



26 October 2016

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We are giving to the ASX the following documents:

- Nufarm 2016 Annual Report
- Notice of Annual General Meeting
- Proxy Form
- Chairman's Letter to Shareholders

The Annual Report includes the Full Year Financial Report and Statements. The documents lodged also serve to provide ASX with a copy of documents to be sent to shareholders as provided by Listing Rule 3.17.  
Yours faithfully,

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

RODNEY HEATH  
Company Secretary



# ANNUAL REPORT

2016



**Nufarm**

**Grow a better tomorrow.**

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We are proud to be celebrating our centenary year.

Nufarm Limited was born in 1916 – 100 years ago – under the original name The New Zealand Farmers Fertiliser Company Limited (NZFF).

In 1982 NZFF acquired 65 per cent of Nufarm and then the balance in 1987. Nufarm in Australia began in the mid-50's and has its own history like many of our operations around the globe. The parent company name, NZFF, was changed to Fernz in 1984 and then to Nufarm Limited in January 2000 when the head office was moved to Melbourne.

100 years ago, a small group of enterprising New Zealanders realised their goal of establishing an enterprise that would serve the needs of the farming community, helping growers improve yields and providing an unparalleled level of customer service.

Today, that legacy continues to drive the company's philosophy and remains a steadfast commitment as we look confidently to the future. Nufarm has a well-known brand and is known for our high-quality products in crop protection and seeds. We provide products and services to farmers in more than 100 countries and have over 3,000 employees.

With a new strategic plan, Nufarm is strongly positioned to continue to take advantage of the many opportunities in global agriculture and to growing a better tomorrow.

# ABOUT NUFARM

Nufarm is an established global agricultural inputs company, competing worldwide in crop protection and seed technologies. We are seen around the world as a supplier of quality products, supported by high standards of service and strong customer relationships.

We leverage our deep expertise in five core crops and focus our sales in four geographies where we have the greatest opportunity – North America, Latin America, Europe, Australia and New Zealand.

Our mission is to *grow a better tomorrow* through the products and services we provide that support the success of our distributors and growers. This mission also reflects our commitment to the communities in which we operate, the ambition we have for our people and our collective approach to success.



PEOPLE | VALUES | CULTURE

Everyone has a role to play in serving the customer.

