,882</b>

## 8 Other expenses

The following expenses were included in the period result:

	Consolidated	
	2015 \$000	2014 \$000
Depreciation and amortisation	(80,208)	(80,816)
Inventory write down	(11,104)	(5,693)

## 9 Personnel expenses

	Consolidated	
	2015 \$000	2014 \$000
Wages and salaries	(261,896)	(242,767)
Other associated personnel expenses	(46,583)	(42,580)
Contributions to defined contribution superannuation funds	(15,398)	(13,742)
Expense/(gain) related to defined benefit superannuation funds	2,528	(4,002)
Short-term employee benefits	(9,975)	(9,681)
Other long-term employee benefits	(2,597)	(2,091)
Restructuring	(22,162)	(14,732)
<b>Personnel expenses</b>	<b>(356,083)</b>	<b>(329,595)</b>

The restructure expense relates to the rationalisation and restructure of the group's European manufacturing assets. These costs are included in material items in note 6.

## Notes to the financial statements

10 Finance income and expense	Consolidated	
	2015	2014
	\$000	\$000
Financial income excluding foreign exchange gains/(losses)	7,423	5,050
Net foreign exchange gains/(losses)	(302)	(12,609)
<b>Financial income</b>	<b>7,121</b>	<b>(7,559)</b>
Interest expense - external	(73,054)	(67,527)
Interest expense - debt establishment transaction costs	(7,175)	(11,129)
Lease expense - finance charges	(2,100)	(1,780)
<b>Financial expenses</b>	<b>(82,329)</b>	<b>(80,436)</b>
<b>Net financing costs</b>	<b>(75,208)</b>	<b>(87,995)</b>

11 Income tax expense	Consolidated	
	2015	2014
	\$000	\$000
<b>Recognised in the income statement</b>		
<b>Current tax expense</b>		
Current period	24,567	24,275
Non-recognition of tax assets on material items	11,272	12,961
Adjustments for prior periods	489	(4,013)
<b>Current tax expense</b>	<b>36,328</b>	<b>33,223</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences and tax losses	(1,602)	(9,974)
Reduction in tax rates	25	(221)
Initial (recognition)/derecognition of tax assets	(2,790)	1,076
<b>Deferred tax expense/(benefit)</b>	<b>(4,367)</b>	<b>(9,119)</b>
<b>Total income tax expense/(benefit) in income statement</b>	<b>31,961</b>	<b>24,104</b>
Attributable to:		
Continuing operations	31,961	24,104
<b>Total income tax expense/(benefit) in income statement</b>	<b>31,961</b>	<b>24,104</b>

**Numerical reconciliation between tax expense and pre-tax net profit**

	Note	2015	2014
		\$000	\$000
Profit/(Loss) before tax		75,010	61,851
Income tax using the local corporate tax rate of 30%		22,503	18,555
<i>Increase/(decrease) in income tax expense due to:</i>			
Non-deductible expenses		5,102	2,642
Other taxable income		2,668	1,939
Effect of changes in the tax rate		25	(221)
Initial (recognition)/derecognition of tax assets		(2,790)	1,076
Non-recognition of tax assets on material items		11,272	12,961
Settlement of Brazilian tax proceedings	18	-	21,053
Utilisation of tax losses on settlement of Brazilian tax proceedings	18	-	(21,053)
Effect on tax rate in foreign jurisdictions		(2,195)	(4,349)
Tax exempt income		(2,607)	(1,747)
Tax incentives not recognised in the income statement		(2,506)	(2,739)
		31,472	28,117
Under/(over) provided in prior years		489	(4,013)
<b>Income tax expense/(benefit)</b>		<b>31,961</b>	<b>24,104</b>

	2015	2014
	\$000	\$000
<b>Income tax recognised directly in equity</b>		
Nufarm step-up securities distribution	(4,428)	(4,536)
<b>Income tax recognised directly in equity</b>	<b>(4,428)</b>	<b>(4,536)</b>
<b>Income tax recognised in other comprehensive income</b>		
Relating to actuarial gains/(losses) on defined benefit plans	(4,997)	(4,052)
Relating to equity based compensation	201	71
<b>Income tax recognised in other comprehensive income</b>	<b>(4,796)</b>	<b>(3,981)</b>

## Notes to the financial statements

### 12 Discontinued operations

There were no discontinued operations in current or prior period.

### 13 Non-current assets held for sale

There were no assets held for sale in the current or prior period.

<b>Assets classified as held for sale</b>	Consolidated	
	2015	2014
	\$000	\$000
Property, plant and equipment including costs incurred in preparing site for sale	-	-
<b>Total assets held for sale</b>	<b>-</b>	<b>-</b>

### 14 Acquisition of businesses and acquisition of non-controlling interests

There were no businesses acquired in the current or prior period.

#### *Acquisition of non-controlling interest*

There was no acquisition of non-controlling interest in the current or prior period.

## Notes to the financial statements

15 Cash and cash equivalents	Consolidated	
	2015	2014
	\$000	\$000
Bank balances	292,770	194,121
Call deposits	98,648	47,517
	<u>391,418</u>	<u>241,638</u>
Bank overdraft	(1,282)	-
Total cash and cash equivalents	<u>390,136</u>	<u>241,638</u>

16 Trade and other receivables	Consolidated	
	2015	2014
	\$000	\$000
<b>Current</b>		
Trade receivables	682,846	696,434
Provision for impairment losses	(42,766)	(26,591)
	<u>640,080</u>	<u>669,843</u>
Derivative financial instruments	7,261	184
Proceeds receivable from sale of businesses	-	-
Prepayments	37,793	19,443
Other receivables	47,257	35,085
Current receivables	<u>732,391</u>	<u>724,555</u>
<b>Non-current</b>		
Derivative financial instruments	17,760	-
Other receivables	55,363	67,481
Non-current receivables	<u>73,123</u>	<u>67,481</u>
Total trade and other receivables	<u>805,514</u>	<u>792,036</u>

17 Inventories	Consolidated	
	2015	2014
	\$000	\$000
Raw materials	214,682	193,323
Work in progress	26,527	29,983
Finished goods	517,222	415,231
	<u>758,431</u>	<u>638,537</u>
Provision for obsolescence of finished goods	(4,741)	(5,636)
Total inventories	<u>753,690</u>	<u>632,901</u>



## Notes to the financial statements

**18 Tax assets and liabilities****Current tax assets and liabilities**

The current tax asset for the group of \$39.259 million (2014: \$30.362 million) represents the amount of income taxes recoverable in respect of prior periods and that which arose from the payment of tax in excess of the amounts due to the relevant tax authority. The current tax liability for the group of \$5.919 million (2014: \$20.605 million) represents the amount of income taxes payable in respect of current and prior financial periods.

**Deferred tax assets and liabilities****Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
<b>Consolidated</b>	\$000	\$000	\$000	\$000	\$000	\$000
Property, plant and equipment	1,512	6,222	(8,750)	(10,516)	(7,238)	(4,294)
Intangible assets	13,846	8,470	(121,070)	(102,089)	(107,224)	(93,619)
Employee benefits	23,333	17,703	-	-	23,333	17,703
Provisions	27,039	17,137	-	-	27,039	17,137
Other items	22,447	17,109	(21,987)	(15,560)	460	1,549
Tax value of losses carried forward	162,765	172,703	-	-	162,765	172,703
<b>Tax assets/(liabilities)</b>	<b>250,942</b>	<b>239,344</b>	<b>(151,807)</b>	<b>(128,165)</b>	<b>99,135</b>	<b>111,179</b>
Set off of tax	-	(3,603)	-	3,603	-	-
<b>Net tax assets/(liabilities)</b>	<b>250,942</b>	<b>235,741</b>	<b>(151,807)</b>	<b>(124,562)</b>	<b>99,135</b>	<b>111,179</b>

**Movement in temporary differences during the year****Consolidated 2015**

	Balance	Recognised	Recognised	Currency	Other	Balance
	31.07.14	in income	in equity	adjustment	movement	31.07.15
	\$000	\$000	\$000	\$000	\$000	\$000
Property, plant and equipment	(4,294)	(594)	-	(2,350)	-	(7,238)
Intangibles assets	(93,619)	(1,028)	-	(12,577)	-	(107,224)
Employee benefits	17,703	8,805	(4,997)	1,822	-	23,333
Provisions	17,137	10,775	-	(873)	-	27,039
Other items	1,549	(1,682)	201	392	-	460
Tax value of losses carried forward	172,703	(11,909)	-	1,971	-	162,765
	<b>111,179</b>	<b>4,367</b>	<b>(4,796)</b>	<b>(11,615)</b>	<b>-</b>	<b>99,135</b>

**Consolidated 2014**

	Balance	Recognised	Recognised	Currency	Other	Balance
	31.07.13	in income	in equity	adjustment	movement	31.07.14
	\$000	\$000	\$000	\$000	\$000	\$000
Property, plant and equipment	(6,534)	2,201	-	39	-	(4,294)
Intangibles assets	(88,990)	(8,014)	-	3,385	-	(93,619)
Employee benefits	14,613	(1,195)	4,052	233	-	17,703
Provisions	10,654	6,903	-	(420)	-	17,137
Other items	11,897	(9,159)	(71)	(1,118)	-	1,549
Tax value of losses carried forward	138,888	18,383	-	(3,698)	19,130	172,703
	<b>80,528</b>	<b>9,119</b>	<b>3,981</b>	<b>(1,579)</b>	<b>19,130</b>	<b>111,179</b>

The carrying value of deferred tax assets relating to tax losses and tax credits is largely dependent on the generation of sufficient future taxable income. The carrying value of this asset will continue to be assessed at each reporting date.

**Deferred tax assets and liabilities****Unrecognised deferred tax liability**

At 31 July 2015, a deferred tax liability of \$32,099,309 (2014: \$25,743,684) relating to investments in subsidiaries has not been recognised because the company controls the repatriation of retained earnings and it is satisfied that it will not be incurred in the foreseeable future. This amount represents the theoretical withholding tax payable if all overseas retained earnings were paid as dividends.

**Unrecognised deferred tax assets**

At 31 July 2015, there are unrecognised deferred tax assets in respect of tax losses and timing differences of \$20,400,996 (2014: \$13,884,125).

During December 2013, the company elected to participate in a federal tax program instigated by the Brazilian government that allows taxpayers to reduce their tax liabilities by offering discounts on claims (including penalties and interest). The company elected to enter into the program, and was able to offset the resulting tax liability by recognising previously unrecognised tax assets. The amount of previously unrecognised deferred tax assets offset in this way was \$21,053,467. Refer note 34.

## Notes to the financial statements

## 19 Investments accounted for using the equity method

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

The group had the following individually immaterial associates and joint ventures during the year:

	Nature of relationship	Country	Balance date of associate	Ownership and voting interest		Carrying amount		Share of profit	
				2015	2014	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Excel Crop Care Ltd	Associate (1)	India	31 March	14.69%	14.69%	8,760	5,409	1,737	2,081
F&N joint ventures	Joint Ventures (2)	Europe	31 December	50.00%	50.00%	1,441	1,142	266	651
Lotus Agrar GmbH	Joint Venture (3)	Germany	31 December	0.00%	50.00%	-	851	(848)	(614)
Others	Associates (4)					351	384	(35)	90
						10,552	7,786	1,120	2,208

(1) Excel Crop Care Ltd is an agricultural chemicals manufacturer. Nufarm's investment in Excel Crop Care Ltd is equity accounted due to Nufarm holding 14.69% of voting rights in Excel Crop Care Ltd, the transactions undertaken between the parties and Nufarm's ability to appoint two directors to the board. The relationship extends to manufacturing and marketing collaborations and the sale/purchase of crop protection products.

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

(3) Lotus Agrar GmbH is a joint venture established in Germany to sell generic agrochemicals. During the year ended 31 July 2015, Nufarm divested of its interest in this joint venture.

(4) Aggregate of other individually immaterial associates.

The share of net profits has been derived from the latest management reports as at 31 July 2015 for the F&N joint ventures. The Excel Crop Care share of net profits is from the 30 June 2015 management accounts.

## Notes to the financial statements

**20 Other investments**

	Consolidated	
	2015	2014
	\$000	\$000
<b>Investments - available-for-sale</b>		
Balance at the beginning of the year	-	-
Disposals during the year	-	-
Exchange adjustment	-	-
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>
<b>Other investments</b>		
Other investments	466	477
<b>Total other investments</b>	<b>466</b>	<b>477</b>

**21 Other non-current assets**

	Consolidated	
	2015	2014
	\$000	\$000
Other non-current assets	-	-
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>

**22 Property, plant and equipment**

	Consolidated				Total
	Land and buildings	Plant and machinery	Leased plant and machinery	Capital work in progress	
	\$000	\$000	\$000	\$000	\$000
<b>Cost</b>					
Balance at 1 August 2014	213,148	666,612	19,745	25,737	925,242
Additions	821	15,527	540	29,766	46,654
Additions through business combinations	-	-	-	-	-
Disposals and write-offs	(9,153)	(92,955)	(26)	(20)	(102,154)
Other transfers	1,230	28,205	(36)	(30,160)	(761)
Exchange adjustment	7,687	36,759	4,017	3,087	51,550
<b>Balance at 31 July 2015</b>	<b>213,733</b>	<b>654,148</b>	<b>24,240</b>	<b>28,410</b>	<b>920,531</b>
<b>Depreciation and impairment losses</b>					
Balance at 1 August 2014	(87,859)	(463,818)	(2,510)	-	(554,187)
Depreciation charge for the year	(6,637)	(37,199)	(1,424)	-	(45,260)
Additions through business combinations	-	-	-	-	-
Impairment loss	-	(19,347)	-	-	(19,347)
Disposals and write-offs	4,316	89,896	17	-	94,229
Other transfers	1,652	(1,590)	32	-	94
Exchange adjustment	(4,888)	(20,675)	(614)	-	(26,177)
<b>Balance at 31 July 2015</b>	<b>(93,416)</b>	<b>(452,733)</b>	<b>(4,499)</b>	<b>-</b>	<b>(550,648)</b>
<b>Net property, plant and equipment at 31 July 2015</b>	<b>120,317</b>	<b>201,415</b>	<b>19,741</b>	<b>28,410</b>	<b>369,883</b>

## Notes to the financial statements

## 22 Property, plant and equipment (continued)

	Consolidated				Total \$000
	Land and buildings \$000	Plant and machinery \$000	Leased plant and machinery \$000	Capital work in progress \$000	
<b>2014</b>					
<b>Cost</b>					
Balance at 1 August 2013	214,121	647,143	18,637	23,858	903,759
Additions	1,220	17,895	723	24,622	44,460
Additions through business combinations	-	-	-	-	-
Disposals and write-offs	(463)	(7,303)	-	(2,122)	(9,888)
Other transfers	2,690	14,608	-	(20,511)	(3,213)
Exchange adjustment	(4,420)	(5,731)	385	(110)	(9,876)
<b>Balance at 31 July 2014</b>	<b>213,148</b>	<b>666,612</b>	<b>19,745</b>	<b>25,737</b>	<b>925,242</b>
<b>Depreciation and impairment losses</b>					
Balance at 1 August 2013	(77,338)	(422,386)	(1,337)	-	(501,061)
Depreciation charge for the year	(6,583)	(38,010)	(1,147)	-	(45,740)
Additions through business combinations	-	-	-	-	-
Impairment loss	(6,593)	(17,808)	-	-	(24,401)
Disposals and write-offs	391	6,720	-	-	7,111
Other transfers	188	2,204	-	-	2,392
Exchange adjustment	2,076	5,462	(26)	-	7,512
<b>Balance at 31 July 2014</b>	<b>(87,859)</b>	<b>(463,818)</b>	<b>(2,510)</b>	<b>-</b>	<b>(554,187)</b>
<b>Net property, plant and equipment at 31 July 2014</b>	<b>125,289</b>	<b>202,794</b>	<b>17,235</b>	<b>25,737</b>	<b>371,055</b>

Assets pledged as security for finance leases amount to \$12.433 million (2014: \$10.714 million).