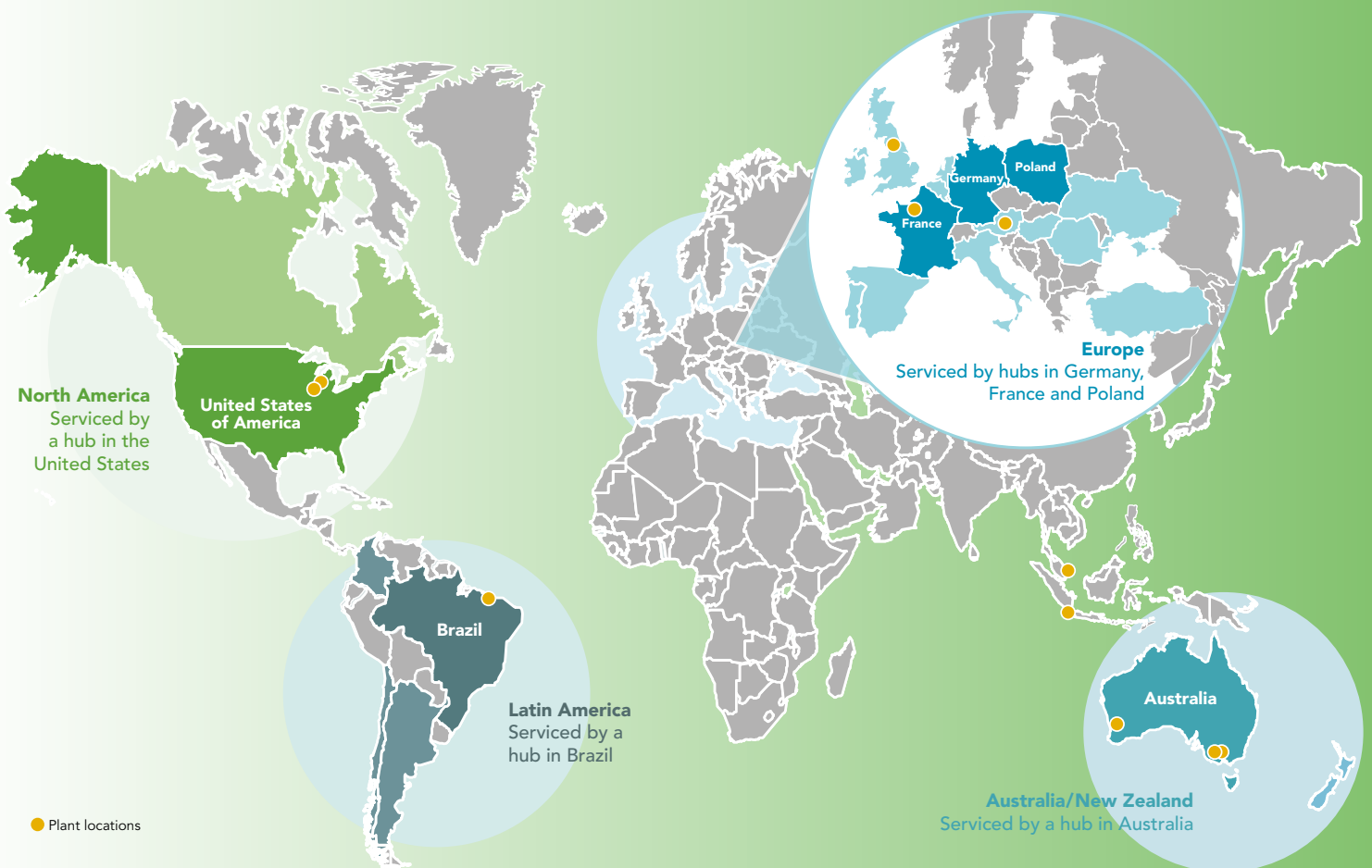
# Building a better Nufarm

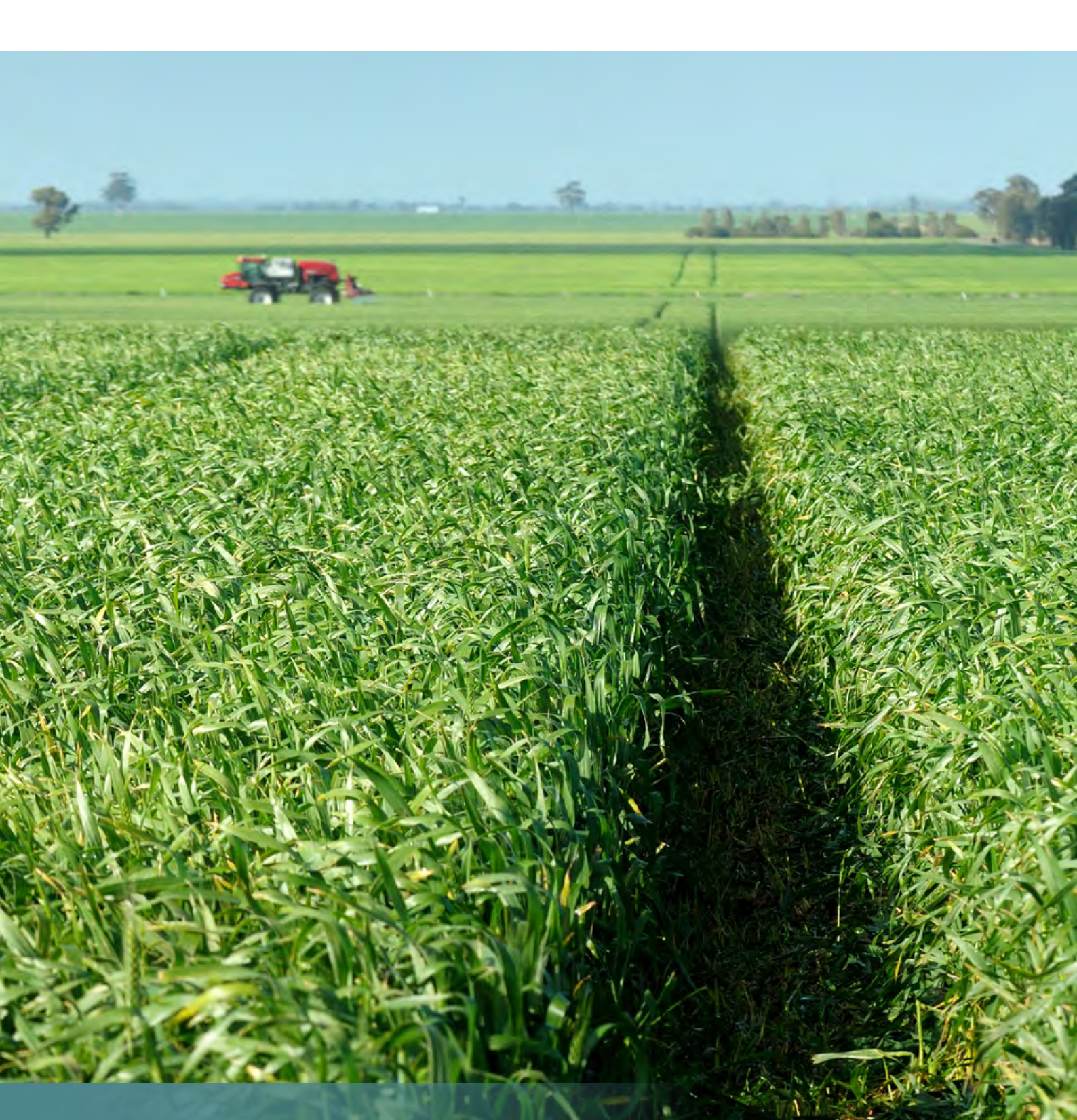
## We have committed to a substantial change program aimed at improving the long term performance of our business and increasing shareholder returns.

We are now halfway through this program and have made good progress in lowering our cost base and delivering on systems and processes to help us become more efficient and more competitive.

An important achievement during the year was the completion of our strategic review. As a result of this review, we launched our One Nufarm strategy, defining how we will become a stronger and more competitive global company. Our strategy leverages our global strength and puts our customers at the centre of our business so that we can deliver a superior customer experience. Our focus is deeper, rather than broader: we are prioritising our investments on a smaller number of important crops in four geographical regions.

The improvements that we are making puts Nufarm in a strong position to deliver sustainable earnings growth and improved shareholder returns.





**WE ARE PRIORITISING OUR INVESTMENTS ON A SMALLER NUMBER OF IMPORTANT CROPS IN FOUR GEOGRAPHICAL REGIONS.**

# OUR ONE NUFARM STRATEGY

## We are delivering on our plan:

- An accelerated contribution from the performance improvement program.
- A more cost-competitive business that is winning share in some of our target markets.
- A lower cost base that supports strong margin expansion.
- Better capital management and a strengthening balance sheet.
- A stronger platform to support continued and profitable growth.

## FACTS IN BRIEF

	12 months ended 31 July 2016 \$000	12 months ended 31 July 2015 \$000
<b>Trading results</b>		
Profit attributable to shareholders	27,519	43,220
Abnormal (gain)/loss	81,399	73,839
<b>Underlying net profit after tax</b>	<b>108,918</b>	117,059
Sales revenue	2,791,217	2,737,163
Total equity	1,550,228	1,636,795
Total assets	3,461,138	3,574,188
<b>Ratios</b>		
Earnings per ordinary share (cents)	6.1	11.7
Earnings per ordinary share excluding abnormals (cents)	36.7	39.6
Gearing ratio (%)	28.7	25.0
Net tangible assets per ordinary share (\$)	2.55	2.58
<b>Distribution to shareholders</b>		
Annual dividend per ordinary share (cents)	11.0	10.0
<b>People</b>		
Staff employed	3,256	3,349

The financial information contained within our financial statements has been prepared in accordance with IFRS. Refer to page 8 for definitions of the non-IFRS measures used in the annual report. All references to the prior period are to the year end 31 July 2015 unless otherwise stated. Non-IFRS measures have not been subject to audit or review.

# MANAGING DIRECTOR'S REVIEW

**The 2016 full year results demonstrate we are delivering on the objective that we outlined at the beginning of the year. We have driven our costs lower and improved our competitive position, and we are seeing a continuation of margin expansion that is driving EBIT growth. Despite low commodity prices and industry headwinds, Nufarm grew revenue and improved our underlying earnings.**

The company is midway through the business improvement program and has now delivered \$75 million of savings against our target of \$116 million of net benefits by July 2018.

At the end of 2014, the company committed to reducing working capital requirements and set a target of driving down average net working capital to sales below 40 per cent by the end of the 2016 financial year. This has been achieved by eliminating approximately \$200 million of inefficient capital for the business.

The company generated a statutory profit after tax of \$27.5 million for the 12 months to 31 July 2016. This included \$81.4 million in one-off costs associated with restructuring initiatives and asset rationalisation, and compares to a statutory profit after tax of \$43.2 million in the previous financial year.