## 23 Intangible assets

	Consolidated					Total \$000
	Goodwill \$000	Intellectual Property		Capitalised development costs \$000	Computer software \$000	
indefinite life \$000		finite life \$000				
<b>2015</b>						
<b>Cost</b>						
Balance at 1 August 2014	344,560	408,737	147,276	230,122	36,749	1,167,444
Additions	-	-	6,681	52,971	5,412	65,064
Additions through business combinations	-	-	-	-	-	-
Disposals and write-offs	-	-	(35,743)	(11,624)	(99)	(47,466)
Other transfers	(668)	-	-	-	761	93
Exchange adjustment	10,769	34,334	16,585	32,411	2,737	96,836
<b>Balance at 31 July 2015</b>	<b>354,661</b>	<b>443,071</b>	<b>134,799</b>	<b>303,880</b>	<b>45,560</b>	<b>1,281,971</b>
<b>Amortisation and impairment losses</b>						
Balance at 1 August 2014	(117,749)	(16,204)	(87,414)	(59,080)	(27,547)	(307,994)
Amortisation charge for the year	-	-	(11,596)	(20,010)	(3,342)	(34,948)
Impairment loss	-	-	-	-	-	-
Disposals and write-offs	-	-	18,865	8,559	96	27,520
Other transfers	668	-	14	(270)	162	574
Exchange adjustment	4,503	461	(9,455)	(8,583)	(1,585)	(14,659)
<b>Balance at 31 July 2015</b>	<b>(112,578)</b>	<b>(15,743)</b>	<b>(89,586)</b>	<b>(79,384)</b>	<b>(32,216)</b>	<b>(329,507)</b>
<b>Intangibles carrying amount at 31 July 2015</b>	<b>242,083</b>	<b>427,328</b>	<b>45,213</b>	<b>224,496</b>	<b>13,344</b>	<b>952,464</b>

## Notes to the financial statements

## 23 Intangible assets (continued)

## Consolidated

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

## 2014

## Cost

Balance at 1 August 2013	357,906	419,751	146,741	195,342	36,778	1,156,518
Additions	-	2,842	4,612	42,264	1,599	51,317
Additions through business combinations	-	-	-	-	-	-
Disposals and write-offs	-	(213)	-	(12,527)	(31)	(12,771)
Other transfers	(5,840)	(1,534)	1,534	1,285	(494)	(5,049)
Exchange adjustment	(7,506)	(12,109)	(5,611)	3,758	(1,103)	(22,571)
Balance at 31 July 2014	344,560	408,737	147,276	230,122	36,749	1,167,444

## Amortisation and impairment losses

Balance at 1 August 2013	(120,779)	(16,673)	(77,102)	(51,510)	(24,699)	(290,763)
Amortisation charge for the year	-	(25)	(12,542)	(19,114)	(3,395)	(35,076)
Impairment loss	(5,649)	(166)	(20)	(987)	-	(6,822)
Disposals and write-offs	-	166	(135)	12,381	24	12,436
Other transfers	5,840	1	-	28	1	5,870
Exchange adjustment	2,839	493	2,385	122	522	6,361
Balance at 31 July 2014	(117,749)	(16,204)	(87,414)	(59,080)	(27,547)	(307,994)

Intangibles carrying amount at 31 July 2014	226,811	392,533	59,862	171,042	9,202	859,450
---	---------	---------	--------	---------	-------	---------

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, 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.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" / "CGU").

The group has determined that operating unit by country or region (i.e. Europe) 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 intangibles are country or region specific in nature. There is no allocation of goodwill between CGUs.

The major CGUs and their intangible assets are as follows: North America \$253 million (2014: \$209 million), Brazil \$168 million (2014: \$186 million), Seeds business \$245 million (2014: \$211 million), Europe \$210 million (2014: \$188 million) and Australia and New Zealand (ANZ) \$36 million (2014: \$26 million). The balance of intangibles is spread across multiple CGUs, with no individual amount being material relative to the total intangibles balance at balance date.

## Impairment testing for cash-generating units containing goodwill

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 three year plan for each cash-generating unit with a growth factor applied to extrapolate a cash flow beyond year three. A perpetuity factor is then applied to the normalised cash flow beyond year five in order to include a terminal value in the value-in-use calculation. The terminal growth rate assumed for each CGU is generally a long term inflation estimate. The cash flow is then discounted to a present value using a discount rate which is the company's weighted average cost of capital, adjusted for country risk and asset-specific risk associated with each CGU.

The range of terminal growth rates and nominal post-tax discount rates applied for impairment testing purposes is as follows:

	Terminal growth rate		Discount rate		Total goodwill and indefinite life assets	
	2015	2014	2015	2014	2015	2014
					\$000	\$000
Material crop protection CGU's (North America, Brazil, Europe and ANZ)	1.7% to 3.5%	1.6% to 3.5%	8.1% to 12.4%	7.3% to 13.3%	465,869	430,492
Seeds CGU	2.3%	2.0%	8.9%	8.8%	178,195	162,796

## Notes to the financial statements

24 Trade and other payables	Consolidated	
	2015	2014
	\$000	\$000
<b>Current payables - unsecured</b>		
Trade creditors and accruals - unsecured	664,768	510,961
Derivative financial instruments	6,548	2,628
Payables - acquisitions	167	2,344
<b>Current payables</b>	<b>671,483</b>	<b>515,933</b>
<b>Non-current payables - unsecured</b>		
Creditors and accruals	12,652	10,537
Derivative financial instruments	4,150	21,092
Payables - acquisitions	5,889	10,697
<b>Non-current payables</b>	<b>22,691</b>	<b>42,326</b>

## Notes to the financial statements

**25 Interest-bearing loans and borrowings**

	Consolidated	
	2015	2014
	\$000	\$000
<b>Current liabilities</b>		
Bank loans - secured	346,751	294,898
Bank loans - unsecured	37,569	29,136
Deferred debt establishment costs	(5,003)	(6,079)
Other loans - unsecured	543	489
Finance lease liabilities - secured	566	504
<b>Loans and borrowings - current</b>	<b>380,426</b>	<b>318,948</b>
<b>Non-current liabilities</b>		
Bank loans - secured	44,593	78,524
Bank loans - unsecured	62,802	14,739
Senior unsecured notes	438,357	339,271
Deferred debt establishment costs	(5,895)	(10,458)
Other loans - unsecured	2,111	1,589
Finance lease liabilities - secured	14,459	12,392
<b>Loans and borrowings - non-current</b>	<b>556,427</b>	<b>436,057</b>
<b>Net cash and cash equivalents</b>	<b>(390,136)</b>	<b>(241,638)</b>
<b>Net debt</b>	<b>546,717</b>	<b>513,367</b>

**Financing facilities**

Refer to the section entitled "Liquidity Risk" in note 31 for detail regarding the Group's financing facilities.

	Accessible	Utilised
	\$000	\$000
<b>2015</b>		
Bank loan facilities and Senior unsecured notes	1,804,163	930,072
Other facilities	2,654	2,654
<b>Total financing facilities</b>	<b>1,806,817</b>	<b>932,726</b>
<b>2014</b>		
Bank loan facilities and Senior unsecured notes	1,741,340	756,568
Other facilities	2,078	2,078
<b>Total financing facilities</b>	<b>1,743,418</b>	<b>758,646</b>

## Notes to the financial statements

## 25 Interest-bearing loans and borrowings (continued)

## Financing arrangements

Repayment of borrowings (excluding finance leases)	Consolidated	
	2015	2014
	\$000	\$000
Period ending 31 July, 2015	-	324,522
Period ending 31 July, 2016	384,863	7,138
Period ending 31 July, 2017	50,158	426,986
Period ending 31 July, 2018 or later	497,705	

## Finance lease liabilities

Finance leases are entered into to fund the acquisition of plant and equipment.

Lease commitments for capitalised finance leases are payable as follows:

	Consolidated	
	2015	2014
	\$000	\$000
Not later than one year	2,117	1,781
Later than one year but not later than two years	2,052	1,706
Later than two years but not later than five years	5,612	4,804
Later than five years	109,751	94,974
	119,532	103,265
Less future finance charges	(104,507)	(90,369)
Finance lease liabilities	15,025	12,896

Finance lease liabilities are secured over the relevant leased plant.

Average interest rates	Consolidated	
	2015	2014
	%	%
Nufarm Step-up Securities (refer note 29)	6.16	6.63
Syndicated Bank Facility	3.54	4.34
Group Securitisation Program Facility	2.38	3.33
Other bank loans	7.30	7.70
Finance lease liabilities - secured	12.57	12.49
Senior unsecured notes	6.38	6.38

## 26 Employee benefits

Current	Consolidated	
	2015	2014
	\$000	\$000
Liability for short-term employee benefits	16,278	16,051
Liability for current portion of other long-term employee benefits	3,274	3,372
Current employee benefits	19,552	19,423
<b>Non-current</b>		
<b>Defined benefit fund obligations</b>		
Present value of unfunded obligations	6,598	5,866
Present value of funded obligations	221,728	170,495
Fair value of fund assets - funded	(147,351)	(121,773)
Recognised liability for defined benefit fund obligations	80,975	54,588
Liability for other long-term employee benefits	13,657	14,603
Non-current employee benefits	94,632	69,191
Total employee benefits	114,184	88,614

The group makes contributions to defined benefit pension funds in the UK, the Netherlands, France and Indonesia that provide defined benefit amounts for employees upon retirement.



## Notes to the financial statements

## 26 Employee benefits (continued)

	Consolidated	
	2015	2014
	\$000	\$000
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
Opening defined benefit obligation	176,361	146,584
Service cost	2,861	3,326
Interest cost	7,353	7,730
Actuarial losses/(gains)	26,557	18,096
Past service cost	(4,469)	(923)
Losses/(gains) on curtailment	(2,416)	-
Contributions	171	54
Benefits paid	(6,639)	(5,428)
Exchange differences on foreign funds	28,547	6,922
<b>Closing defined benefit obligation</b>	<b>228,326</b>	<b>176,361</b>

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

Opening fair value of fund assets	121,773	111,361
Interest income	5,857	6,131
Actuarial gains/(losses) - return on plan assets excluding interest income	2,237	(1,277)
Surplus taken to retained earnings	-	-
Contributions by employer	5,368	5,147
Distributions	(6,284)	(4,736)
Exchange differences on foreign funds	18,400	5,147
<b>Closing fair value of fund assets</b>	<b>147,351</b>	<b>121,773</b>

The actual return on plan assets is the sum of the expected return and the actuarial gain/(loss).

	Consolidated	
	2015	2014
	\$000	\$000
<b>Expense/(gain) recognised in profit or loss</b>		
Current service costs	2,861	3,326
Interest on obligation	7,353	7,730
Interest income	(5,857)	(6,131)
Losses/(gains) on curtailment	(2,416)	-
Past service cost/(gain)	(4,469)	(923)
<b>Expense recognised in profit or loss</b>	<b>(2,528)</b>	<b>4,002</b>
The expense is recognised in the following line items in the income statement:		
Cost of sales	2,686	2,315
Sales, marketing and distribution expenses	1,158	763
General and administrative expenses	(6,555)	618
Research and development expenses	183	306
<b>Expense recognised in profit or loss</b>	<b>(2,528)</b>	<b>4,002</b>

## Notes to the financial statements

<b>26 Employee benefits (continued)</b>	2015	2014
	\$000	\$000
<b>Actuarial gains/(losses) recognised in other comprehensive income (net of tax)</b>		
Cumulative amount at 1 August	(33,002)	(17,681)
Recognised during the period	(19,323)	(15,321)
Cumulative amount at 31 July	(52,325)	(33,002)

	Consolidated	
	2015	2014
as follows:	%	%
Equities	60.2%	62.4%
Bonds	34.5%	35.4%
Property	1.6%	1.4%
Cash	3.7%	0.8%
Principal actuarial assumptions at the reporting date (expressed as weighted averages):		
Discount rate at 31 July	3.6%	4.2%
Future salary increases	0.4%	3.1%
Future pension increases	2.6%	2.5%

The group expects to pay \$4,187,000 in contributions to defined benefit plans in 2016. (2014: \$4,729,000)

**27 Share-based payments***Nufarm Executive Share Plan (2000)*

The Nufarm Executive Share Plan (2000) offers shares to executives. The executives may select an alternative mix of shares (at no cost) and options at a cost determined under the 'Black Scholes' methodology. These benefits are only granted 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 2015 there were 32 participants (2014: 40 participants) in the scheme and 299,978 shares (2014: 387,076) were allocated and held by the trustee on behalf of the participants. The cost of issuing shares is expensed in the year of issue. From 1 August 2011, it was decided that there will be no further awards under this share plan and that it would be replaced by the Nufarm Short Term Incentive plan (refer below). Any unvested equities held in the executive share plan will remain and be subject to the vesting conditions under the rules of the plan.

*Nufarm Short Term Incentive Plan (STI)*

The STI is available to key executives, senior managers and other managers globally. The first awards under the plan were issued in October 2012. The STI is measured on the following metrics, relevant to an individual:

- budget measures of EBIT or net profit after tax and net working capital; and
- strategic and business improvement objectives

A pre-determined percentage of the STI is paid in cash at the time of performance testing and the balance is deferred into shares in the company for nil consideration. The number of shares granted is based on the volume weighted average price (VWAP) of Nufarm Limited shares in the 5 days subsequent to the results announcement. Vesting will occur after a two year period.

## Notes to the financial statements

## 27 Share-based payments (continued)

*Nufarm Executive Long Term Incentive Plan (LTIP)*

On 1 August 2011, the LTIP commenced and is available to key executives and certain selected senior managers. Awards are granted to individuals in the form of performance rights, which comprise rights to acquire ordinary shares in the company for nil consideration, subject to the achievement of global performance hurdles. Under the plan, individuals will receive an annual award of performance rights as soon as practical after the announcement of results in the preceding year. The performance and vesting period for the awards will be three years. Awards vest in two equal tranches as follows:

- 50 per cent of the LTIP grant will vest subject to the achievement of a relative total shareholder return (TSR) performance hurdle measured against a selected comparator group of companies; and
- the remaining 50 per cent will vest subject to meeting an absolute return on funds employed (ROFE) target.

*Global Share Plan (2001)*

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 2015 there were 823 participants (2014: 872 participants) in the scheme and 1,938,372 shares (2014: 2,013,567) were allocated and held by the trustee on behalf of the participants.

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

	2015	2014
<b>Employee expenses</b>	\$000	\$000
Total expense arising from share-based payment transactions	4,304	1,782

**Measurement of fair values**

The fair value of performance rights granted through the LTIP and deferred shares granted through the STIP were measured as follows:

Plan	Nufarm STI	Nufarm LTI	Nufarm STI	Nufarm LTI	Nufarm LTI
	2015	2015	2014	2014	2014
	Deferred	Performance	Deferred	Performance	Performance
	shares	rights	shares	rights	rights
		Sept 2014		Dec 2013	Oct 2013
Weighted average fair value at grant date	\$4.85	\$3.87	\$4.75	\$3.25	\$3.35
Share price at grant date	\$4.93	\$4.93	\$4.54	\$4.40	\$4.54
Grant date	30 Sep 2014	30 Sep 2014	9 Oct 2013	5 Dec 2013	9 Oct 2013
Earliest vesting date	31 Jul 2016	31 Jul 2017	31 Jul 2015	31 Jul 2016	31 Jul 2016
Exercise price	-	-	-	-	-
Expected life	1 year	2.8 years	1 year	2.7 years	2.8 years
Volatility	n/a	35%	n/a	35%	35%
Risk free interest rate	n/a	2.7%	n/a	2.9%	3.0%
Dividend yield	n/a	2.3%	n/a	2.7%	2.7%

The fair values of awards granted were estimated using a Monte-Carlo simulation methodology and a Binomial Tree methodology.

## Notes to the financial statements

## 27 Share-based payments (continued)

	Nufarm LTI number of performance rights 2015	Nufarm STI number of deferred shares 2015	Nufarm LTI number of performance rights 2014	Nufarm STI number of deferred shares 2014
<b>Reconciliation of outstanding share awards</b>				
Outstanding at 1 August	996,934	841,942	1,021,128	513,962
Forfeited during the year	(182,901)	(49,859)	(593,187)	-
Exercised during the year	-	(161,850)	-	(53,257)
Expired during the year	-	-	-	-
Granted during the year	394,079	348,420	568,993	381,237
<b>Outstanding at 31 July</b>	<b>1,208,112</b>	<b>978,653</b>	<b>996,934</b>	<b>841,942</b>
Exercisable at 31 July	-	571,767	-	404,025

The performance rights outstanding at 31 July 2015 have a \$nil exercise price and a weighted average contractual life of 3 years (2014: 3 years). All performance rights granted to date have a \$nil exercise price.

28 Provisions	Consolidated	
	2015	2014
	\$000	
<b>Current</b>		
Restructuring	29,481	12,642
Other	3,693	3,059
<b>Current provisions</b>	<b>33,174</b>	<b>15,701</b>

Movement in provisions	Consolidated		Total
	Restructuring	Other	
	\$000		\$000
Balance at 1 August 2014	12,642	3,059	15,701
Provisions made during the year	43,691	1,322	45,013
Provisions used during the year	(28,973)	(246)	(29,219)
Exchange adjustment	2,121	(442)	1,679
<b>Balance at 31 July 2015</b>	<b>29,481</b>	<b>3,693</b>	<b>33,174</b>

The provision for restructuring is mainly relating to the asset rationalisation and restructure costs of European manufacturing assets, whereby the Botlek manufacturing facilities will be closed and manufacturing consolidated.

The other provision consists of liabilities recognised with the Agripec acquisition.

## 29 Capital and reserves

Share capital	Parent Company	
	Number of ordinary shares 2015	Number of ordinary shares 2014
Balance at 1 August	264,021,627	262,954,040
Issue of shares	1,045,797	1,067,587
<b>Balance at 31 July</b>	<b>265,067,424</b>	<b>264,021,627</b>

The Company does not have authorised capital or par value in respect of its issued shares.

On 9 October 2014, 346,119 shares at \$4.85 were issued under the executive share plan.

On 14 November 2014, 490,843 shares at \$4.80 were issued under the dividend reinvestment program.

On 6 January 2015, 89,543 shares at \$4.75 were issued under the global share plan.

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.

On 9 May 2015, 119,292 shares at \$6.60 were issued under the dividend reinvestment program.

**29 Capital and reserves (continued)****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, were 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 curtailed 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 3.9% (2014: 3.9%). On 23 September 2011, Nufarm announced that it would 'step-up' the NSS. This resulted in the interest margin attached to the NSS being stepped up by 2.0 per cent, with the new interest margin being set at 3.9 per cent as at 24 November 2011. No other terms were adjusted and there are no further step-up dates. Nufarm retains the right to redeem or exchange the NSS on future distribution dates.

**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 from the presentation currency of the reporting entity.

**Capital profit reserve**

This reserve is used to accumulate realised capital profits.

**Other reserve**

This reserve represents the accrued employee entitlements to share awards that have been charged to the income statement and have not yet been exercised. This reserve also holds the debit balance related to the written put option of the 49% interest held by the non-controlling shareholders of Atlantica Sementes Ltda (Atlantica). As the non-controlling shareholders still have present access to the economic benefits with their underlying ownership interest, their non-controlling interest continues to be recognised. In the event the written put option is exercised, this debit reserve will be utilised to complete the transaction. This reserve also holds the balances related to hedging.

**Dividends**

An interim dividend of 4 cents per share, totalling \$10,570,585 was declared on 25 March 2015, and was paid (net of dividend re-investment program) on 8 May 2015 (2014: 3 cents per share, totalling \$7,912,359).

A final dividend of 6 cents per share, totalling \$15,904,045 was declared on 23 September 2015, and will be paid on 13 November 2015 (2014: 5 cents per share, totalling \$13,217,663).

**Distributions**

Distributions recognised in the current year by Nufarm Finance (NZ) Ltd on the Nufarm Step-up Securities\* are:

	Distribution rate	Consolidated Total amount \$000	Payment date
<b>2015</b>			
Distribution	6.64%	8,350	15-Apr-15
Distribution	6.63%	8,339	15-Oct-14
		<u>16,689</u>	
<b>2014</b>			
Distribution	6.52%	8,156	15-Apr-14
Distribution	6.95%	8,749	15-Oct-13
		<u>16,905</u>	

\* Refer to discussion titled "Nufarm Step-up Securities" above.

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 \$12.261 million (2014: \$12.369 million).

**Franking credit/(debit) balance**

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

	2015 \$000	2014 \$000
Franking account balance as at the end of the year at 30% (2014: 30%)	3,503	4,973
Franking credits/(debits) that will arise from the payment of income tax payable/(refund) as at the end of the year	(4,437)	(3,262)
Credit/(debit) balance at 31 July	<u>(934)</u>	<u>1,711</u>

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. In accordance with the tax consolidation legislation, the company as the head entity in the tax-consolidated group has also assumed the benefit/(obligation) of \$934,467 (2014: \$1,710,802) franking credits/(debits).

## Notes to the financial statements

## 30 Earnings per share

	Consolidated	
	2015	2014
	\$000	\$000
Net profit for the year	43,049	37,747
Net profit attributable to non-controlling interest	171	(40)
Net profit attributable to equity holders of the parent	43,220	37,707
Nufarm Step-up Securities distribution	(12,261)	(12,369)
Earnings used in the calculations of basic and diluted earnings per share	30,959	25,338
Earnings from continuing operations	30,959	25,338
	30,959	25,338
Subtract items of material income/(expense) (refer note 6)	(73,839)	(48,704)
Earnings excluding items of material income/(expense) used in the calculation of earnings per share excluding material items	104,798	74,042

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

	Number of shares	
	2015	2014
Weighted average number of ordinary shares used in calculation of basic earnings per share	264,727,654	263,587,507
Weighted average number of ordinary shares used in calculation of diluted earnings per share	266,019,789	265,033,403

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	
	2015	2014
<b>Earnings per share for continuing and discontinued operations</b>		
<b>Basic earnings per share</b>		
From continuing operations	11.7	9.6
	11.7	9.6
<b>Diluted earnings per share</b>		
From continuing operations	11.6	9.6
	11.6	9.6
<b>Earnings per share (excluding items of material income/expense - see note 6)</b>		
Basic earnings per share	39.6	28.1
Diluted earnings per share	39.4	27.9

## 31 Financial risk management and financial instruments

The group has exposure to the following financial risks:

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

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

The Board of Directors has responsibility to identify, assess, monitor and manage the material risks facing the group and to ensure that adequate identification, reporting and risk minimisation mechanisms are established and working effectively. To support and maintain this objective, the audit committee has established detailed policies on risk oversight and management by approving a global risk management charter that specifies the responsibilities of the general manager global risk management (which includes responsibility for the internal audit function). This charter also provides comprehensive global authority to conduct internal audits, risk reviews and system-based analyses of the internal controls in major business systems operating within all significant company entities worldwide.

The general manager global risk management reports to the chairman of the audit committee and functionally to the chief financial officer. He provides a written report of his activities at each meeting of the audit committee. In doing so he has direct and ongoing access to the chairman and members of the audit committee.

## Notes to the financial statements

## 31 Financial risk management and financial instruments (continued)

**Credit risk**

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers and other financial assets.

**Exposure to credit risk**

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

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

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

Carrying amount	Consolidated	
	2015	2014
	\$000	\$000
Trade and other receivables	780,493	791,852
Cash and cash equivalents	391,418	241,638
Derivative contracts:		
Assets	25,021	184
	<u>1,196,932</u>	<u>1,033,674</u>

The group's maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

Carrying amount	Consolidated	
	2015	2014
	\$000	\$000
Australia/New Zealand	98,591	106,699
Asia	39,148	32,223
Europe	214,423	251,058
North America	80,299	95,781
South America	348,032	306,091
Trade and other receivables	<u>780,493</u>	<u>791,852</u>

The group's top five customers account for \$94.7 million of the trade receivables carrying amount at 31 July 2015 (2014: \$107.4 million). These top five customers represent 15 per cent (2014: 15 per cent) of the total receivables.

## Notes to the financial statements

## 31 Financial risk management and financial instruments (continued)

**Impairment losses**

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

Consolidated Receivables ageing	Consolidated	
	2015 \$000	2014 \$000
Current	538,817	572,214
Past due - 0 to 90 days	75,232	71,151
Past due - 90 to 180 days	22,252	18,482
Past due - 180 to 360 days	10,250	9,225
Past due - more than one year	36,295	25,362
	<u>682,846</u>	<u>696,434</u>
Provision for impairment	(42,766)	(26,591)
Trade receivables	<u>640,080</u>	<u>669,843</u>

Some of the past due receivables are secured by collateral from customers such as director's guarantees, bank guarantees and charges on fixed assets. The past due receivables not impaired relate to customers that have a good credit history with the group. Historically, the bad debt write-off from trade receivables has been very low. Over the past nine years, the bad debt write-off amount has averaged 0.05 percent of sales, with no greater than 0.12 percent of sales written off in any one year.

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

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

	Consolidated	
	2015 \$000	2014 \$000
Balance at 1 August	26,591	24,172
Provisions made during the year	18,447	5,437
Provisions used during the year	(821)	(2,080)
Provisions acquired through business combinations	-	-
Exchange adjustment	(1,451)	(938)
Balance at 31 July	<u>42,766</u>	<u>26,591</u>

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



## Notes to the financial statements

### 31 Financial risk management and financial instruments (continued)

#### Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

On 23 August 2011, Nufarm executed a A\$300 million group trade receivables securitisation facility. Subsequent to execution, the facility limit was reduced to A\$250 million. On 13 June 2013 the facility limit was increased to A\$300 million. On 15 April 2015 a monthly facility limit was introduced to reflect the cyclical nature of the trade receivables being used to secure funding under the program. The monthly facility limit is set at A\$300 million for four months of the financial year; at A\$375 million for three months of the financial year; and at A\$225 million for five months of the financial year (2014: facility limit was A\$300m). The facility provides funding that aligns with the working capital cycle of the company.

On 8 October 2012, the group completed a US\$325 million senior unsecured notes offering due in October 2019 (the "Notes").

On the 23 February 2015 the senior secured syndicated bank facility (SFA) was partially refinanced such that the total facility amount has increased to A\$540 million (2014: A\$530 million), of which A\$150 million is due in February 2018, A\$30 million is due in December 2017, A\$350 million is due in December 2016 and A\$10 million is due in December 2015 (2014: A\$520 million due in December 2016, A\$10 million due in December 2014). The SFA is secured by assets in Australia, New Zealand and United States (2014: Australia, New Zealand and United States). The SFA includes covenants of a type normally associated with facilities of this kind, and the group was in compliance with these covenants throughout the financial year. The amount drawn down under the facility at 31 July 2015 is \$10 million (2014: \$51 million).

The majority of debt facilities that reside outside the notes, SFA and the group trade receivables securitisation facility are regional working capital facilities, primarily located in Brazil and Europe, which at 31 July totalled \$526 million (2014: \$572 million).

At 31 July 2015, the group had access to debt of \$1,807 million (2014: \$1,743 million) under the notes, SFA, group trade receivables securitisation facility and with other lenders.

A parent guarantee is provided to support working capital facilities in Europe, South America and the notes.

## Notes to the financial statements

## 31 Financial risk management and financial instruments (continued)

## Liquidity risk (continued)

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

	Carrying amount \$000	Contractual cash flows \$000	Less than 1 year \$000	1-2 years \$000	More than 2 years \$000
<b>Consolidated</b>					
<b>2015</b>					
<b>Non-derivative financial liabilities</b>					
Bank overdrafts	1,282	1,282	1,282	-	-
Trade and other payables	683,476	683,476	664,935	1,083	17,458
Bank loans - secured	391,344	405,326	357,381	3,050	44,895
Bank loans - unsecured	100,371	117,313	48,294	51,880	17,139
Senior unsecured notes	438,357	565,483	28,250	28,250	508,983
Other loans - unsecured	2,654	2,654	543	2,111	-
Finance lease liabilities - secured	15,025	119,532	2,117	2,052	115,363
<b>Derivative financial liabilities</b>					
Derivatives used for hedging:					
Outflow	7,861	73,183	73,183	-	-
Inflow	-	(78,473)	(72,012)	(2,012)	(4,449)
Other derivative contracts:					
Outflow	2,837	267,238	267,238	-	-
Inflow	-	(264,458)	(264,458)	-	-
<b>Derivative financial assets</b>					
Derivatives used for hedging:					
Outflow	-	211,937	13,252	12,353	186,332
Inflow	(17,760)	(232,466)	(10,494)	(10,390)	(211,582)
Other derivative contracts:					
Outflow	-	313,734	313,734	-	-
Inflow	(7,261)	(320,745)	(320,745)	-	-
	<b>1,618,186</b>	<b>1,865,016</b>	<b>1,102,500</b>	<b>88,377</b>	<b>674,139</b>
<b>2014</b>					
<b>Non-derivative financial liabilities</b>					
Bank overdrafts	-	-	-	-	-
Trade and other payables	534,539	534,539	513,305	1,063	20,171
Bank loans - secured	373,422	397,202	301,714	5,783	89,705
Bank loans - unsecured	43,875	47,368	30,833	8,493	8,042
Unsecured note issues	339,271	461,801	22,278	22,278	417,245
Other loans - unsecured	2,078	2,078	489	1,589	-
Finance lease liabilities - secured	12,896	103,265	1,781	1,706	99,778
<b>Derivative financial liabilities</b>					
Derivatives used for hedging:					
Outflow	21,817	230,879	22,177	21,452	187,250
Inflow	-	(232,876)	(22,815)	(22,815)	(187,246)
Other derivative contracts:					
Outflow	1,903	252,666	252,666	-	-
Inflow	-	(250,933)	(250,933)	-	-
<b>Derivative financial assets</b>					
Derivatives used for hedging:					
Outflow	-	-	-	-	-
Inflow	-	-	-	-	-
Other derivative contracts:					
Outflow	-	52,885	52,885	-	-
Inflow	(184)	(53,064)	(53,064)	-	-
	<b>1,329,617</b>	<b>1,545,810</b>	<b>871,316</b>	<b>39,549</b>	<b>634,945</b>

## Notes to the financial statements

**31 Financial risk management and financial instruments (continued)**

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

**Market risk**

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

**Currency risk**

The 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 the functional currency of the individual group entity. The currencies giving rise to this risk include the US Dollar, the Euro, the British Pound, the Australian Dollar, the New Zealand Dollar and the Brazilian Real. The group uses foreign exchange contracts, cross currency interest rate swaps and options to manage currency risk. The group designates select derivatives for hedge accounting as cash flow hedges where it is deemed appropriate to do so.

In October 2012, the group completed a US\$325 million Senior Unsecured Notes offering due in October 2019 (the "Notes"). Currency risk related to the principal amount of the Notes has been hedged using cross currency interest rate swap contracts that mature on the same date as the Notes are due for repayment. These contracts have been designated for hedge accounting.

The group uses derivative financial instruments to manage foreign currency translation risk arising from the group's net investments in foreign currency subsidiary entities. These contracts have been designated as net investment hedges for hedge accounting purposes. No ineffectiveness was recognised from the net investment hedge.

For accounting purposes, other than the contracts referred to previously, the group has not designated any other derivatives in hedge relationships and all movements in fair value are recognised in profit or loss during the period. The net fair value of forward exchange contracts in the group, not designated as being in a hedge relationship, used as economic hedges of forecast transactions at 31 July 2015 was a \$4.424 million asset (2014: \$1.719 million liability) comprising assets of \$7.261 million (2014: \$0.184 million) and liabilities of \$2.837 million (2014: \$1.903 million).

**Exposure to currency risk**

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

<b>Consolidated</b>	<b>Net financial assets/(liabilities) - by currency of denomination</b>			
	<b>AUD</b>	<b>USD</b>	<b>Euro</b>	<b>GBP</b>
<b>2015</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<i>Functional currency of Group operation</i>				
Australian dollars	-	16,723	18,181	(13,598)
US dollars	(69,342)	-	754	-
Euro	18,526	22,122	-	8,240
UK pounds sterling	-	16,036	(13,271)	-
	<b>(50,816)</b>	<b>54,881</b>	<b>5,664</b>	<b>(5,358)</b>

<b>Consolidated</b>	<b>Net financial assets/(liabilities) - by currency of denomination</b>			
	<b>AUD</b>	<b>USD</b>	<b>Euro</b>	<b>GBP</b>
<b>2014</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<i>Functional currency of Group operation</i>				
Australian dollars	-	(44,765)	21,379	(17,464)
US dollars	(83,268)	-	(730)	-
Euro	15,524	11,489	-	10,596
UK pounds sterling	(14,768)	9,351	5,298	-
	<b>(82,512)</b>	<b>(23,925)</b>	<b>25,947</b>	<b>(6,868)</b>

## Notes to the financial statements

## 31 Financial risk management and financial instruments (continued)

## Currency risk (continued)

## Sensitivity analysis

Based on the aforementioned group's net financial assets/(liabilities) at 31 July, a 1 percent strengthening or weakening of the following currencies at 31 July would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes all other variables, including interest rates, remain constant. The analysis is performed on the same basis for 2014.

	Strengthening	Weakening	Strengthening	Weakening
	Profit or (loss) after tax 2015	Profit or (loss) after tax 2015	Profit or (loss) after tax 2014	Profit or (loss) after tax 2014
Currency movement	\$000	\$000	\$000	\$000
1% change in the Australian dollar exchange rate	(500)	505	(289)	292
1% change in the US dollar exchange rate	864	(856)	421	(416)
1% change in the Euro exchange rate	(303)	300	(82)	81
1% change in the GBP exchange rate	(57)	56	(47)	47

The Group's financial asset and liability profile may not remain constant, and therefore these sensitivities should be used with care.

The following significant exchange rates applied during the year:

AUD	Average rate		Reporting date	
	2015	2014	2015	2014
US Dollar	0.811	0.917	0.733	0.930
Euro	0.693	0.673	0.665	0.694
GBP	0.519	0.556	0.469	0.551
BRL	2.266	2.092	2.489	2.105

## Interest rate risk

The group has the ability to use derivative financial instruments to manage specifically identified interest rate risks. Interest rate swaps, denominated in AUD, are entered into to achieve an appropriate mix of fixed and floating rate exposures.