Group revenues increased by two per cent to \$2.79 billion (2015: \$2.74 billion), while underlying earnings before interest and tax (EBIT) increased by 21 per cent to \$286.7 million (2015: \$236.9 million).

Underlying net profit after tax was \$108.9 million, down seven per cent on the \$117.1 million reported in the prior period. The underlying net profit was impacted by a higher cost of doing business in Latin America, where strong growth and structural market changes resulted in higher interest expense and significantly higher foreign exchange losses.

Earnings per share (excluding material items) were 36.7 cents (2015: 39.6 cents).

Despite challenging market conditions which negatively impacted the global crop protection sector, the group generated a higher underlying gross profit margin of 29.6 per cent. This was a significant improvement on the prior year (28 per cent), and reflected a strong focus on higher margin product sales and the benefit of cost savings and restructuring initiatives.

Net debt at 31 July was \$625 million, up on the \$547 million in 2015, however both year end and average leverage were lower.

## Final dividend

Directors declared an unfranked final dividend of seven cents per share, resulting in a full year dividend of 11 cents. This represents a one cent per share increase on the full year dividend of 10 cents per share (unfranked) paid in the previous year.

The final dividend will be paid on 11 November 2016 to the holders of all fully paid shares in the company as at the close of business on 14 October 2016. The final dividend will be 100 per cent conduit foreign income.



**Greg Hunt**  
Managing director and  
chief executive officer

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 price of all shares sold on the ASX over the 10-day period commencing 17 October 2016. The last election date for shareholders who are not yet participants in the DRP is 17 October 2016.

## Material items

The company has implemented a performance improvement program to reduce the fixed cost base, lift the profitability of the business and enhance competitiveness. During the year, the company completed manufacturing footprint and product portfolio reviews associated with the program.

The resulting changes to the business have resulted in one-off, pre-tax costs of \$126.2 million in the period. Offsetting these costs is the profit on the reclassification of the Excel Crop Care equity investment to an available-for-sale financial asset, which resulted in a gain of \$27.1 million.

**GROUP REVENUES INCREASED  
BY TWO PER CENT TO  
\$2.79 BILLION (2015: \$2.74 BILLION).**





In the current year, the net cash outflow associated with material items was \$52 million. In contrast, the 2017 financial year cash flow impact from material items, already booked in financial year 2016, is expected to be a net cash outflow of approximately \$15 million. This is more than offset by an expected inflow from the potential sale of the Excel Crop Care investment and the ex-manufacturing properties, which should total near \$50 million.

The majority of the performance improvement costs are related to the product portfolio review. Nufarm is developing a product portfolio that better meets the needs of customers in select crops and key markets, where stronger margins can be generated. The company also made the decision during the year to assign a useful life of no longer than 30 years to all product-related intangible assets. This accounting estimate change resulted in \$6 million higher amortisation costs in the financial year 2016. As the change was implemented as at 31 January 2016, the full year impact in financial year 2017 will be \$12 million.

The manufacturing footprint rationalisation costs in 2016 involve the closure of the Calgary plant in Canada and costs related to the implementation of the manufacturing efficiencies initiatives. Other costs are related to various redundancy and consulting costs.

Excel Crop Care is an Indian crop protection business, in which Nufarm has a 14.69 per cent interest. During June 2016, Sumitomo Chemical Company Limited acquired a 45 per cent stake in Excel Crop Care and declared an open market offer for an additional 30 per cent of the

company's shares. At this date, Nufarm concluded that its ability to exert significant influence was relinquished. Subsequently, the company ceased to account for its investment in Excel Crop Care as an equity accounted investment, and reclassified its investment as 'available-for-sale'. This reclassification resulted in a one-off gain of \$27.1 million to account for the difference between the carrying value of the equity investment and the fair value.

Sumitomo's open market offer for an additional 30 per cent of Excel Crop Care closed on 9 September. Nufarm has registered to participate in the open market offer as proposed by Sumitomo. Nufarm is awaiting confirmation from the Bombay Stock Exchange regarding the sale of its interest in Excel Crop Care and if successful, the expected proceeds would be approximately \$40 million.

The material items also include the net impact of the Argentina peso devaluation that occurred in December 2015. The impact is break even at year end, with the exchange loss resulting from the devaluation (\$15.5 million) offset by an increased gross margin from the inventory held at the time of the devaluation (\$15.5 million).

### Interest/tax/cash flow

Total net financing costs were \$153.4 million, compared to \$75.2 million in the prior year.

Net external interest expense was \$96.4 million, which is \$21.5 million higher than the previous period. The higher interest expense is primarily driven by Brazil, and is caused by higher base rates, more Brazilian real denominated debt and the increased funding requirements of the business.

Foreign exchange losses were \$57 million, compared to \$0.3 million of exchange losses recorded in the 2015 year. The one-off devaluation of the Argentine peso, which occurred in December 2015, accounts for \$15.5 million of the exchange losses.

The underlying foreign exchange loss of \$41.5 million mainly relates to the volatility of the Brazilian real and the Argentinean peso in the period, and the high cost of hedging the resulting exposure between the those currencies and the US dollar. The exchange loss was exacerbated by the Brazilian market's structural switch to real invoicing in the period.

The underlying effective tax rate was 26.8 per cent, compared to 27.7 per cent in the prior period. The business generated underlying net operating cash inflows of \$189.1 million.

### Balance sheet management

Net debt at 31 July was \$625 million versus \$547 million in the prior year. Net debt was negatively impacted by the material one-off items in the period, the higher interest expense and foreign exchange losses. The group's capital expenditure was higher due to construction of the new insecticides and fungicides facility at Laverton and higher technology investment, especially on the supply chain improvement program and Omega 3.

Average net debt was higher than the previous period (\$912 million versus \$865 million). The leverage ratio (net debt at 31 July 2016 divided by the 12 month rolling earnings before interest, taxes, depreciation and amortisation (EBITDA)) improved to 1.68x (2015: 1.72x). The average leverage across the year was 2.45x,

compared to 2.73x in the prior year. Gearing (net debt to net debt plus equity) was 28.7 per cent (2015: 25 per cent).

Management continued to focus on driving further efficiencies in working capital management, with average net working capital to sales down to 39.9 per cent (2015: 41.9 per cent). In Brazil, extended terms were provided to some customers, who were impacted by adverse weather conditions. The company has security against the majority of these receivables. This has resulted in higher non-current receivables in 2016 of \$62 million (2015: \$32 million). The company has included these non-current receivables in the net working capital calculation. The company has achieved its objective to bring this ratio down to 40 per cent by the end of the 2016 financial year and is now focused on driving further efficiencies.

The major driver of the improvement in average net working capital was trade payables, with the company negotiating more favourable terms with several key suppliers and expanding its supplier financing program. Average receivables were also lower for the year.

The group is reviewing all assets on the balance sheet to ensure they are core to the strategy. The group expects to receive almost \$50 million from the sale of two ex-manufacturing properties in Australia, and the sale of our interest in the Indian associate Excel Crop Care. These proceeds will be used to retire debt. The company will continue to look for opportunities to divest other non-core assets.

## Cost savings and performance improvement program

The company made excellent progress on its cost savings and performance improvement program, which aims to deliver a net benefit of \$116 million in underlying EBIT by the end of the 2018 financial year.

The performance improvement program covers a broad range of initiatives across all areas of the business including: manufacturing footprint and efficiencies; procurement practices; supply chain and logistics; selling, general and administrative expenses; and product portfolio.

The company delivered a net benefit of \$60 million from the performance improvement program in the 2016 financial year, and has cumulative benefits of \$75 million over the past two years. The higher than expected 2016 contribution reflects strong buy-in to the change program from the business and excellent execution. Most of the savings in the 2016 financial year came from the manufacturing footprint, manufacturing excellence and procurement initiatives. Our businesses in the Americas and Europe were the largest regional contributors.

The total estimated cost savings and efficiencies – on a gross basis – are well in excess of the targeted net benefit announced by the company. However, to support sustainable business improvement and to secure benefits on an ongoing basis, some of these savings are being reinvested in new systems and capabilities such as new customer relationship management (CRM) systems, improved performance in supply chain management, specialist procurement resources, enhanced marketing capabilities, and a major process improvement project to

harmonise the back office procedures and systems within and across regions. The company has also announced an objective to achieve a return on funds employed (ROFE) of 16 per cent by the 2018 financial year. ROFE at 31 July was 13.1 per cent, up from 11 per cent in the prior comparative period.

## People and organisation

The past 12 months have seen considerable changes to Nufarm's operating model, including further changes to the leadership team.

While periods of significant change can be challenging, it has been encouraging to see the high level of engagement and support from Nufarm employees around the world. The strong commitment and capabilities of our people are a key strength of the company.

In 2016 the company continued to work towards the development of a culturally diverse workforce following the launch of our new diversity policy last year. Nufarm recognises that talent comes from all sectors of the community and across different age groups, genders, cultural backgrounds and experience. Our leadership team is more culturally diverse than it has ever been, and we have a commitment to identify and grow talent to build a better Nufarm, with the expectation that we will become a more diverse organisation in the future.

Nufarm continues to listen to its people, with an employee opinion survey scheduled for late 2016. We are also maintaining a strong focus and commitment to improving our levels of safety and sustainability.

# MANAGING DIRECTOR'S REVIEW continued

## Outlook

The combination of additional cost savings benefits, margin expansion and revenue growth in a number of the company's businesses is expected to result in earnings growth in 2017. This is despite an expectation that soft commodity prices will remain low and general market conditions will continue to be subdued.

The company's performance in Australia is expected to strengthen, with restructuring initiatives resulting in a lower and more flexible cost base, and a better balance between sales of high margin and commodity products that should see sales and production volumes improve. The outlook for the Australian summer cropping season is positive, with good winter and spring rains across the country.

The company is well positioned to generate growth in the United States, where our business will benefit from new product introductions and stronger support from local distribution. The business will also benefit from the manufacturing efficiencies associated with the closure of the Calgary plant.

In Brazil, 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 new product introductions should result in Nufarm's business being well placed to achieve growth in the 2017 financial year.

New product introductions and increased investment in marketing and sales staff in our key European markets should underpin what is expected to be another solid performance in this region.

The combination of important new seed treatment product launches and continued expansion of the European sunflower business should support earnings growth in seed technologies over the next 12 months, along with the possibility of an improved outlook for Australian canola sales.

Net interest expense is expected to be moderately lower in 2017. Net foreign exchange impacts will continue to include anticipated hedging costs of \$1 million to \$1.5 million per month for Latin America.

Management will stay focused on strengthening the balance sheet, with continued attention given to working capital management and the sale of non-core assets. The working capital objective will be to retain the efficiencies achieved in recent years, and upon the completion of the supply chain investment, drive the next step change reduction in average net working capital. The benefits from this project will start to flow in the 2018 financial year. In 2017, the focus will be on improving cash flow and reducing the average leverage ratio.

Growth prospects over the medium to long term remain strong as the company continues to secure further benefits from the performance improvement program and expands its offerings in core crops and markets.

## 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:

- Underlying EBIT is earnings before net finance costs, taxation and material items. Underlying EBITDA is Underlying EBIT before depreciation and amortisation of \$85.024 million for the year ended 31 July 2016 and \$80.208 million for the year ended 31 July 2015. 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.
- 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	2016 \$000	2015 \$000
Underlying EBIT	286,696	236,882
Material items impacting operating profit	(83,610)	(86,664)
Operating profit	203,086	150,218

- 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 standardised 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, lease expense – finance charges, and debt establishment costs as described in the notes to the 31 July 2016 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; and
- average leverage – defined as average net debt divided by underlying EBITDA.



Greg Hunt  
Managing director and  
chief executive officer

**THE OUTLOOK FOR THE AUSTRALIAN  
SUMMER CROPPING SEASON IS POSITIVE,  
WITH GOOD WINTER AND SPRING RAINS  
ACROSS THE COUNTRY.**



**NUFARM'S CROP PROTECTION BUSINESS GREW SALES BY THREE PER CENT TO \$2.65 BILLION AND UNDERLYING EBIT BY 21 PER CENT TO \$302.5 MILLION.**



# BUSINESS REVIEW

## The company achieved margin growth in most of its regional crop protection businesses, despite overall market conditions being generally weaker due to the fall in crop prices and lower demand in some market segments.

The company's cost savings and performance improvement program contributed strongly to margin expansion and the higher underlying earnings. At an EBIT level, the program contributed \$60 million of benefits to the 2016 results, and has contributed a cumulative benefit of \$75 million over the past two years. Strong earnings growth in Nufarm's businesses in North America, Latin America and Europe more than offset weakness in Australia and the seed technologies segment.

Nufarm's crop protection business grew sales by three per cent to \$2.65 billion and underlying EBIT by 21 per cent to \$302.5 million. Crop protection sales accounted for 95 per cent of group revenues and generated an average gross margin of 28.8 per cent, which is a significant improvement on the previous year (26.9 per cent).