The majority of the group's debt is raised under central borrowing programs. The A\$540 million syndicated bank facility and the group trade receivables securitisation facility are considered floating rate facilities. On 8 October 2012, the Group completed a US\$325 million Notes issue with a fixed coupon component. Concurrent with the completion of the US\$325 million Notes issue, the group entered into interest rate swaps to manage specifically identified interest rate risks associated with the fixed coupon component of the Notes. These swaps effectively converted a majority of the fixed interest payable on the Notes to floating interest, and have been designated for hedge accounting. During the year ended 31 July 2014 the group entered into interest rate swaps to manage the level of floating rate debt held by the group. These swaps effectively converted a portion of floating rate debt to fixed rate debt, and have been designated for hedge accounting. The group's earnings are sensitive to changes in interest rates on the floating interest rate component of the group's net borrowings.

## Interest rate risk on Nufarm step-up securities

The distribution rate is the average mid-rate for bank bills with a term of six months plus a margin of 3.90% (2014: 3.90%).

## Profile

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

	Consolidated Carrying amount	
	2015	2014
	\$000	\$000
<b>Variable rate instruments</b>		
Financial assets	98,648	47,517
Financial liabilities	(713,377)	(554,003)
	(614,729)	(506,486)
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	(234,374)	(217,539)
	(234,374)	(217,539)

## Notes to the financial statements

## 31 Financial risk management and financial instruments (continued)

## Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The sensitivity is calculated on the debt at 31 July.

Due to the seasonality of the crop protection business, debt levels can vary during the year. This analysis is performed on the same basis for 2014.

	Profit or loss	
	100bp increase \$000	100bp decrease \$000
<b>2015</b>		
Variable rate instruments	(6,147)	6,147
Total sensitivity	(6,147)	6,147
<b>2014</b>		
Variable rate instruments	(5,065)	5,065
Total sensitivity	(5,065)	5,065

## Fair values

All financial assets and financial liabilities, other than derivatives, are initially recognised at the fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at fair value or amortised cost, as indicated in the tables below. Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value.

The financial assets and liabilities are presented by class in the tables below at their carrying values, which generally approximate to the fair values. In the case of the centrally managed fixed rate debt not swapped to floating rate totalling \$136.4m (2014: \$107.6m), the fair value at 31 July 2015 is \$136.439 million (2014: \$116.977m).

## Consolidated

	Note	Available for sale \$000	Carried at fair value through profit or loss \$000	Derivatives used for hedging \$000	Financial	Total
					assets / liabilities at amortised cost \$000	
Cash and cash equivalents	15	-	-	-	391,418	391,418
Trade and other receivables	16	-	-	-	780,493	780,493
Forward exchange contracts:						
Assets	16	-	6,384	-	-	6,384
Liabilities	24	-	(2,837)	(2,839)	-	(5,676)
Interest Rate Swaps:						
Assets	16	-	877	17,760	-	18,637
Liabilities	24	-	-	(5,022)	-	(5,022)
Trade and other payables excluding derivatives	24	-	-	-	(683,476)	(683,476)
Bank overdraft	15	-	-	-	(1,282)	(1,282)
Secured bank loans	25	-	-	-	(391,344)	(391,344)
Unsecured bank loans	25	-	-	-	(100,371)	(100,371)
Senior unsecured notes <sup>(a)</sup>	25	-	-	-	(438,357)	(438,357)
Other loans	25	-	-	-	(2,654)	(2,654)
Finance leases	25	-	-	-	(15,025)	(15,025)
		-	4,424	9,899	(460,598)	(446,275)

## Consolidated

	Note	Available for sale \$000	Carried at fair value through profit or loss \$000	Derivatives used for hedging \$000	Financial	Total
					assets / liabilities at amortised cost \$000	
Cash and cash equivalents	15	-	-	-	241,638	241,638
Trade and other receivables	16	-	-	-	791,852	791,852
Forward exchange contracts:						
Assets	16	-	184	-	-	184
Liabilities	24	-	(1,903)	(725)	-	(2,628)
Interest Rate Swaps:						
Assets	16	-	-	-	-	-
Liabilities	24	-	-	(21,092)	-	(21,092)
Trade and other payables excluding derivatives	24	-	-	-	(534,539)	(534,539)
Bank overdraft	15	-	-	-	-	-
Secured bank loans	25	-	-	-	(373,422)	(373,422)
Unsecured bank loans	25	-	-	-	(43,875)	(43,875)
Senior unsecured notes <sup>(a)</sup>	25	-	-	-	(339,271)	(339,271)
Other loans	25	-	-	-	(2,078)	(2,078)
Finance leases	25	-	-	-	(12,896)	(12,896)
		-	(1,719)	(21,817)	(272,591)	(296,127)

(a) Includes \$301.9 million (2014: \$231.7 million) of centrally managed fixed rate debt swapped to floating rate under fair value hedges, and is consequently fair valued for interest rate risk.

## Notes to the financial statements

### 31 Financial risk management and financial instruments (continued)

#### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- \* Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- \* Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- \* Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2015	Consolidated			Total \$000
	Level 1 \$000	Level 2 \$000	Level 3 \$000	
Derivative financial assets	-	25,021	-	25,021
	-	25,021	-	25,021
Derivative financial liabilities	-	(10,698)	-	(10,698)
	-	(10,698)	-	(10,698)

2014	Consolidated			Total \$000
	Level 1 \$000	Level 2 \$000	Level 3 \$000	
Derivative financial assets	-	184	-	184
	-	184	-	184
Derivative financial liabilities	-	(23,720)	-	(23,720)
	-	(23,720)	-	(23,720)

There have been no transfers between levels in either 2015 or 2014.

#### Valuation techniques used to derive fair values

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

#### Capital management

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

The Board believes ROFE is an appropriate performance condition as it ensures management is focused on the efficient use of capital and the measure remains effective regardless of the mix of equity and debt, which may change from time to time. ROFE objectives are set by the Board at the beginning of each year. There is a target and a stretch hurdle. These numbers will be based on the budget and growth strategy. The ROFE return for the year ended 31 July 2015 was 11.0 per cent (2014: 9.1 per cent).

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

## Notes to the financial statements

**32 Operating leases**

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
	2015	2014
	\$000	\$000
Not later than one year	12,954	11,807
Later than one year but not later than two years	9,327	10,286
Later than two years but not later than five years	23,259	22,725
Later than five years	163,534	144,995
	<u>209,074</u>	<u>189,813</u>

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

**33 Capital commitments**

The Group had contractual obligations to purchase plant and equipment for \$3.787 million at 31 July 2015 (2014: \$3.240 million).

**34 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.

	Consolidated	
	2015	2014
	\$000	\$000
Guarantee facility for Eastern European joint ventures with FMC Corporation.	9,626	7,254
Environmental guarantee given to the purchaser of land and buildings at Gennevilliers for EUR 8.5 million.	12,782	12,248
Insurance bond for EUR 2.717 million established to make certain capital expenditures at Gaillon plant in France.	4,195	4,019
Brazilian taxation proceedings <sup>(a)</sup>	20,114	12,157
<b>Contingent liabilities</b>	<u>46,717</u>	<u>35,678</u>

(a) As at 31 July 2015, the total contingent liability relating to future potential tax liabilities in Brazil is \$20.1 million (2014: \$12.2m). These cases continue to be defended.

Further to the above, the company's 2013 annual financial report previously disclosed a contingent liability of \$74.6 million in respect of potential pre-acquisition tax liabilities of its Brazilian business, which was acquired in 2007. The company continued to defend the related tax claims during the period. The agreements relating to the purchase of the business included indemnities which allow Nufarm to recover the majority of any such tax liabilities from the previous owners. These indemnities have previously been confirmed via an independent arbitration process.

During December 2013, the company elected to participate in a federal tax program instigated by the Brazilian Government that allows taxpayers to reduce their tax liabilities by offering discounts on claims (including penalties and interest) applying to a period ending on 30 November 2008. The decision to participate in the program reduced the company's potential future liability and provided a final resolution of the claims to which the program applied.

In November 2014 the company elected to take advantage of changes to the federal tax program, which allowed for the balance of the aforementioned liabilities to be fully settled via the utilisation of tax losses.

As previously disclosed, cash inflows from the previous owner, via enforcement of the indemnities currently under arbitration, will follow the settlement of the tax obligations.

The recognition of the liability during the year ended 31 July 2014 was offset by the benefit of previously unrecognised tax assets. The tax assets will be recovered via a combination of recoupment in the normal course of business and enforcement of the indemnities provided by the previous owner.

Further to the above, the group has a contingent asset in respect of potential pre-acquisition tax credits of its Brazilian business acquired in 2007. Whilst the credits are deemed to be valid, the Brazilian courts are currently deliberating the value of the credits and therefore the full amount of this contingent asset is yet to be established. Such credits can be used to offset future federal tax payable.

## Notes to the financial statements

35 Group entities	Notes	Place of incorporation	Percentage of shares held	
			2015	2014
<b>Parent entity</b>				
Nufarm Limited - ultimate controlling entity				
<b>Subsidiaries</b>				
Access Genetics Pty Ltd	(a)	Australia	100	100
Agcare Biotech Pty Ltd	(a)	Australia	100	100
Agchem Receivables Corporation		USA	100	100
Agryl Holdings Limited	(a)	Australia	100	100
Ag-seed Research Pty Ltd	(a)	Australia	100	100
Agturf Inc		USA	100	100
AH Marks (New Zealand) Limited		New Zealand	100	100
AH Marks Australia Pty Ltd	(a)	Australia	100	100
AH Marks Holdings Limited		United Kingdom	100	100
AH Marks Pensions Scottish Limited Partnership		United Kingdom	100	-
Artfern Pty Ltd	(a)	Australia	100	100
Atlantica Sementes SA	(b)	Brazil	51	51
Australis Services Pty Ltd	(a)	Australia	100	100
Bestbeech Pty Ltd	(a)	Australia	100	100
Chemicca Limited	(a)	Australia	100	100
CNG Holdings BV		Netherlands	100	100
Crop Care Australasia Pty Ltd	(a)	Australia	100	100
Crop Care Holdings Limited		New Zealand	100	100
Croplands Equipment Limited		New Zealand	100	100
Croplands Equipment Pty Ltd	(a)	Australia	100	100
Danestoke Pty Ltd	(a)	Australia	100	100
Edgehill Investments Pty Ltd	(a)	Australia	100	100
Fchem (Aust) Limited	(a)	Australia	100	100
Fernz Canada Limited		Canada	100	100
Fidene Limited		New Zealand	100	100
First Classic Pty Ltd	(a)	Australia	100	100
Framchem SA		Egypt	100	100
Frost Technology Corporation		USA	100	100
Greenfarm Hellas Trade of Chemical Products SA		Greece	100	100
Growell Limited		United Kingdom	100	100
Grupo Corporativo Nufarm SA		Guatemala	100	100
Laboratoire European de Biotechnologie s.a.s		France	100	100
Le Moulin des Ecluses s.a		France	100	100
Lefroy Seeds Pty Ltd	(a)	Australia	100	100
Manaus Holdings Sdn Bhd		Malaysia	100	100
Marman (Nufarm) Inc		USA	100	100
Marman de Guatemala Sociedad Anomima		Guatemala	100	100
Marman de Mexico Sociedad Anomima De Capital Variable		Mexico	100	100
Marman Holdings LLC		USA	100	100
Masmart Pty Ltd	(a)	Australia	100	100
Mastra Corporation Pty Ltd	(a)	Australia	100	100
Mastra Corporation Sdn Bhd		Malaysia	100	100
Mastra Corporation USA Pty Ltd	(a)	Australia	100	100
Mastra Holdings Sdn Bhd		Malaysia	100	100
Mastra Industries Sdn Bhd		Malaysia	100	100
Medisup International NV		N. Antillies	88	88
Medisup Securities Limited	(a)	Australia	100	100
Midstates Agri Services Inc		USA	100	100



## Notes to the financial statements

## 35 Group entities (continued)

	Notes	Place of incorporation	Percentage of shares held	
			2015	2014
NF Agriculture Inc		USA	100	100
Nufarm Africa SARL AU		Morocco	100	100
Nufarm Agriculture (Pty) Ltd		South Africa	100	100
Nufarm Agriculture Inc		Canada	100	100
Nufarm Agriculture Zimbabwe (Pvt) Ltd		Zimbabwe	100	100
Nufarm Americas Holding Company		USA	100	100
Nufarm Americas Inc		USA	100	100
Nufarm Asia Sdn Bhd		Malaysia	100	100
Nufarm Australia Limited	(a)	Australia	100	100
Nufarm Bulgaria		Bulgaria	100	-
Nufarm BV		Netherlands	100	100
Nufarm Canada Receivables Partnership		Canada	100	100
Nufarm Chemical (Shanghai) Co Ltd		China	100	100
Nufarm Chile Limitada		Chile	100	100
Nufarm Colombia S.A.		Colombia	100	100
Nufarm Crop Products UK Limited		United Kingdom	100	100
Nufarm Cropcare Private Limited		India	100	100
Nufarm Costa Rica Inc. SA		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		Germany	100	100
Nufarm do Brazil Ltda		Brazil	100	100
Nufarm Espana SA		Spain	100	100
Nufarm Europe GmbH		Germany	100	100
Nufarm Finance BV		Netherlands	-	-
Nufarm Finance (NZ) Limited		New Zealand	100	100
Nufarm GmbH		Austria	100	100
Nufarm GmbH & Co KG		Austria	100	100
Nufarm Grupo Mexico S DE RL DE CV		Mexico	100	100
Nufarm Holdings (NZ) Limited		New Zealand	100	100
Nufarm Holdings BV		Netherlands	100	100
Nufarm Holdings s.a.s		France	100	100
Nufarm Hong Kong Investments Ltd		Hong Kong	100	100
Nufarm Hungaria Kft		Hungary	100	100
Nufarm Inc		USA	100	100
Nufarm Industria Quimica e Farmaceutica SA		Brazil	100	100
Nufarm Insurance Pte Ltd		Singapore	100	100
Nufarm Investments Cooperatie WA		Netherlands	100	100
Nufarm Italia srl		Italy	100	100
Nufarm KK		Japan	100	100
Nufarm Korea Ltd		Korea	100	100
Nufarm Labuan Pte Ltd		Malaysia	100	100
Nufarm Limited		United Kingdom	100	100
Nufarm Malaysia Sdn Bhd		Malaysia	100	100
Nufarm Materials Limited	(a)	Australia	100	100
Nufarm NZ Limited		New Zealand	100	100
Nufarm Pensions General Partner Ltd		United Kingdom	100	-
Nufarm Pensions Scottish Limited Partnership		United Kingdom	100	-
Nufarm Peru SAC		Peru	100	100
Nufarm Platte Pty Ltd	(a)	Australia	100	100
Nufarm Portugal LDA		Portugal	100	100
Nufarm Romania SRL		Romania	100	100
Nufarm s.a.s		France	100	100
Nufarm SA		Argentina	100	100
Nufarm Services (Singapore) Pte Ltd		Singapore	100	100
Nufarm Services Sdn Bhd		Malaysia	100	100
Nufarm Suisse Sarl		Switzerland	100	100
Nufarm Technologies (M) Sdn Bhd		Malaysia	100	100
Nufarm Technologies USA		New Zealand	100	100
Nufarm Technologies USA Pty Ltd	(a)	Australia	100	100
Nufarm Treasury Pty Ltd	(a)	Australia	100	100
Nufarm Turkey Import & Trade of Chemical Products LLP		United Kingdom	100	-

## Notes to the financial statements

35 Group entities (continued)	Notes	Place of incorporation	Percentage of shares held	
			2015	2014
Nufarm UK Limited		United Kingdom	100	100
Nufarm Ukraine LLC		Ukraine	100	100
Nufarm Uruguay SA		Uruguay	100	100
Nufarm USA Inc		USA	100	100
Nugrain Pty Ltd	(a)	Australia	100	100
Nuseed Americas Inc		USA	100	100
Nuseed Europe Holding Company Ltd		United Kingdom	100	100
Nuseed Europe Ltd		United Kingdom	100	100
Nuseed Global Innovation		United Kingdom	100	100
Nuseed Holding Company		USA	100	100
Nuseed Mexico SA De CV		Mexico	100	100
Nuseed Pty Ltd	(a)	Australia	100	100
Nuseed SA		Argentina	100	100
Nuseed Serbia d.o.o.		Serbia	100	100
Nuseed South America Sementes Ltda		Brazil	100	100
Nuseed Ukraine LLC		Ukraine	100	100
Nuseed Uruguay	(c)	Uruguay	100	100
Nutrihealth Grains Pty Ltd	(a)	Australia	100	100
Nutrihealth Pty Ltd	(a)	Australia	100	100
Opti-Crop Systems Pty Ltd		Australia	75	75
Pharma Pacific Pty Ltd	(a)	Australia	100	100
PT Agrow		Indonesia	100	100
PT Crop Care		Indonesia	100	100
PT Nufarm Indonesia		Indonesia	100	100
Richardson Seeds Ltd		USA	100	100
Seeds 2000 Argentina SRL		Argentina	100	100
Selchem Pty Ltd	(a)	Australia	100	100
Societe Des Ecluses la Garenne s.a.s		France	100	100

(a): These entities have entered into a deed of cross guarantee dated 21 June 2006 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, these companies are relieved from the requirement to prepare financial statements.

(b): Formerly known as Atlantica Sementes Ltda

(c): Formerly known as Minteledan S.A.

### 36 Deed of cross guarantee

Under ASIC Class Order 98/1418, the Australian wholly-owned subsidiaries referred to in note 35 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 21 June 2006 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 2015 is set out as follows:

## Notes to the financial statements

## 36 Deed of cross guarantee (continued)

	Consolidated	
	2015	2014
	\$000	\$000
<b>Summarised income statement and retained profits</b>		
Profit/(loss) before income tax expense	(17,961)	(58,855)
Income tax expense	(1,689)	4,305
Net profit attributable to members of the closed group	(19,650)	(54,550)
Retained profits at the beginning of the period	37,165	120,659
Adjustments for entities entering the Deed of Cross Guarantee	-	-
Dividends paid	(23,788)	(28,944)
Retained profits at the end of the period	(6,273)	37,165
<b>Balance sheet</b>		
<b>Current assets</b>		
Cash and cash equivalents	73,607	42,724
Trade and other receivables	582,276	472,637
Inventories	202,553	169,736
Current tax assets	8,989	9,766
<b>Total current assets</b>	<b>867,425</b>	<b>694,863</b>
<b>Non-current assets</b>		
Trade and other receivables	19,401	-
Investments in equity accounted investees	9,111	5,793
Other investments	1,200,606	1,171,314
Deferred tax assets	65,072	65,178
Property, plant and equipment	114,616	122,170
Intangible assets	110,911	102,288
<b>Total non-current assets</b>	<b>1,519,717</b>	<b>1,466,743</b>
<b>TOTAL ASSETS</b>	<b>2,387,142</b>	<b>2,161,606</b>
<b>Current liabilities</b>		
Trade and other payables	729,289	548,689
Loans and borrowings	5,748	-
Employee benefits	9,626	23,095
Current tax payable	4,030	1,053
Provision	3,735	-
<b>Total current liabilities</b>	<b>752,428</b>	<b>572,837</b>
<b>Non-current liabilities</b>		
Payables	5,150	22,092
Loans and borrowings	432,547	337,506
Deferred tax liabilities	13,828	18,014
Employee benefits	9,003	10,661
<b>Total non-current liabilities</b>	<b>460,528</b>	<b>388,273</b>
<b>TOTAL LIABILITIES</b>	<b>1,212,956</b>	<b>961,110</b>
<b>NET ASSETS</b>	<b>1,174,186</b>	<b>1,200,496</b>
<b>Equity</b>		
Share capital	1,074,119	1,068,871
Reserves	106,340	94,460
Retained earnings	(6,273)	37,165
<b>TOTAL EQUITY</b>	<b>1,174,186</b>	<b>1,200,496</b>

## Notes to the financial statements

## 37 Parent entity disclosures

	Company	
	2015	2014
	\$000	\$000
<b>Result of the parent entity</b>		
(Loss)/Profit for the period	8,866	(1,192)
Other comprehensive income	1,841	(403)
Total comprehensive profit/(loss) for the period	10,707	(1,595)
<b>Financial position of the parent entity at year end</b>		
Current assets	1,087,435	1,060,681
Total assets	1,459,583	1,419,961
Current liabilities	225,978	179,549
Total liabilities	224,804	179,549
<b>Total equity of the parent entity comprising of:</b>		
Share capital	1,074,119	1,068,871
Reserves	41,829	37,788
Accumulated losses	(31,536)	(31,536)
Retained Earnings <sup>(a)</sup>	150,367	165,289
<b>Total equity</b>	<b>1,234,779</b>	<b>1,240,412</b>

(a) Retained earnings comprises the transfer of net profit for the year and are characterised as profits available for distribution as dividends in future years. Dividends amounting to \$23.788 million (FY2014: \$21.078 million) were distributed from the retained earnings during the year.

**Parent entity contingencies**

The parent entity is one of the guarantors of the Senior Facility Agreement (SFA) and would be obliged, along with the other guarantors, to make payment on the SFA in the unlikely event of a default by one of the borrowers. The parent entity also provides guarantees to support several of the regional working capital facilities located in Brazil and Europe, and the Senior unsecured notes.

**Parent entity capital commitments for acquisition of property, plant and equipment**

There are no capital commitments for the parent entity in 2015 or 2014.

## Notes to the financial statements

**38 Reconciliation of cash flows from operating activities**

	Consolidated	
	2015	2014
	\$000	\$000
<b>Cash flows from operating activities</b>		
Profit/(Loss) for the period	43,049	37,747
Adjustments for:		
Dividend from associated company	401	120
Amortisation	34,948	35,076
Depreciation	45,260	45,740
Non-cash material items	43,955	33,355
Inventory write down excluding material items	6,633	5,693
Gain on disposal of non current assets and investments	(1,623)	(53)
Share of (profits)/losses of associates net of tax	(1,120)	(2,208)
Financial expense	82,329	80,436
Interest paid	(73,182)	(68,937)
Tax expense	31,961	24,104
Taxes paid	(43,149)	(45,028)
	169,462	146,045
Movements in working capital items:		
(Increase)/decrease in receivables	(6,404)	(1,375)
(Increase)/decrease in inventories	(131,954)	169,886
Increase/(decrease) in payables	163,258	5,727
Exchange rate change on foreign controlled entities working capital items	34,148	(52,186)
	59,048	122,052
<b>Net operating cash flows</b>	<b>228,510</b>	<b>268,097</b>

## Notes to the financial statements

**39 Related parties****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	
		2015	2014
		\$000	\$000
Excel Crop Care Ltd	purchases from	6,677	13,837
	trade payable	4,573	7,152
F&N joint ventures	sales to	50,756	48,729
	trade payable	167	338
Sumitomo Chemical Company Ltd	trade receivable	34,767	36,385
	sales to	32,535	41,665
	purchases from	110,894	53,877
	trade receivable	20,843	17,525
Lotus Agrar GmbH	trade payable	40,260	22,507
	sales to	20,390	29,098
	trade receivable	3,590	6,840
	trade payable	-	76

These transactions were undertaken on commercial terms and conditions.

**c) Key management personnel compensation**

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

		Consolidated	
		2015	2014
		\$	\$
Short term employee benefits		6,982,311	8,722,847
Post employment benefits		362,186	394,716
Equity compensation benefits		689,581	1,060,374
Termination benefits		3,265,747	-
Other long term benefits		281,275	361,460
		<u>11,581,100</u>	<u>10,539,397</u>

**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.

**d) Other key management personnel transactions with the company or its controlled entities**

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

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.

**e) Loans to key management personnel and their related parties**

There were no loans to key management personnel at 31 July 2015 (2014: Nil).

## Notes to the financial statements

## 40 Auditors' remuneration

	Consolidated	
	2015	2014
<b>Audit services</b>		
<b><i>KPMG Australia</i></b>		
Audit and review of group financial report	498,000	518,000
<b><i>Overseas KPMG firms</i></b>		
Audit and review of group and local financial reports	1,250,000	1,239,000
	<u>1,748,000</u>	<u>1,757,000</u>
<b><i>Other auditors</i></b>		
Audit and review of financial reports	159,680	198,626
Audit services remuneration	<u>1,907,680</u>	<u>1,955,626</u>
<b>Other services</b>		
<b><i>KPMG Australia</i></b>		
Other assurance services	-	27,700
Other advisory services	-	-
<b><i>Overseas KPMG firms</i></b>		
Other assurance services	62,296	85,809
Other advisory services	159,486	525,778
Other services remuneration	<u>221,782</u>	<u>639,287</u>

## 41 Subsequent events

A final dividend of 6 cents per share, totalling \$15,904,045 was declared on 23 September 2015, and will be paid on 13 November 2015 (2014: 5 cents per share, totalling \$13,217,663).

## Directors' declaration

- 1 In the opinion of the directors of Nufarm Limited (the company):
  - (a) the consolidated financial statements and notes, and the Remuneration report in the Directors' report, are in accordance with the Corporations Act 2001 including:
    - (i) giving a true and fair view of the group's financial position as at 31 July 2015 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- 2 There are reasonable grounds to believe that the company and the group entities identified in note 36 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the deed of cross guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.
- 3 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 31 July 2015.
- 4 The directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Melbourne this 23rd day of September 2015



DG McGauchie AO  
Director



GA Hunt  
Director



# DIRECTORS' REPORT

The directors present their report together with the financial report of Nufarm Limited ('the company') and of the group, being the company and its subsidiaries and the group's interests in associates and jointly controlled entities, for the financial year ended 31 July 2015 and the auditor's report thereon.

## Directors

The directors of the company at any time during or since the end of the financial year are:

DG McGauchie AO (Chairman)  
GA Hunt (Managing Director) (Appointed 5 May 2015)  
DJ Rathbone AM (Managing Director) (Retired 4 February 2015)  
AB Brennan  
GR Davis  
FA Ford Dr  
WB Goodfellow  
PM Margin  
T Takasaki

Unless otherwise indicated, all directors held their position as a director throughout the entire period and up to the date of this report. Details of the qualifications, experience and responsibilities and other directorships of the directors are set out in the Company's 2015 Annual Report.

## Company secretary

The company secretary is Mr R Heath.

Details of the qualifications and experience of the company secretary are set out in the Company's 2015 Annual Report.

## Directors' interests in shares and step-up securities

Relevant interests of the directors in the shares and step-up securities issued by the company and related bodies corporate are, at the date of this report, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, as follows:

	Nufarm Ltd Ordinary shares	Nufarm Finance (NZ) Ltd Step-up securities
AB Brennan	10,000	-
GR Davis	40,000	-
FA Ford	10,000	-
Dr WB Goodfellow <sup>1</sup>	1,148,715	48,423
GA Hunt	20,000	-
DG McGauchie	46,239	-
PM Margin	2,458	-
DJ Rathbone	3,686,414	1,500
T Takasaki	-	-

Note: at the date of his resignation DJ Rathbone had (i) a direct interest in 312,173 shares and 305,163 unquoted performance rights, and (ii) an indirect interest in 3,374,241 shares and 1,500 step-up securities.

The shareholdings of Dr WB Goodfellow include:

- (i) shares issued under the company's non-executive director share plan and held by Pacific Custodians Pty Ltd as trustee of the plan, and include his relevant interests in:
- (ii) St Kentigern Trust Board (430,434 shares and 19,727 step-up securities) – Dr Goodfellow is Chairman of the Trust Board. Dr Goodfellow does not have a beneficial interest in these shares or step-up securities;
- (iii) Sulkem Company Limited (126,493 shares);
- (iv) 531 Trust (400,861 shares). Dr Goodfellow and EW Preston are trustees of 531 Trust.
- (v) Auckland Medical Research Foundation (26,558 step-up securities). Dr Goodfellow does not have a beneficial interest in these step-up securities.
- (vi) Trustees of the Goodfellow Foundation (33,854 shares and 1,338 step-up securities). Dr Goodfellow is Chairman of the Foundation and does not have a beneficial interest in these shares or step-up securities.
- (vii) Archem Trading (NZ) Ltd (700 step up securities)

## Directors' meetings

The number of directors' meetings (including meetings of board committees) and number of meetings attended by each of the directors of the company during the financial year are:

## Committees

Director	Board		Audit & Risk Committee		Human Resources		Nomination & Governance		Health Safety & Environment	
	Meetings Held <sup>1</sup>	Meetings Attended	Meetings Held <sup>1</sup>	Meetings Attended	Meetings Held <sup>1</sup>	Meetings Attended	Meetings Held <sup>1</sup>	Meetings Attended	Meetings Held <sup>1</sup>	Meetings Attended
AB Brennan <sup>3</sup>	8	8	4	4	3	2	-	-	-	-
GR Davis	8	8	4	4	5	5	-	-	3	3
FA Ford	8	8	4	4	-	-	5	5	-	-
Dr WB Goodfellow	8	8	-	-	-	-	5	5	-	-
GA Hunt <sup>2</sup>	2	2	-	-	-	-	-	-	-	-
DG McGauchie	8	8	-	-	5	5	5	5	-	-
PM Margin <sup>3</sup>	8	8	2	2	5	5	-	-	3	3
DJ Rathbone <sup>2</sup>	3	3	-	-	-	-	-	-	-	-
T Takasaki	8	8	-	-	-	-	-	-	3	3

<sup>1</sup> Number of meetings held during the period the director held office.

<sup>2</sup> Mr GA Hunt was appointed a director on 5 May 2015. Mr DJ Rathbone resigned as a director on 4 February 2015.

<sup>3</sup> Ms AB Brennan was appointed a member of HR Committee on 4 December 2014. Mr PM Margin was appointed a member of the Audit & Risk Committee 4 December 2014.

## Principal activities and changes

Details of Nufarm's principal activities and changes are set out in the Information on the Company section in the Company's 2015 Annual Report.

Nufarm employs approximately 3,349 people at its various locations in Australasia, Africa, the Americas and Europe. The company is listed on the Australian Securities Exchange (symbol NUF). Its head office is located at Laverton in Melbourne.

## Results

The net profit attributable to members of the Group for the 12 months to 31 July 2015 is \$43.2 million. The comparable figure for the 12 months to 31 July 2014 was \$37.7 million.

## Dividends

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

	\$000
The Final dividend for 2013-2014 of 5 cents paid 14 November 2014.	13,218
The Interim dividend for 2014-2015 of 4 cents paid 8 May 2015.	10,570
The Final dividend for 2014-2015 of 6 cents as declared and recommended by the directors is payable 13 November 2015.	

## Nufarm Step-up Securities distributions

The following Nufarm Step-up Securities distributions have been paid since the end of the preceding financial year:

	\$000
Distribution for the period 16 April 2014 – 15 October 2014 at the rate of 6.6267 per cent per annum paid 15 October 2014	6,127
Distribution for the period 16 October 2014 – 15 April 2015 at the rate of 6.635 per cent per annum paid 15 April 2015	6,134

## Review of operations

The review of the operations during the financial year and the results of those operations are set out in the managing director's review in the Company's 2015 Annual Report.

## State of affairs

The state of the group's affairs are set out in the managing director's review in the Company's 2015 Annual Report.

## **Operations, financial position, business strategies and prospects**

Information on the group, which enables an informed assessment of its operations, financial position, strategies and prospects, is contained in the financial accounts, managing director's review, the business review, and the Information on the Company section in the Company's 2015 Annual Report.

## **Events subsequent to reporting date**

On 23 September 2015, the Directors declared a final franked dividend of 6 cents per share payable 13 November 2015.

## **Likely developments**

Likely developments in the group's operations and the expected results of those operations are contained in the managing director's review and the business review.

## **Environmental performance**

Details of Nufarm's performance in relation to environmental regulations are set out in the Company's 2015 Annual Report. The group did not incur any prosecutions or fines in the financial period relating to environmental performance. The group publishes annually a sustainability report (formerly called health, safety and environment report). This report can be viewed on the group's website or a copy will be made available upon request to the company secretary.

## **Non-audit services**

During the year KPMG, the company's auditor, has performed certain other services in addition to their statutory duties. Details of the audit fee and non-audit services are set out in note 40 to the financial report.

The board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the reason that all non-audit services were subject to the corporate governance procedures adopted by the company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor.

## **Indemnities and insurance for directors and officers**

The company has entered into insurance contracts, which indemnify directors and officers of the company, and its controlled entities against liabilities. In accordance with normal commercial practices, under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of premiums paid are confidential.

An indemnity agreement has been entered into between the company and each of the directors named earlier in this report. Under the agreement, the company has agreed to indemnify the directors against any claim or for any expenses or costs, which may arise as a result of the performance of their duties as directors. There are no monetary limits to the extent of this indemnity.

## **Lead auditor's independence declaration**

The lead auditor's independence declaration is set out in the Company's 2015 Annual Report and forms part of the directors' report for the financial year ended 31 July 2015.

## **Rounding of amounts**

The company is of a kind referred to in Australian Securities and Investment Commission Class Order 98/100 dated 10 July 1998 and, in accordance with that class order, amounts in the financial statements and the directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

# 2015 Remuneration Report

## A message from the Chairman of the Human Resources Committee (HRC) (unaudited)

Dear Shareholder

I am pleased to present our Remuneration Report for the year ending 31 July 2015.