The seed technologies segment generated revenues of \$143.6 million, down 10 per cent on the 2015 financial year (\$159.6 million). The segment posted a 10 per cent decline in underlying EBIT to \$28.7 million. The global seeds industry faced challenging conditions, with most players experiencing earnings declines. Importantly, key market shares were maintained, and the underlying EBITDA margin improved, as further efficiency savings were extracted from the business.

The company's continued focus on working capital efficiencies helped drive an improvement in the average net working capital to sales ratio to 39.9 per cent, and average net working capital dollars reduced by \$32 million. Although year end net debt was higher, average leverage across the year was below the prior period. The return on funds employed for the period was 13.1 per cent, compared to 11 per cent in the prior year.

### Australia/New Zealand

The Australian and New Zealand businesses generated sales of \$554 million, down five per cent on the previous year (\$582.4 million). Underlying EBIT was \$47 million compared to \$52.7 million in the prior period.

Climatic conditions in Australia were mixed. Western Australia had a very good season, but eastern Australia was again dry during summer

and autumn, limiting pre-plant opportunities. Good rainfall in many areas from May onwards will boost yields for farmers, providing a positive outlook for the summer cropping season.

A gross margin improvement in the Australian business reflected a focus on increased sales of higher margin products and more disciplined selling practices. However, this came at the expense of lower sales of larger volume commodity products, with a resulting negative impact on plant recoveries.

The previously announced closure of three manufacturing facilities in Australia and New Zealand is now complete. Two sites – Welshpool and Lytton – have been sold, with proceeds received post year end, and the Otahuhu site is expected to be sold during the second half of 2016. The full benefit of these changes should be realised in the 2017 financial year, as we achieve improved plant recoveries with a better balance between higher margin product sales and volume-based commodity product sales.

### Operating segments summary

The table below provides a summary of the performance of the operating segments for the 2016 financial year and the prior corresponding period.

Year ended 31 July (\$000s)	Revenue			Underlying EBIT		
	2016	2015	Change (%)	2016	2015	Change (%)
<b>Crop protection</b>						
Australia and New Zealand	553,994	582,391	-4.9	46,963	52,745	-11.0
Asia	148,604	155,233	-4.3	22,824	18,134	25.9
Europe	550,376	544,775	1.0	73,017	64,426	13.3
North America	653,939	588,650	11.1	59,288	38,921	52.3
Latin America	740,686	706,533	4.8	100,396	76,684	30.9
<b>Total crop protection</b>	<b>2,647,599</b>	2,577,582	2.7	<b>302,488</b>	250,910	20.6
Seed technologies – global	143,618	159,581	-10.0	28,719	31,829	-9.8
Corporate	–	–	n/a	(44,511)	(45,857)	-2.9
<b>Nufarm group</b>	<b>2,791,217</b>	2,737,163	2.0	<b>286,696</b>	236,882	21.0

# BUSINESS REVIEW continued

## Asia

Asian sales were \$148.6 million compared to \$155.2 million in the prior year. Underlying EBIT was \$22.8 million, well up on the \$18.1 million generated in the prior year.

Although Indonesian sales were lower due to the prolonged dry season, this was more than offset by stronger sales into Japan, China and Korea. Sales to Japan were up 36 per cent on last year. A combination of increased focus on higher margin products and prudent cost control led to an improved EBIT result on the prior year.

## North America

North American crop protection sales grew by 11 per cent to \$653.9 million. Underlying EBIT was up strongly to \$59.3 million, compared to \$38.8 million in the prior year.

A mild winter and early warm spring in the United States provided good opportunities in the 'burn down' segment where Nufarm has a strong position. Despite soft commodity pricing that encouraged farmers to reduce their spend on crop protection, Nufarm was able to improve margins through marketing programs that closely aligned with the needs of distribution partners, and newer products that address the increasing challenges associated with resistant weeds. The turf and ornamental business also performed strongly during the year.

The previously announced closure of the Calgary plant was completed in June, with production successfully transferred to the company's Chicago-based manufacturing facilities.

The Canadian business grew sales and earnings, with new product launches and differentiated offerings continuing to strengthen Nufarm's position in that market.

## Latin America

Latin American crop protection sales grew by five per cent to \$740.7 million. Underlying EBIT was up strongly to \$100.4 million compared to \$76.7 million in the prior year.

The business took a conservative approach to sales growth, particularly given the volatile market conditions. We were able to maintain market share in Brazil.

Eight new products were launched by Nufarm in Brazil in the first half of 2016, and further launches are planned in the new financial year. Channel inventory of Nufarm products remains well below the industry average, with good 'product-on-ground' usage during the year.

Higher US dollar priced raw material costs resulted in margins coming under pressure, but the business was able to increase local currency selling prices which offset much of that cost increase. Substantial procurement savings also contributed to the stronger EBIT result.

Risk management remains a key priority. The Brazil business incurred significant foreign exchange losses, hedging costs and interest costs due to a structural change away from US dollar pegged invoicing. While this increases the cost of doing business, Brazil remains a strategically important market for Nufarm with potential for further substantial growth. Measures in place to mitigate the risks associated with the business are regularly reviewed.

The Argentina business performed well, despite the political and economic instability. The new government devalued the peso, reduced taxes on grain exports and relieved some of the foreign currency controls. The impact of the one-off devaluation was included in material items, and was offset by margin increases on the inventory holdings at the time of the devaluation.

## Europe

European crop protection sales grew by one per cent to \$550.4 million. Underlying EBIT was up to \$73 million compared to \$64.5 million in the prior year. Seasonal conditions were mixed, with a wet and cold spring reducing herbicide and fungicide applications in cereals. Yields were below average in Western Europe, but record yields were achieved in Eastern Europe.

Nufarm's branded sales were slightly ahead of the prior year, when measured in euros. Margin increases were achieved due to more disciplined selling policies, higher sales of differentiated formulations and the launch of several new products in the period.

The restructuring of the European manufacturing base is proceeding on schedule. The Botlek manufacturing facility in the Netherlands closed, with capacity relocated to the Wyke facility in northern England. Manufacturing efficiency programs are nearing completion at the Linz (Austria) and Gaillon (France) production facilities. 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 \$2.65 billion in revenues, which was three per cent higher than the previous year's sales of \$2.58 billion. These sales generated an average underlying gross profit margin of 28.8 per cent, significantly stronger than the 26.9 per cent average gross margin recorded in financial year 2015.