Nufarm's remuneration structure is designed to support our strategic objectives and help drive sustainable value creation. The capabilities and commitment of our management and employees make a critical contribution to the success of the company and our remuneration policies are based on principles that encourage and reward performance and outcomes. 2015 was a year of profitable growth, with good progress on working capital management efficiencies, which has been reflected in the company's overall performance result.

2015 was also a year of renewal within the leadership team and an ambitious program of restructuring which is positioning the business for sustainable success over the long term. As a result of the changes, the executive remuneration structure was reviewed in terms of the mix between fixed and short and long-term variable reward, to create stronger alignment at the most senior levels within the organisation and greater consistency in approach. The roles and reporting lines of the executive management team were also updated to align executive portfolios to the strategy of the business. As a result, a smaller core group of executives with clearer designation of decision making authority and control of the major levers that drive performance across the Group was established. At the same time, structural changes have led to a flatter leadership structure and more inclusive global approach to the way the organisation is managed on a day to day basis.

Fixed remuneration arrangements for incoming executives were determined according to nature and size of role and within Nufarm's usual benchmarking approach. Any increases that occurred for continuing incumbents since 2014 are reflective of market pricing for roles that may have been previously under market, or where market movements were noted year on year. This was the case with the increased responsibility of the Group Executive Manufacturing and Supply Chain who took on more direct accountability for the manufacturing function and also global procurement.


The company's improved performance has been reflected in the short term incentive outcomes received by the CEO and Executives.

The long term incentives awarded in 2012 were tested in August 2015. Nufarm did not meet its' average Return on Funds Employed (ROFE) target over the three year performance period and so no award was earned against this measure. Performance against the relative Total Shareholder Return (TSR) target over the same period placed Nufarm above the 50<sup>th</sup> percentile and so 62.6% of the TSR performance rights vested by this measure. This demonstrates alignment between shareholder returns and executive long term incentives.

Effective 1 February 2015 there was a modest increase in board committee chair fees ranging from 0% to 8% and an adjustment to committee members fees to move to 50% of the committee chair fee, consistent with market practice.

The Human Resources Committee continues to have a strong focus on the relationship between business performance and remuneration and in turn, each year the Board reviews the financial metrics and individual objectives to ensure they remain appropriate as a basis of reward given the objectives of the business strategy and the interests of shareholders.

Further detail is provided within the Remuneration Report.



Peter Margin  
**Chair – Human Resources Committee**

## 1. Basis for preparation

The Remuneration Report is designed to provide shareholders with an understanding of Nufarm's remuneration policies and the link between our remuneration strategy and performance. The report focuses on Key Management Personnel (KMP) as defined under the Corporations Act 2001.

The Remuneration Report for Nufarm for 2015 has been prepared in accordance with section 300A of the Corporations Act 2001.

## 2. Key developments in FY 2015

### Change of Managing Director and Chief Executive Officer (CEO)

On 4 February 2015, Doug Rathbone ceased in his role as Managing Director and CEO of the Nufarm Group and Greg Hunt, Group Executive Commercial Operations, was appointed on an acting basis. On 5 May 2015 Greg Hunt was confirmed as Managing Director and CEO of the Nufarm Group.

Under his new CEO contract, Mr Hunt is entitled to fixed annual remuneration (FAR) of \$1,200,000 (inclusive of superannuation), short term (STI) opportunity equivalent to 50% of his FAR at target, half of which will be deferred into shares and subject to an additional 2 year trading restriction, and a long term (LTIP) opportunity equivalent to 50% of his FAR, vesting of which is subject to satisfaction of performance hurdles measured over a 3 year performance period. Mr Hunt's employment contract can be terminated by either party giving 6 months' notice, in which case he will be entitled to a termination payment equivalent to 12 months' fixed annual remuneration (inclusive of any payment in lieu of notice).

Further details of Mr Hunt's remuneration for FY15 are set out in this report.

The former Managing Director and CEO, Mr Rathbone, was entitled to FAR of \$1,737,754 (inclusive of superannuation), an STI opportunity equivalent to 100% of his FAR at target, and an LTIP opportunity equivalent to 48% of his FAR, vesting of which was subject to satisfaction of performance hurdles measured over a 3 year performance period. Mr Rathbone's employment contract could be terminated by either party giving 12 months' notice, in which case he was entitled to certain termination payments, subject to the provisions of the Corporations Act. On ceasing employment, Mr Rathbone received a termination payment of \$1,643,193 plus his statutory entitlements (comprising accrued annual and long service leave). His deferred STI for FY13 and FY14 and his previous LTIP grants remain on foot in accordance with their original terms. No other termination payments were made to Mr Rathbone.

Mr Rathbone had been employed by Nufarm for 41 years, 15 years as the Group's Managing Director and CEO. In order to ensure a smooth transition to the new Managing Director and CEO and to benefit from Mr Rathbone's knowledge of the Group, the Company has entered into a 12 month consultancy agreement with Mr Rathbone. Mr Rathbone will be paid a consultancy fee of \$83,333 per month in return for agreed services, including his continued assistance with specific transactions and legacy matters.

Further details of Mr Rathbone's remuneration for FY15 are set out in this report.

### Changes in Executive Management Team

The 2015 reporting period saw a number of other changes to the executive management team as part of an ongoing, broader restructuring of the business. The changes coincided with the alignment of executive portfolios to the strategy of the business, as well as a clearer designation of decision making authority and control of the major levers that drive performance across the Group.

The changes to the Executive Management Team were as follows:

- The Group Executive, Corporate Strategy and External Affairs role changed in scope from 4 February 2015, at which time the strategy component of that role became the shared responsibility of the Acting Chief Executive Officer and other Group Executives. The Group Executive, Corporate Strategy and External Affairs role, along with the Group Executive, Corporate Services and Company Secretary role, and the Group Executive, People and Performance role ceased to be KMP roles as of the same date.
- The Group Executive, Procurement and Commercial Services role and the Group Executive, Innovation and Development role were realigned and ceased to report to the CEO and Managing Director directly in FY14. Accordingly, these roles ceased to be KMP roles from 31 July 2014.

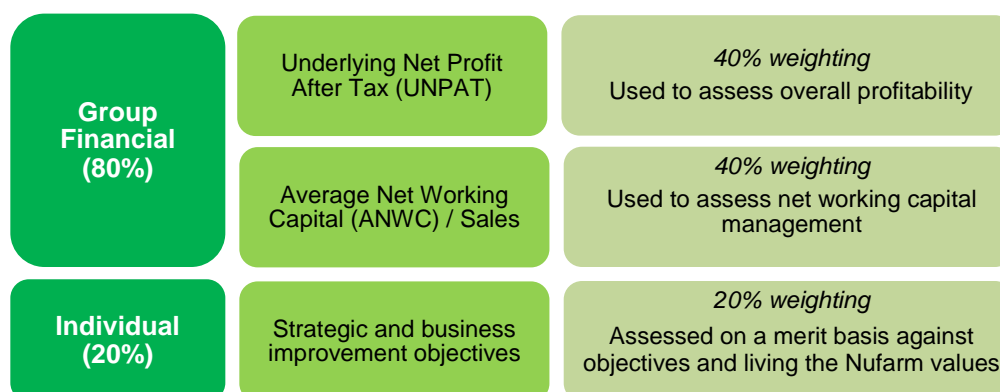
### Changes to executive remuneration framework and employment contracts

During FY15 the Board made the following changes to the Group's remuneration framework for senior managers:

- Nufarm's template senior manager employment agreement was revised and updated to bring it in line with market practice, and Corporations Act provisions. The new template presents a simplified all-inclusive salary package, with fixed and variable components. FAR can be salary packaged at the election of the executive in different ways utilising Nufarm's benefit structure. Variable components (ie STI and LTIP) are represented as a percentage of FAR. The new template applied to the appointment of the new CEO and Managing Director on 5 May and was implemented for all other Australian based executives effective 1 August 2015. (Note as some KMP positions will be based outside of Australia in the future, some differences in remuneration mix and the contract framework will exist according to local employment practices and historical factors.)

- A review of Nufarm's short term and long term incentive practices against market practice of ASX listed companies was conducted. The review provided a point of reference for potential directions for change within a broader consideration of Nufarm's evolving strategy and the leadership behaviours required to deliver growth and build a better Nufarm. The review confirmed that the STI and LTIP framework was consistent with market practice in general, however noted a number of opportunity areas to evolve the plans to further align reward to the strategy and promote desired leadership behaviours in the future. The Board made the following changes for the plan year FY16 and notes the following opportunities for further investigation and exploration before FY17:

- *STI* - Over the past year, the STI framework has been successful in driving improved management of net working capital and profitability. The Board therefore believes at this time, consistency is important to continue the momentum of Nufarm's 3 year business transformation journey. The Board retained the overall framework of STI for FY16 with a 80:20 split between financial and individual performance metrics; maintaining a 85% underlying NPAT threshold on the individual component. A small adjustment will be made to the split of the STI financial measures of Average Net Working Capital/ Sales and Net Profit After Tax from 40:60 in FY15, to a simple 50:50 in FY16. The FY16 STI framework is shown below:



The Board reflected on the future opportunity to adapt the STI to a more balanced scorecard approach including safety, sustainability and people measures and will explore opportunities to do so.

- *LTIP* - The Board decided that the LTIP should continue in much the same form for FY16 with the two equally weighted metrics of Return on Funds Employed and Total Shareholder Return. During the coming year, the fifth year of the LTIP running in substantially the same form, the Board will review alternatives to renew the design in light of recent changes to legislation regarding the use of share options, trends in market practice, and future drivers of shareholder value identified in the strategic review.

#### Further changes planned for FY16:

In view of the growing strategic importance of Nufarm's Nuseed business, and the increased focus on strengthening the company's product portfolio and marketing capabilities, it was decided that from 1 August 2015 the role of Group Executive Marketing and Portfolio Development held by Brian Benson was split into two executive KMP roles described below. Mr Benson's last day with Nufarm was 31 July 2015.

This change has resulted in two new appointments to the executive team. After several years of strong performance in building Nufarm's Latin American business, Valdemar Fischer has agreed to take on the new role of Group Executive, Marketing and Portfolio Strategy. In this role, Mr Fischer will lead global marketing, partnerships and the product and portfolio strategy in collaboration with Nufarm's businesses and platforms. The strength of the global product portfolio, and the coordination of the product to market strategy worldwide is a fundamental growth driver for Nufarm.

Brent Zacharias (General Manager Nuseed) has stepped up to the position of Group Executive Nuseed, reporting to the Managing Director and CEO. This appointment reflects the growing importance of the Nuseed platform and the exciting opportunities ahead.

### 3. Key management personnel disclosed in this report

The following were KMP of the consolidated entity at any time during the reporting period and were key management personnel for the entire period (except where denoted otherwise). For the purposes of this report, executive KMP will be referred to as disclosed executives.

<b>Non-executive directors</b>		
<i>Name</i>	<i>Position</i>	<i>Term as KMP in 2015</i>
DG McGauchie AO	Chairman	Full year
GR Davis	Non-executive director	Full year
Dr WB Goodfellow	Non-executive director	Full year
PM Margin	Non-executive director	Full year
AB Brennan	Non-executive director	Full year
FA Ford	Non-executive director	Full year
T Takasaki	Non-executive director	Full year
<b>Current executive KMP</b>		
G Hunt	Managing Director and Chief Executive Officer (5 May 2015 - 31 July 2015)	Full year
	Acting CEO (5 February 2015 - 4 May 2015)	
	Group Executive, Commercial Operations (1 August 2014 - 4 February 2015)	
P Binfield	Chief Financial Officer	Full year
E Prado	Group Executive, Manufacturing and Supply Chain	Full year
<b>Former executive KMP</b>		
B Benson	Group Executive, Marketing and Portfolio Development (ceased to be a KMP role from 1 August 2015)	Full year
DJ Rathbone AM	Managing Director and Chief Executive Officer (terminated 4 February 2015)	Part year
B Croft	Group Executive, People and Performance (ceased to be a KMP role from 4 February 2015)	Part year
R Heath	Group Executive, Corporate Services (ceased to be a KMP role from 4 February 2015)	Part year
R Reis	Group Executive, Corporate Strategy and External Affairs (ceased to be a KMP role from 4 February 2015)	Part year

## 4. Remuneration Governance

The HRC is responsible for reviewing and making recommendations to the Nufarm Board on remuneration policies and packages applicable to disclosed executives. The HRC is comprised of four independent non-executive directors and is tasked with ensuring that remuneration policies and packages retain and motivate high calibre executives and have a clear relationship between company performance and executive remuneration. The HRC charter can be found at [www.nufarm.com](http://www.nufarm.com).

During 2015, the HRC reviewed information provided by Ernst and Young to assess whether existing frameworks remain appropriate.

The HRC also sought external general market movement data for the 2015 year from Ernst and Young, Hay Group and other reference points.

The Board measures financial performance under the STI and LTIP using audited numbers. The relative total shareholder return (TSR) is measured by an independent external advisor.

Within the remuneration framework the Board has discretion to 'clawback' LTIP and deferred STI prior to vesting where:

- payment is contrary to the financial soundness of the company;
- in circumstances where the financial performance of Nufarm over the relevant period (including the initial STI performance period) has been mis-stated; and/or
- for individual gross misconduct.

Executives are not permitted to hedge any shares issued to them under the STI while those shares remain held in trust.

The Board considered all information in light of company performance, changes during the year to the scope and scale of executive roles, individual performance and the motivation and retention of key individuals, in making its' remuneration decisions.

## 5. Remuneration Strategy

Nufarm's remuneration strategy and reward frameworks reflect the importance of improving the performance of the business and lifting returns on funds employed, as well as supporting a goal of attracting, motivating and retaining a high performing workforce.

The core elements of Nufarm's remuneration strategy and policy for the disclosed executives are as follows:

- An overall framework that supports attraction, motivation and retention of talent, shareholder value creation and reward differentiation.
- An STI program that is biased to growth in profitability and a strong focus on balance sheet management. The program also focuses individuals to achieve innovation and increased business discipline, both of which the company sees as integral to delivering targeted financial outcomes and returning the company to acceptable returns for shareholders.
- An LTIP plan that is based on the principle of aligning executive interests and rewards with those of shareholders.

With a focus on growth and increased participation in high value markets with sustainable returns, this improvement will be driven by:

- Continued growth in our revenues.
- A strengthening of our margins
- A continued, relentless focus on driving down net working capital; and
- A cost savings and performance improvement program that is planned to deliver a net benefit of at least \$100 million by 2018.

A focus on working capital and improving returns on funds employed is fundamental to the way in which Nufarm operates and where it is heading with its organisational strategy and is therefore a key element of the way performance is measured and assessed at a Group and individual level.

The STI and LTIP combine shared accountability for financial results with individual reward for strategic changes and improvements within the individual's function or business unit. Each year the Board reviews the financial metrics and individual objectives to ensure they remain appropriate as a basis of reward given the business strategy and the interest of shareholders.

## 6. The composition of remuneration at Nufarm

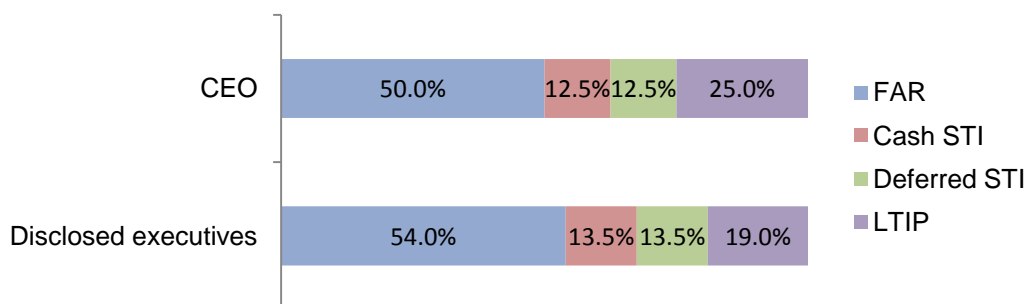
Until the appointment of the CEO and Managing Director the company's remuneration policy was based on total target reward (TTR) structured to align overall remuneration spend with business performance.

### Remuneration mix

For all current KMP TTR was composed of FAR (55%), a variable component of STI (25%) linked to current year performance and a LTIP (20%) linked to longer term performance and business outcomes.

With the appointment of Mr Hunt, the Board approved a change to the executive remuneration structure from the TTR model, with fixed and variable components in aggregate equalling 100%, to a more common structure of FAR with additional short term and long term incentive (described as a percentage of FAR) available to be earned subject to performance. Subsequently the executive employment agreements of current KMP Paul Binfield and Elbert Prado were refreshed effective 1 August and their remuneration mix aligned to the new standard.

The graph below outlines the target remuneration mix for the CEO and other disclosed executives with the new structure applied.



The differences in the remuneration mix from FY15 to FY16 with respect of the Managing Director and CEO position are described in section 2.

As part of aligning the corporate executive incentive potential and in conjunction with the change to new employment contracts, effective 1 August 2015 the short term incentive potential of Mr E. Prado and Mr PA Binfield increased slightly from what was effectively 45.45% of FAR in FY 15 to 50% of Fixed Annual remuneration effective from FY16.

New executives are employed on this basis. For longer serving executives a case by case transition plan is being implemented to arrive at the target remuneration mix. Individual plans are necessary given different salary levels and contractual arrangements.

### Fixed Annual Remuneration (FAR)

According to Nufarm's policy, FAR is benchmarked with reference to the 62.5<sup>th</sup> percentile of fixed remuneration paid in the Industrial and Chemicals sectors of the relevant country where the executive is based.

The 62.5<sup>th</sup> percentile positioning on the fixed remuneration component is important to be competitive in the market. With short and long term incentive potential considered at maximum performance, fixed and variable potential remuneration is comparable to the 75<sup>th</sup> percentile. This is a key part of Nufarm's pay for performance culture and underpins Nufarm's ability to attract and retain high calibre talent.



## Short Term Incentive (STI)

Who participates in the STI?	Plan participants include disclosed executives and senior managers globally.				
When are awards made?	Awards under the plan are made at the end of the financial year.				
What measures are used in the plan?	The Board sets measures at the start of each year focused on profitability and balance sheet management. Noted below are the measures used in 2015.				
	80% of the potential was based on Underlying Net Profit after Tax (NPAT) and Average Net Working Capital (ANWC)/Sales			20% of the potential was based on individual strategic and business improvement objectives aligned to the role and contribution of the executive	
	This structure reflects Nufarm's strong focus on the use of capital and ensures alignment of reward to business outcomes and shareholder returns.				
When and how are the STI payments determined?	Awards are assessed annually at the end of the financial year. Awards are based on the percentage achievement against the budget and strategic measures.				
	Percentage Budget achievement	<85%	85%	100%	120% Underlying NPAT 110% ANWC/Sales
	Percentage of STI Target award realised	Nil	25%	100%	150%
	Straight line vesting between 85 per cent and budget and between budget (target) and 120 per cent budget achievement (stretch). Strategic and business improvement objectives are assessed on a merit basis against stated objectives.				
Are payments in cash or shares?	50% of Executives STI is paid in cash at the time of performance testing and 50% deferred into shares in the company for nil consideration.				
When do the shares vest?	Vesting will occur on the second anniversary of the grant date of the deferred equity, subject to continued employment or otherwise if the participant has left employment for a qualifying reason.				
Is there a clawback provision in the plan?	The rules of the plan provide for clawback of deferred STI prior to vesting with Board discretion where: payment is contrary to the financial soundness of the company; in circumstances where the financial performance of Nufarm over the relevant period (including the initial STI performance period) has been misstated; and/or for individual gross misconduct.				
What happens if the executive leaves Nufarm?	If an executive leaves before the vesting anniversary under 'qualifying leaver' provisions the equity will remain in the plan until the vesting date. If the executive leaves under other than 'qualifying leaver' circumstances the equity will be forfeited. 'Qualifying leaver' provisions include participants who cease employment due to retirement, death, ill health/disability, redundancy, or contract severance without cause by Nufarm. The rules of the plan provides the flexibility, in special circumstances (e.g. health or severe personal hardship), to accelerate the vesting. This would result in the shares being released from the trust to the executive.				

## Long Term Incentive Plan (LTIP)

Why have a LTIP?	This plan aligns executive interests and earnings with the longer term Nufarm strategy and the interests of shareholders.
Who participates in the LTIP	The current participants in the plan are disclosed executives and other selected senior managers (together, the LTIP participants).
Are the awards cash or shares?	The plan rules provide the flexibility to use a number of different instruments provided they comply with local regulations and sound practice. FY12 and FY13 awards were granted to executives in the form of share rights, which comprise rights to acquire ordinary shares in the company for nil consideration, subject to the achievement of global performance hurdles. From FY14, rights allocations have been indeterminate. At the time of vesting the Board will determine if the rights convert to ordinary shares or cash or other instruments which may be in use at the time.
When are the awards made?	Under the plan, LTIP participants receive an annual award of rights as soon as practical after the announcement of results for the preceding year.
How are the number of rights calculated?	The number of rights to be granted is calculated by dividing the individual's LTI grant opportunity for the performance year by the volume weighted average price of the Company's shares over the five trading days immediately following the prior year's annual results announcement.
When do the awards vest?	The performance / vesting period for awards is 3 years. Awards will vest in two equal tranches as follows: <ul style="list-style-type: none"> <li>- 50% of the LTIP grant will vest subject to the achievement of a relative TSR performance hurdle measured against a selected comparator group of companies; and</li> <li>- The remaining 50% of the LTIP grant will vest subject to the 3 year average of an absolute ROFE target.</li> </ul>

Why have ROFE and relative TSR been chosen as the hurdles?	ROFE is used to track progress towards the goal to return long-term results back to acceptable levels for Nufarm. Strong relative TSR performance ensures Nufarm is an attractive investment for shareholders.		
What is the comparator group for the assessment of relative TSR?	Based on the results of research and modelling carried out by Ernst and Young, at the inception of the plan the Board approved the adoption of the 'S&P ASX 200 excluding those companies in the Financial, Materials and Energy groups' as the TSR comparator group. This provides a group which is large enough for sound measurement with exclusions that reduce the volatility by removing companies which are in significantly different industries to Nufarm. Commencing from FY16 the Board approved the inclusion of Dulux (DLX), Incitec Pivot (IPL) and Orica (ORI) on the basis of their similarity as chemical companies eventhough they appear in the materials index. The TSR comparator group is also seen as an appropriate representation of Nufarm's competitors for investment.		
How is relative TSR measured?	TSR will be measured over the performance period. For the purposes of this measurement, each company's share price will be measured using the average price over 60 days up to (but excluding) the first day of the performance period, and the average closing price over 60 days up to and including the last day of the performance period		
What is the relative TSR performance required for vesting?	TSR of Nufarm relative to the TSR of comparator group companies	Proportion of TSR grant vesting	
	Less than 50th percentile	0%	
	50th percentile	50%	
	Between 51st percentile and 75th percentile	Straight line vesting between 50% and 100%	
	75th percentile	100% vesting	
How is the ROFE target set?	ROFE objectives are set by the Board at the beginning of each year. There is both a 'target' and a 'stretch' hurdle. These numbers are based on the budget and growth strategy. 'Target' represents a sustainable return to acceptable ROFE levels. Stretch recognises achievement well above budget. This ensures that full vesting of the LTIP is truly reliant on outstanding performance.		
How is ROFE measured?	Return is calculated on the Group's earnings before interest and taxation and adjusted for any material items. Funds employed are represented by shareholder's funds plus total interest bearing debt. For the purposes of measuring ROFE performance in the LTIP, ROFE will be averaged over the life of the plan.		
What ROFE result is required for vesting?	Percentage of ROFE target achieved	Proportion of ROFE grant vesting	
	Less than Target	0%	
	Target	50%	
	Between Target and Stretch	Straight line vesting between 50% and 100%	
	Stretch	100%	
What was the result for the 2015 year?	The table below shows the performance against target for the last 3 years of the plan.		
		Target %	Outcome %
	2013	10.9	8.8
	2014	10.0	9.1
	2015	10.8	11.0
	Cumulative three year average	10.6	9.6
	The 2011 award which matured on 31 July 2014, did not vest on either the ROFE or the relative TSR and the rights have been forfeited. The 2012 award, which matured in 2015, did not meet the ROFE hurdle rate over the three year performance period but performance against the relative Total Shareholder Return (TSR) target was above the 50 <sup>th</sup> percentile over the same period and so 62.6% of performance rights vested by this measure.		
What happens if the awards do not vest?	To the extent that the TSR and ROFE performance hurdles are not met at the end of the 3-year performance period and full vesting is not achieved, performance will not be re-tested and the award will lapse. There is no partial vesting of the LTIP before the 3rd anniversary.		
Is there a clawback provision in the plan?	The rules of the plan provide for clawback of unvested LTIP rights where: payment is contrary to the financial soundness of the company; in circumstances where the financial performance of Nufarm over the relevant period has been misstated; and/or for individual gross misconduct		
What happens if an executive leaves?	To be eligible under the LTIP, the executive must be employed by Nufarm on the 1 <sup>st</sup> anniversary of the allocation. If the executive leaves before this date, the allocation is forfeited. If the executive leaves under 'qualifying leaver' provisions, (refer STI section above for definition of 'qualifying leaver') after the 1 <sup>st</sup> anniversary and before the 3 <sup>rd</sup> anniversary of the plan the allocation will be pro-rated and the pro-rated allocation will remain 'on foot' in the plan subject to certain overriding discretions set out in the plan.		
	The rules of the plans provide the flexibility, in special circumstances (eg. health or severe personal hardship), to accelerate the vesting. The qualifying allocation will be tested against the hurdles to determine the value (if any) of the allocation.		

## 7. Link between performance and disclosed executive remuneration outcomes

The table below summarises the company's performance and shareholder wealth statistics which influence disclosed executives' variable remuneration. These are listed over the last five years.

	UNDERLYING EBIT *	ANWC/Sales ***	Underlying NPAT**	ROFE achieved	Closing Share price 31 July	Total shareholder return
	\$M	%	\$M	%	\$	%
2011	171.8	N/A	N/A	7.6	4.34	13.6
2012	206.0	45.3	115.4	10.4	5.47	26.8
2013	186.8	46.8	83.2	8.8	4.50	(16.5)
2014	200.6	47.7	86.4	9.1	4.35	(1.7)
2015	236.9	41.9	117.1	11.0	7.72	80.2

\* and \*\*: Underlying EBIT is earnings before net finance costs, taxation and material items. Underlying NPAT is Net Profit after Tax before material items. Underlying NPAT and Underlying EBIT are used internally by management to assess performance of the business and make decisions on the allocation of our resources. NPAT, rather than EBIT, is used to assess management's STI to ensure rewarded business outcomes are aligned with shareholder returns.

\*\*\*: Average Net Working Capital/Sales is used throughout the business and highlights the strong business-wide focus on the management of working capital over the full year.

### STI Performance and Outcomes

Based on an Underlying NPAT result of \$117.1m, an ANWC/Sales result at 41.9% and performance against individual strategic and business improvement objectives, disclosed executives employed for the performance period FY16 were awarded an incentive in accordance with the rules of the plan.

Individual objectives were driven by Nufarm's strategy and the goals to deliver on sustainable innovation and business discipline across the business. These objectives were specific to the role of each executive and included organisation restructuring, management of risk, efficiency improvements, partnership development, portfolio enhancement, business process and systems improvements and the implementation of initiatives to support growth in higher value segments.

The CEO's incentive outcome for 2015 was calculated on the aforementioned achievement of financial results as well as achievement of strategic objectives including development and delivery of regional business plans, restructuring and EBIT improvement of the Australian and North American businesses, improvement in the gross profit margin and implementation of net working capital management disciplines. The outcome was prorated according to the time Mr Hunt spent in each position during the plan year.

### LTIP Performance and Outcomes

The LTIP vests on the 3<sup>rd</sup> anniversary. Nufarm did not meet its Return on Funds Employed (ROFE) target over the three year performance period and so no award was earned against this measure. Performance against the relative Total Shareholder Return (TSR) target was above the 50<sup>th</sup> percentile over the same period, so 62.6% performance rights vested by this measure.

## FY 2015 STI and LTIP Outcomes

Disclosed executive	2015 STI Potential		Total Award as a % of target potential**	Total Award	To be paid in cash in October 2015	Retained in shares vesting 2nd anniversary 31.7.17
	At target	At maximum				
	\$	\$		\$	\$	\$
Greg Hunt	438,994	658,491	100%	439,188	219,594	219,594
Paul Binfield	335,650	503,475	100%	335,798	167,899	167,899
Elbert Prado	272,727	409,091	100%	272,848	136,424	136,424
Brian Benson	536,532	804,798	95%	509,943	254,971	254,971
Robert Reis*	468,867	703,301	100%	469,074	234,537	234,537
Rodney Heath*	246,179	369,269	100%	246,288	123,144	123,144

\* Amounts shown represent the full year outcome. Note that amounts shown in the remuneration table represent the remuneration earned whilst acting as a key management personnel.

\*\*The Total Award was more precisely 95.04% in the case of Mr Benson and 100.04% for all other disclosed executives. The fact that the result was close to 100% for most was purely coincidental due to some measures vesting at stretch and others vesting below target.

Disclosed executive	2012 LTI award due to vest 31.7.15		Total Award as a % of potential	Grant date fair value of rights awarded	Total Award
	Total number of rights available	Total number of rights awarded			
<i>Current KMP</i>					
Greg Hunt	38,288	11,984	31%	\$3.86	46,258
Paul Binfield	42,578	13,327	31%	\$3.86	51,442
Elbert Prado	-	-	0%	\$3.86	-
<i>Former KMP</i>					
Brian Benson	25,562	8,001	31%	\$3.86	30,884
Robert Reis	22,770	7,127	31%	\$3.86	27,510
Rodney Heath	11,954	3,742	31%	\$3.86	14,444
Doug Rathbone*	112,576	35,236	31%	\$3.50	123,326

\* Amounts net of rights forgone upon departure from Nufarm in accordance with plan rules, whereby rights are prorated for service during performance period.

## FY 2015 LTIP grant offered

Disclosed executive	LTI grant opportunity \$	Number of performance rights*	Effective grant Date	Vesting Date	Fair value at grant date**	
					TSR Tranche (50% of award)	ROFE Tranche (50% of award)
<i>Current KMP</i>						
Greg Hunt	241,227	49,778	1.08.2014	31.7.2017	\$3.12	\$4.62
Paul Binfield	268,253	55,355	1.08.2014	31.7.2017	\$3.12	\$4.62
Elbert Prado	181,654	37,485	1.08.2014	31.7.2017	\$3.12	\$4.62
<i>Former KMP</i>						
Brian Benson	159,498	32,913	1.08.2014	31.7.2017	\$3.12	\$4.62
Robert Reis	142,077	29,318	1.08.2014	31.7.2017	\$3.12	\$4.62
Rodney Heath	74,590	15,392	1.08.2014	31.7.2017	\$3.12	\$4.62

\* Rights were valued at \$4.846 being the five-day VWAP post the announcement of the 2014 annual results.

\*\* In accordance with Australian Accounting Standards.

## 8. Service contracts

The company has employment contracts with the disclosed executives. These contracts formalise the terms and conditions of employment. The contracts are for an indefinite term. The contracts of the CEO and most other disclosed executives have been structured to be compliant with the termination benefits cap under the Corporations Act.

The company may terminate the contract of the CEO and Managing Director by giving 6 months' notice, in which case the CEO would be entitled to a termination payment of 12 months FAR inclusive of any notice paid in lieu. The contract also provides for payment of applicable statutory entitlements.

The CEO may terminate the contract by giving the company 6 months' notice.

The company may terminate the contract of most other executives by 6 months' notice in which case a termination payment equivalent to 12 months FAR will be paid including notice period paid in lieu.

The company may terminate the employment contracts immediately for serious misconduct.

## 9. Non-Executive Directors (NED)

The Board's policy with regard to NED remuneration is to position Board remuneration at the market median with comparable sized listed entities. The Board determines the fees payable to non-executive directors within the aggregate amount approved from time to time by shareholders. At the company's 2014 AGM, shareholders approved an aggregate of \$1,760,000 per year (including superannuation costs).

Set out below are details of the annual fees payable for the year ended 31 July 2015 (including superannuation costs). Non-Executive Director fees were reviewed and changed effective from 1 February 2015. This review saw a modest increase in Board committee chair fees ranging from 0% to 8% and an adjustment to committee members fees to move to 50% of the committee chair fee, consistent with market practice.

The total fees for the 2015 year remained within the approved cap. Board fees are reviewed every 18 months. These fees will be reviewed again in July 2016.

	Fees applicable from 1st August 2014 to 31st January 2015 (\$) per annum	Fees applicable from 1 <sup>st</sup> February 2015 to 31 <sup>st</sup> July 2015 (\$) per annum
Chairman*	346,500	363,825
General Board	141,750	148,838
Audit Committee Chair	28,875	30,000
Audit Committee Member	11,550	15,000
HSE Risk Committee Chair	17,325	17,500
HSE Risk Committee Member	5,775	8,750
HR Committee Chair	23,100	25,000
HR Committee Member	8,663	12,500
Nominations Committee Chair	11,550	11,550
Nominations Committee Member	1,444 per meeting	1,500 per meeting

\*The chairman receives no fees as a member of any committee

## 10. Remuneration of directors and disclosed executives

Details follow of the nature and amount of each major element of remuneration in respect of the NED and disclosed executives.