Herbicide sales at \$1.76 billion were in line with the prior year. Glyphosate sales were down on the prior year, mainly due to the lower average technical price across the year (down around 20 per cent), but margins were stronger. Glyphosate volumes were ahead of last year, with growth achieved in North America and Latin America. Phenoxy herbicide revenues and margins were up, driven by stronger sales in North America. Dicamba sales were down on last year due to an over-supply in the United States market while Flumioxazin sales were up on the prior year driven by new product launches in the United States.

Group insecticide sales were \$279 million, and in line with the prior year. Gross margins were slightly ahead. Lower insect pressure and higher rainfall in southern Brazil resulted in reduced demand for these products, while North American sales increased, particularly in the turf and specialty segment.

Fungicide sales were up by 12 per cent to \$307 million, with margins slightly ahead of the prior year. The fungicide portfolio performed strongly in the period, with relatively low disease pressure in Brazil offset by a positive autumn season in Europe, and the continued roll-out of new mixture products.

Sales of plant growth regulators (PGRs) and biorational products were also up, with a successful focus on products in crop segments that can deliver higher margin earnings. Europe has benefitted from a focus on cereals with PGRs, and the North American business with biorationals in the trees, nuts, vegetables and vines (TNVV) segment.

The company continued to strengthen its strategic relationship with the Sumitomo Chemical Company and this was reflected in higher sales of Sumitomo products across Nufarm's distribution platforms. Sales between the two parties grew 20 per cent to \$171 million in the year. There was very good sales growth in the United States, Canada and Brazil, as well as the execution of a new distribution agreement in the United Kingdom. Portfolio collaboration opportunities continue to be explored and developed.

### Seed technologies

The company's seed technologies segment includes sales of seeds, managed under our Nuseed business, and seed treatment chemistry. Revenues in this segment were \$143.6 million, 10 per cent below the prior period sales of \$159.6 million. The segment generated an underlying EBIT of \$28.7 million, compared to \$31.8 million in the prior period.

Segment sales were down primarily due to lower soft commodity pricing, continued dry conditions in Australia prior to seed planting, and over-supply in the United States sorghum market. European sunflower sales were up on the prior year. Seed treatment sales were up in Europe, with strong demand for the company's Nuprid 600 product in France.

Nuseed has undertaken significant organisational changes to improve efficiency in the areas of research and development, supply chain and customer focus. This included the implementation of a centre of excellence model for research and development, the closure of two seed processing facilities and the centralisation of the global portfolio and commercial functions. As a result, headcount was reduced and expense savings were delivered in the period. The changes enable Nuseed to concentrate resources in the high-growth, high-value segments and build a stronger trait and hybrid pipeline.

The company's omega 3 canola program continues on track, now well into field trials and 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. Nuseed is now engaging with several industry players to validate both performance and acceptance in end-use markets. Commercialisation of the technology is planned for 2018–2019, subject to regulatory approvals.



# SUSTAINABILITY

**We have a commitment to act responsibly while providing value for our stakeholders. Our sustainability objective is to pursue continuous improvement in safety, to responsibly manage our impact on the environment and contribute to society in a positive way.**

Last year, we launched our first company-wide sustainability strategy and four year plan aimed at improving our sustainability performance. This year, we focused on achieving global alignment of our safety systems and processes, and improving our safety behaviours and culture.

We have continued to work towards our goal of zero harm and reinforce a 'safety first' culture. We have also made good progress in improving the way we report, investigate and prevent reoccurrence of significant incidents.

The company is midway through a major performance improvement program. We have streamlined our manufacturing footprint and conducted manufacturing efficiency programs. We completed the process of decommissioning our plants at Botlek, Lytton, Otahuhu and Calgary without any lost time injuries. The changes to our manufacturing footprint will ensure Nufarm is more efficient, competitive and sustainable in the future.

During the year, we safely constructed and commissioned a new insecticide and fungicide manufacturing facility in Laverton, Melbourne. We are developing a strong safety culture at this operation.

Despite these achievements, sadly we had a fatality in September 2015 at our Linz site in Austria – this is a stark reminder of why we need to focus on continuously improving safety at Nufarm to meet our goal of zero harm. In May 2016, an accident on a public road resulted in the death of one of our sales people in Western Australia. One of our difficult safety challenges is that we have a sales force that uses public roads every day to visit customers. This year we continued to roll out programs focused on road safety across all our regions.

We have reset our injury reporting and classification processes to ensure consistent company-wide reporting. Nufarm has commenced reporting its serious injury frequency rate (SIFR) as its principle lagging safety metric. Our global SIFR has started to trend towards zero as safety initiatives begin to take effect.

We continue to work towards reducing our environmental footprint. The significant structural changes that we have made to our business mean that we are setting new environmental baselines. In line with our sustainability strategy, we will continue to focus on improving our water, energy and waste management.

We engage with local communities in the areas we operate through a variety of programs. We have programs at our manufacturing plants that are close to communities, and we support a variety of local initiatives. Many of our sales team live in areas they work, and some actively contribute to their communities in partnership with our channel partners.

We have extended our partnership with Nuffield farming scholarships, sponsoring scholarships in Australia and Brazil from 2017. This provides an opportunity for people in the agricultural industry to travel, learn and develop their capabilities.

Our commitment to change means we still have progress to make in our journey towards making Nufarm a safer and more sustainable business.

Further information can be found in our 2016 sustainability report, available on our website.

# out Tagout Station

**OUR COMMITMENT TO CHANGE MEANS WE STILL HAVE PROGRESS TO MAKE IN OUR JOURNEY TOWARDS MAKING NUFARM A SAFER AND MORE SUSTAINABLE BUSINESS.**



# BOARD OF DIRECTORS



**Donald McGauchie AO**  
(Chairman)

Donald McGauchie AO joined the board in 2003 and was appointed chairman on 13 July 2010.

He has wide commercial experience within the agricultural, food processing, commodity trading, finance and telecommunication sectors. He also has extensive public policy experience, having previously held several high-level advisory positions to the government including the Prime Minister's Supermarket to Asia Council, the Foreign Affairs Council and the Trade Policy Advisory Council. He is a former member of the board of the Reserve Bank of Australia.

Donald is chairman of Australian Agricultural Company Limited and a director of Graincorp Ltd. In the past three years, Donald was a director of James Hardie Industries plc.

Donald is chairman of the nomination and governance committee and a member of the human resources committee.



**Greg Hunt**  
Managing director and  
chief executive officer

Greg Hunt joined the board in May 2015.

Greg joined Nufarm in 2012 and was group executive commercial operations prior to being appointed acting chief executive officer in February 2015. Greg has considerable executive and agribusiness experience. Greg had a successful career at Elders before being appointed managing director, a position he held between 2001–2007. After leaving Elders, Greg worked with various private equity firms focused on the agriculture sector and has acted as a corporate adviser to Australian and international organisations in agribusiness-related matters.