In AUD		Short Term				Post-employment	Termination benefits \$	Share based payments	Other long term	Total <sup>1</sup>	Percentage of remuneration performance based %	Value of options as a proportion of total remuneration %
		Salary and Fees \$	Cash Bonus (Vested) \$	Non-monetary benefits \$	Total \$							
<b>Directors' Non-executive</b>												
AB Brennan	2015	151,148	-	-	151,148	15,115	-	-	-	166,263		
	2014	143,301	-	-	143,301	14,330	-	-	-	157,631		
GR Davis	2015	169,886	-	-	169,886	16,989	-	-	-	186,875		
	2014	162,988	-	-	162,988	16,299	-	-	-	179,287		
Dr WB Goodfellow	2015	138,852	-	-	138,852	13,885	-	-	-	152,737		
	2014	132,801	-	-	132,801	13,280	-	-	-	146,081		
DG McGauchie	2015	322,875	-	-	322,875	32,287	-	-	-	355,162		
	2014	315,000	-	-	315,000	31,500	-	-	-	346,500		
P. Margin	2015	169,120	-	-	169,120	16,912	-	-	-	186,032		
	2014	155,114	-	-	155,114	15,511	-	-	-	170,625		
F. Ford	2015	165,613	-	-	165,613	16,561	-	-	-	182,174		
	2014	159,051	-	-	159,051	15,905	-	-	-	174,956		
T. Takasaki	2015	138,688	-	-	138,688	13,869	-	-	-	152,557		
	2014	130,718	-	-	130,718	13,071	-	-	-	143,789		
Sub total non- executive directors remuneration	2015	1,256,182	-	-	1,256,182	125,618	-	-	-	1,381,800		
	2014	1,198,973	-	-	1,198,973	119,896	-	-	-	1,318,869		
<b>Executive Director DJ Rathbone<sup>2</sup></b>	2015	828,659	124,265	120,045	1,072,969	17,261	1,643,193	(213,840)	101,717	2,621,300	-3%	-8%
	2014	1,581,554	440,339	55,027	2,076,920	33,416	-	192,602	75,383	2,378,321	27%	8%
<b>Executive Director GA Hunt<sup>9</sup></b>	2015	835,581	219,594	-	1,055,175	34,983	-	175,682	-	1,265,840	31%	6%
	2014	606,730	48,550	8,636	663,916	25,832	-	112,038	-	801,786	20%	8%
Total Directors' remuneration	2015	2,920,422	343,859	120,045	3,384,326	177,862	1,643,193	(38,158)	101,717	5,268,940		
	2014	3,387,257	488,889	63,663	3,939,809	179,144	-	304,640	75,383	4,498,976		
<b>Group Executives - Current KMP</b>												
PA Binfield	2015	694,369	167,899	-	862,268	34,200	-	170,030	-	1,066,498	32%	7%
	2014	677,492	54,141	-	731,633	24,650	-	126,562	-	882,845	20%	8%
E. Prado <sup>3</sup>	2015	513,759	136,424	20,031	670,214	30,843	-	139,147	-	840,204	33%	6%
	2014	443,055	34,625	57,378	535,058	23,180	-	43,441	-	601,679	13%	8%
<b>Group Executives - Former KMP</b>												
BF Benson <sup>4</sup>	2015	778,788	254,971	3,785	1,037,544	66,350	1,196,954	372,067	87,904	2,760,819	23%	1%
	2014	753,818	87,385	16,557	857,760	24,850	-	141,108	229,130	1,252,848	18%	3%
BJ Croft <sup>7, 8</sup>	2015	166,510	-	134,409	300,919	17,917	425,600	(86,857)	-	657,579	-13%	-7%
	2014	333,042	41,112	43,207	417,361	35,000	-	66,792	-	519,153	21%	4%
R Heath <sup>7</sup>	2015	162,845	63,428	31,774	258,047	17,507	-	45,910	69,319	390,783	28%	3%
	2014	290,654	40,095	34,097	364,846	34,017	-	65,223	17,101	481,187	22%	4%
RG Reis <sup>7</sup>	2015	324,815	120,803	23,375	468,993	17,507	-	87,442	22,335	596,277	35%	4%
	2014	657,587	76,365	22,199	756,151	24,850	-	124,230	23,266	928,497	22%	4%
DA Mellody <sup>5</sup>	2015	-	-	-	-	-	-	-	-	-	-	-
	2014	561,743	65,576	16,479	643,798	24,175	-	106,058	5,588	779,619	22%	4%
MJ Pointon <sup>6</sup>	2015	-	-	-	-	-	-	-	-	-	-	-
	2014	410,026	48,024	18,381	476,431	24,850	-	82,320	10,992	594,593	22%	5%
Sub total - total executive remuneration	2015	2,641,086	743,525	213,374	3,597,985	184,324	1,622,554	727,739	179,558	6,312,160		
	2014	4,127,417	447,323	208,298	4,783,038	215,572	-	755,734	286,077	6,040,421		
Total directors and executive remuneration	2015	5,561,508	1,087,384	333,419	6,982,311	362,186	3,265,747	689,581	281,275	11,581,100		
	2014	7,514,674	936,212	271,961	8,722,847	394,716	-	1,060,374	361,460	10,539,397		

1. Represents total remuneration in the financial year
2. Mr DJ Rathbone's termination payment is as disclosed to the ASX on 4 February 2015. Mr Rathbone has been retained on a consulting arrangement to continue to assist with specific transactions and legacy matters. The total sum of fees paid to Mr Rathbone will be \$1 million over a 12 month period.
3. Mr E Prado was appointed to the role of Group Executive Manufacturing and Supply Chain on 1 July 2013. He has progressively assumed direct global responsibility for the manufacturing and supply chain functions previously managed on a regional basis. Mr Prado's fixed remuneration was increased by 16% in 2015 in light of his increased responsibilities and market comparisons.
4. Mr BF Benson – 'other long term' 2014 includes partial payout of annual leave accrued. Mr Benson's role became redundant effective 31 July 2015 with his responsibilities split across two executive positions. In accordance with his contract he was paid the Nufarm Australia Redundancy policy and a proportion of notice in lieu. Mr Benson's deferred STI for FY13, FY14 and FY15 and his LTIP grants for all years up to and including 2015 remain on foot in accordance with their original terms. His termination benefits are under the Corporations Act cap.
5. As noted in section 2, Mr DA Mellody, Group Executive, Procurement and Commercial Services ceased to be a KMP from 1 August 2014. Mr Mellody's responsibilities were transitioned to the Group Executive, Manufacturing and Supply Chain held by Mr E. Prado and the position became redundant effective 27 February 2015. Mr Mellody received entitlements consistent with his contract and the Nufarm Australia redundancy policy and subject to the provisions of the Corporations Act.
6. As noted in section 2, Mr MJ Pointon, ceased to be a KMP from 1 August 2014. Mr MJ Pointon is currently employed as General Manager Innovation and Development reporting to the Group Executive Marketing and Portfolio Strategy.
7. As noted in section 2, Mr RG Reis, Mr R Heath and Ms BJ Croft were no longer KMP from 4 February 2015.
8. Ms BJ Croft's termination payment was subject to the provisions of the Corporations Act. For a short time, the Group entered into a consulting arrangement with Ms BJ Croft after employment to support change management activities on a business improvement project until alternative resourcing arrangements were put in place.
9. Mr GA Hunt's remuneration was prorated for the time he spent in the position of Group Executive Commercial Operations, Acting Managing Director and CEO and the subsequent permanent appointment to the same position.

Note: Apart from the adjustment of Mr Prado's remuneration in view of his increased responsibilities, and Mr GA Hunt's increase due to stepping up into the Managing Director and CEO role, disclosed executives were granted increases in fixed remuneration and short term incentive potential of between 3% and 4%. Percentage increases reflected individual performance and alignment to market comparators.

## 11. Equity instruments held by disclosed executives

The following tables show the number of:

- options/performance rights over ordinary shares in the company;
- right to deferred shares granted under the STI scheme; and
- shares in the company

that were held during the financial year by disclosed executives of the Group, including their close family members and entities related to them.

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.

### Options/rights over ordinary shares in Nufarm Limited:

	Scheme	Balance at 1 August 2014	Granted as remuneration	Exercised	Forfeited or lapsed <sup>(d)</sup>	Net change other <sup>(f)</sup>	Balance at 31 July 2015 <sup>(e)</sup>	Vested during 2015	Vested at 31 July 2015 <sup>(a)</sup>	Value at date of forfeiture <sup>(d)</sup>
<b>Directors</b>										
DJ Rathbone <sup>(b)</sup>	LTI performance	305,163	-	-	(183,708)	(121,455)	-	35,236	35,236	1,418,226
G Hunt	LTI performance	87,153	49,778	-	(26,304)	-	110,627	11,984	11,984	203,067
	STI deferred <sup>(c)</sup>	21,545	10,018	-	-	-	31,563	9,769	21,545	-
<b>Executives</b>										
<b>Current KMP</b>										
P Binfield	LTI performance	96,919	55,355	-	(29,251)	-	123,023	13,327	13,327	225,818
	STI deferred <sup>(c)</sup>	10,894	11,172	(10,894)	-	-	11,172	10,894	-	-
E Prado	LTI performance	34,786	37,485	-	-	-	72,271	-	-	-
	STI deferred <sup>(c)</sup>	-	7,145	-	-	-	7,145	-	-	-
<b>Former KMP</b>										
BF Benson	LTI performance	58,186	32,913	-	(50,378)	-	40,721	8,001	8,001	388,918
	STI deferred <sup>(c)</sup>	17,582	18,032	(17,582)	-	-	18,032	17,582	-	-
BJ Croft	LTI performance	27,902	-	-	(27,902)	-	-	-	-	215,403
	STI deferred <sup>(c)</sup>	8,272	8,484	-	(16,756)	-	-	-	-	129,356
R Heath	LTI performance	27,211	15,392	-	(8,212)	(34,391)	-	3,742	3,742	63,397
	STI deferred <sup>(c)</sup>	27,341	8,274	-	-	(35,615)	-	8,067	27,341	-
DA Mellody	LTI performance	44,505	-	-	-	(44,505)	-	-	-	-
	STI deferred <sup>(c)</sup>	13,194	-	-	-	(13,194)	-	-	-	-
MJ Pointon	LTI performance	37,037	-	-	-	(37,037)	-	-	-	-
	STI deferred <sup>(c)</sup>	9,663	-	-	-	(9,663)	-	-	-	-
RG Reis	LTI performance	51,831	29,318	-	(15,643)	(65,506)	-	7,127	7,127	120,764
	STI deferred <sup>(c)</sup>	15,366	15,758	(15,366)	-	(15,758)	-	15,366	-	-
<b>Total</b>	<b>LTI performance</b>	<b>770,693</b>	<b>220,241</b>	<b>-</b>	<b>(341,398)</b>	<b>(302,894)</b>	<b>346,642</b>	<b>79,417</b>	<b>79,417</b>	<b>2,635,593</b>
	<b>STI deferred</b>	<b>123,857</b>	<b>78,883</b>	<b>(43,842)</b>	<b>(16,756)</b>	<b>(74,230)</b>	<b>67,912</b>	<b>61,678</b>	<b>48,886</b>	<b>129,356</b>
<b>Total</b>		<b>894,550</b>	<b>299,124</b>	<b>(43,842)</b>	<b>(358,154)</b>	<b>(377,124)</b>	<b>414,554</b>	<b>141,095</b>	<b>128,303</b>	<b>2,764,949</b>

(a) All options/rights that are vested are exercisable.

(b) On ceasing employment, DJ Rathbone forfeited rights, prorated for service during performance period. "Net change other" captures rights that remain on foot (86,219) and vested rights (35,236).

(c) The grant date fair value of deferred shares granted as remuneration in 2015 was \$4.846. 100% of STI deferred shares available to vest in 2015 vested as the necessary service condition was satisfied. 100% of non-vested STI deferred shares are due to vest in 2016. Note those deferred shares granted as remuneration during FY15 relate to the FY14 STI outcomes. Deferred shares granted as remuneration on the back of the FY15 STI outcomes will be determined and allocated in October 2015.

(d) LTIP performance rights forfeited due to a failure to satisfy service or performance conditions during 2015 are disclosed in column "Forfeited or lapsed". 69% of rights due to vest in 2015 were forfeited. The value of LTIP performance rights forfeited is expressed in the table above using the share price of the Company at 31 July 2015 of \$7.72.

(e) 174,998 of total LTIP performance rights held by disclosed executives are due to vest in 2016, with the balance due to vest in 2017.

(f) "Net change other" reflects changes to KMP during the period.

## Shares held in Nufarm Limited:

		Balance at 1 August 2014	Granted as remun- eration	On exercise of rights	Net change other	Balance at 31 July 2015
<b>Directors</b>						
DG McGauchie		46,239	-	-	-	46,239
G Hunt		10,000	-	-	10,000	20,000
DJ Rathbone	2	3,368,241	-	-	(3,368,241)	-
AB Brennan		10,000	-	-	-	10,000
GR Davis		40,000	-	-	-	40,000
FA Ford		10,000	-	-	-	10,000
Dr WB Goodfellow	1	1,146,138	-	-	2,577	1,148,715
PM Margin		2,458	-	-	-	2,458
T Takasaki		-	-	-	-	-
<b>Executives</b>						
<i>Current KMP</i>						
P Binfield		74,624	-	10,894	-	85,518
E Prado		-	-	-	-	-
<i>Former KMP</i>						
BF Benson		113,187	-	17,582	-	130,769
BJ Croft	3	45,882	-	-	(45,882)	-
R Heath	3	218,300	-	-	(218,300)	-
DA Mellody	3	38,306	-	-	(38,306)	-
MJ Pointon	3	59,320	-	-	(59,320)	-
RG Reïs	3	168,525	-	15,366	(183,891)	-
<b>Total</b>		<b>5,351,220</b>	<b>-</b>	<b>43,842</b>	<b>(3,901,363)</b>	<b>1,493,699</b>

1 The holding of Dr WB Goodfellow includes his relevant interest in:

- (i) St Kentigern Trust Board (430,434 shares and 19,727 step-up securities) – Dr Goodfellow is Chairman of the Trust Board. Dr Goodfellow does not have a beneficial interest in these shares or step-up securities;
- (ii) Sulkem Company Limited (126,493 shares);
- (iii) 531 Trust (400,861 shares). Dr Goodfellow and EW Preston are trustees of 531 Trust.
- (iv) Auckland Medical Research Foundation (26,558 step-up securities). Dr Goodfellow does not have a beneficial interest in these step-up securities.
- (v) Trustees of the Goodfellow Foundation (33,854 shares and 1,338 step-up securities). Dr Goodfellow is Chairman of the Foundation and does not have a beneficial interest in these shares or step-up securities.
- (vi) Archem Trading (NZ) Ltd (700 step up securities)
- (vii) shares issued under the company's non-executive director share plan and held by Pacific Custodians Pty Ltd as trustee of the plan.

2 DJ Rathbone ceased employment on 4 February 2015.

3 The roles held by BJ Croft, R Heath, DA Mellody, MJ Pointon and RG Reïs ceased to be KMP during the year ended 31 July 2015, and therefore their shareholdings at 31 July 2015 have been removed from this disclosure.

## Shares issued as a result of the exercise of options

There were no shares issued as a result of the exercise of options during the year.

## Unissued shares under option

There are 131,681 (2014: nil) unissued shares under option. The unissued shares under option have been provided to Nufarm employees as performance rights and the exercise price of such options is nil.

## Loans to key management personnel

There were no loans to key management personnel at 31 July 2015 (2014: Nil).

## Other key management personnel transactions with the company or its controlled entities

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



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.

This report has been made in accordance with a resolution of directors.

A handwritten signature in black ink, appearing to read 'DG McGauchie', written in a cursive style.

DG McGauchie AO  
Director

A handwritten signature in black ink, appearing to read 'GA Hunt', written in a cursive style.

GA Hunt  
Director

Melbourne  
23 September 2015



***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of Nufarm Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 July 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to read 'Gordon Sangster'.

Gordon Sangster  
*Partner*

Melbourne

23 September 2015



## **Independent auditor's report to the members of Nufarm Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Nufarm Limited (the Company), which comprises the consolidated balance sheet as at 31 July 2015, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 41 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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



*Independence*

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

*Auditor's opinion*

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 July 2015 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

**Report on the remuneration report**

We have audited the Remuneration Report included under the heading "remuneration report" of the directors' report for the year ended 31 July 2015. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

*Auditor's opinion*

In our opinion, the remuneration report of Nufarm Limited for the year ended 31 July 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Gordon Sangster  
*Partner*

Melbourne

23 September 2015