**Anne Brennan**

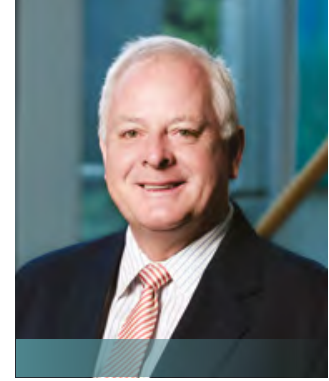
Anne Brennan joined the board on 10 February 2011.

She has a bachelor of commerce (hons) from University College Galway and is a fellow of the Institute of Chartered Accountants in Australia and a fellow of the Australian Institute of Company Directors.

She was formerly the executive finance director for the Coates Group and chief financial officer for CSR. Prior to this Anne was a partner in professional services firms Ernst & Young, Andersen and KPMG.

Anne is a director of Myer Holdings Limited, Charter Hall Group and Argo Investments Limited. She is also a director of Rabobank Australia Limited and Rabobank New Zealand Limited. In the past three years, Anne was a director and deputy chairperson of Echo Entertainment Group Limited and a director of Cuscal Limited.

Anne is a member of the audit and risk committee and human resources committee.



**Gordon Davis**

Gordon Davis joined the board on 31 May 2011.

He has a bachelor of forest science (hons), master of agricultural science and holds a master of business administration.

Gordon is a director of Primary Health Care Limited and was managing director of AWB Limited between 2006 and 2010. Prior to this, he held various senior executive positions with Orica Limited, including general manager of Orica Mining Services (Australia, Asia) and general manager of Incitec Fertilizers. He has also served in a senior capacity on various industry associations.

Gordon is chairman of the health, safety and environment committee and a member of the audit and risk committee and the human resources committee.

## BOARD OF DIRECTORS continued



**Frank Ford**

Frank Ford joined the board on 10 October 2012. Frank has a master of taxation from the University of Melbourne and a bachelor of business, accounting from RMIT University and is a fellow of the Institute of Chartered Accountants. Frank is a former managing partner of Deloitte Victoria after a long and successful career as a professional adviser spanning some 35 years. During that period, Frank was also a member of the Deloitte global board, global governance committee and national management committee.

Frank is a director of Tarrawarra Museum of Art Limited and a former non-executive director of Manassen Foods Group. In the past three years Frank was a director of Citigroup Pty Limited and Toll Holdings Limited.

Frank is the chairman of the audit and risk committee and a member of the nomination and governance committee.



**Bruce Goodfellow**

Bruce Goodfellow joined the board representing the holders of the 'C' shares in 1991. Following the conversion of the 'C' shares into ordinary shares, he was elected a director in 1999.

He has a doctorate in chemical engineering and experience in the chemical and food trading business and financial and commercial business management experience.

Bruce is a director of Sanford Ltd, a public company registered in New Zealand and listed on NZX Limited, chairman of Refrigeration Engineering Co. Ltd and Sulkem Co. Ltd, and a director of Cambridge Lane Property Limited, all privately owned companies.

Bruce is a member of the nomination and governance committee.



**Peter Margin**

Peter Margin joined the board on 3 October 2011.

He has a bachelor of science (hons) from the University of NSW and holds a master of business administration from Monash University. Peter has many years of leadership experience in major Australian and international food companies. His most recent role was as chief executive of Goodman Fielder Ltd, and before that Peter was chief executive and chief operating officer of National Foods Ltd. He has also held senior management roles in Simplot Australia Pty Ltd, Pacific Brands Limited (formerly known as Pacific Dunlop Limited), East Asiatic Company and HJ Heinz Company Australia Limited.

Peter is currently a director of Bega Cheese Limited, PACT Group Holdings Limited and Costa Group Holdings Limited. In the past three years Peter was a director of Ricegrowers Limited, PMP Limited and Huon Aquaculture Group Limited.

Peter is chairman of the human resources committee and a member of the health, safety and environment committee and audit and risk committee.



**Toshikazu Takasaki**

Toshikazu Takasaki joined the board in 2012.

Mr Takasaki represents the interests of 23 per cent shareholder Sumitomo Chemical Company (SCC).

He has a bachelor of business administration from the University of Tokyo and is a former executive of SCC, holding senior management positions in businesses relating to crop protection, both within Japan and in the United States. He is now a business consultant with a national qualification registered by the Japanese Ministry of Economy, Trade and Industry as a small and medium sized enterprise consultant.

He brings broad industry and international experience to the board.

Toshikazu is a member of the health, safety and environment committee.

# EXECUTIVE MANAGEMENT



## Greg Hunt

Managing director and chief executive officer

Greg Hunt joined Nufarm in 2012 and was appointed managing director and chief executive officer in May 2015. Greg has considerable executive and agribusiness experience and had a successful career at Elders Australia Limited, holding the position of managing director between 2001–2007. He has worked with various private equity firms focused on the agriculture sector, and has acted as a corporate adviser to Australian and international organisations on agribusiness-related matters.



## Paul Binfield

Chief financial officer

Paul Binfield joined Nufarm in November 2011. He has held senior strategic financial roles at Coles Liquor and Hotels, a major division of Wesfarmers Ltd, and at Mayne Group. Paul has extensive experience in publicly listed and private company finance functions, both in Australia and the United Kingdom.



## Niels Pörksen

Group executive portfolio

Niels Pörksen joined Nufarm in 2014 as director, business improvement in Europe, and then in 2015, was appointed director, commercial operations.

In October 2016, Niels joined the global team in Australia to represent the portfolio function, as part of the Nufarm executive team.

Niels has significant experience in the crop protection industry and was an executive board member at Nordzucker, and worked at BASF Chemicals in various senior management roles for over 17 years.



## Elbert Prado

Group executive manufacturing and supply chain

Elbert Prado, a chemical engineer, joined Nufarm in July 2013 after extensive international experience in senior operations roles within the chemical industry. He has a strong focus on safety, supply chain and manufacturing excellence. Elbert was global manufacturing and supply chain director for Rohm and Haas.

## EXECUTIVE MANAGEMENT continued



### **Brent Zacharias**

Group executive Nuseed

Brent Zacharias joined Nufarm in 2006 after a 14-year career with Dow AgroSciences. Brent has a degree in agricultural economics and held senior roles in Nufarm's Canadian business prior to transferring to Australia as Nuseed general manager in 2008. Now based in Canada, Brent holds global responsibility for Nuseed – Nufarm's agricultural seed and traits division.

## CORPORATE GOVERNANCE

Nufarm's board processes have been reviewed to ensure they represent and protect the interests of all stakeholders. This includes detailed consideration of the third edition of the Corporate Governance Principles and Recommendations ('the ASX principles') published by the Australian Securities Exchange Limited's (ASX) Corporate Governance Council. The ASX Listing Rules require Nufarm to disclose the extent to which we have adopted the ASX principles. During this reporting period, Nufarm believes it has complied with all of the ASX principles contained in the third edition of the ASX principles.

In accordance with ASX Listing Rule 4.10.3, Nufarm's FY16 corporate governance statement can be viewed in the corporate governance section of our website: <http://www.nufarm.com/CorporateGovernance>

# INFORMATION ON THE COMPANY

## Our business

Nufarm is a leading global crop protection and seed technologies company. The company has its origins in New Zealand dating back to 1916 and has been operating in the crop protection business for almost 60 years.

We develop, manufacture and sell a wide range of crop protection products, including herbicides, insecticides and fungicides that help protect crops against damage caused by weeds, pests and disease. We operate primarily in the off-patent segment of the crop protection market, which consists of products based on technical active ingredients for which the patent has expired. Our focus is on creating products that use off-patent active ingredients within a differentiated formulation, delivery system or other enhancements that provide additional benefits to crop producers. We also have a proprietary seed technologies business with a portfolio covering canola, sorghum and sunflower crops and we are developing a presence in the fast-growing and high-value seed treatment segment.

We have crop protection and manufacturing facilities in our four core regions of Australia and New Zealand, North America, Latin America and Europe. We also distribute our products in more than 100 countries.

## Our competitive strengths

We believe our leading industry position is based on a combination of innovative product development, comprehensive product registration expertise and an integrated global manufacturing, marketing and distribution platform, which combine to create a resilient business with defensible market positions.

- **Leading positions in targeted markets and segments across the core geographies of Australia, New Zealand, Asia, North America, Latin America and Europe:** we have a diversified global business with an established presence in major cropping regions throughout the world.

- **Diversified business across geographies and by products:** our geographical and product diversification mitigates our exposure to adverse weather conditions or commercial pressures in any single cropping region or for any single type of crop or chemistry. We offer a wide range of products across all crop protection segments, including herbicides, fungicides and insecticides, as well as a range of seeds and seed treatment products. Our diverse portfolio contains products designed to be used at various stages of the cropping cycle, from pre-planting to post-harvest.

- **Differentiated product portfolio with proven expertise in bringing new products to market:** we have significant product development expertise, which enables us to create a portfolio of value-added off-patent products sold under a variety of reputable brand names. We believe this expertise, along with our ability to respond quickly to evolving customer needs with new, differentiated products, represents one of our key competitive strengths.

- **Global manufacturing, marketing and distribution platform:** our ability to deliver sufficient quantities of crop protection products to end users with short lead time is critical, particularly given the seasonal nature of cropping. We have established a global platform across Australia, Asia, North America, Latin America and Europe that enables us to service our existing customer base and support the continued growth of our business.

- **Established strategic alliance and commercial relationships with major crop protection companies:** we have a history of successful collaborations with other major crop protection companies and seed that provides opportunities for expansion into new products and geographic markets. Our strategic alliance with Sumitomo Chemical, which includes distribution agreements in a number of geographic markets, and our other commercial relationships encompass a range of research and development, manufacturing, supply and distribution agreements.

- **Highly experienced management team supported by a strong board of directors:** we have a highly experienced management team with extensive chemical engineering, scientific and industry experience. Our board combines a mix of long-serving directors and more recent appointees with industry, financial, accounting, management and governance expertise.

## Our strategies

Our strategy is focused on five key crops in four geographies. Our product portfolio investments are focused in areas where we are best positioned to increase our market share.

Our goal is to leverage our strong product development, manufacturing and distribution platform as well as our established market positions to be a leading global provider of innovative, off-patent crop protection products, seeds and seed traits. We aim to achieve this through the following strategies:

- **Leverage our product development and regulatory skills to generate accelerated growth in higher-value products and market segments:** we believe we have substantial potential to expand our business and grow market share in our core markets. We intend to continue growing our sales and optimising our product mix through new product development and commercial partnering, which will be focused on developing value-added off-patent products that generate higher margins.
- **Optimise route to market strategies:** we constantly evaluate our route to market strategies, which are designed to ensure the delivery of the right product to the right market anywhere in our global operations. Our global manufacturing, formulation and logistics capabilities, complemented by our network of distribution relationships, are key to the success of this strategy.

# INFORMATION ON THE COMPANY continued

- **Use strategic alliances and other commercial arrangements with industry leaders to maximise the value of our platform:** we have an important strategic alliance with Sumitomo Chemical, as well as a range of business relationships with other major companies in the sector, ranging from supply agreements, licensing arrangements, toll manufacturing and distribution arrangements. We believe these arrangements provide opportunities to maximise the value of our product development, manufacturing and distribution platforms as well as increasing our customer base by providing access to additional products or new markets or creating supply chain efficiencies.
- **Continue to maximise free cash flow and strengthen our balance sheet:** we are focused on maximising our free cash flow through our continued disciplined approach to financial management. In particular, we are focused on further improving our working capital management as it relates to procurement as well as management of inventory and receivables.

## Our risks

Due to the scope of our operations and the industry in which we are engaged, there are numerous factors that may have an effect on our results and operations. The following describes the material risks that could affect Nufarm.

### External risks

Weather conditions may significantly affect our results of operations and financial condition.

Fluctuations in commodity prices, foreign currency exchange rates and currency values could have a material adverse effect on our results of operation and financial condition.

We are subject to extensive regulation and stringent environmental, health and safety laws that may adversely affect our operational and financial position.

### Business, operational and financial risks

We sell our products in competitive markets, and the success of our competitive strategy depends on developing new products and retaining customers and distributors.

Our collaborative relationships with other major crop protection companies may change or be terminated.

We may not be able to obtain funding on acceptable terms, or at all, due to a deterioration of the credit and capital markets. This may hinder or prevent us from meeting our future capital needs and from refinancing our existing indebtedness.

We are dependent on effective procurement strategies and on the continuing efficient operation of our manufacturing plants to be able to deliver cost-competitive products to market.

We may become involved in future legal proceedings, which may result in substantial expense and may divert our attention from our business.

### Management of principal risks

Our approach to managing key risks is outlined below.

## Principal risk area

### External risks

Risks arise from variable weather conditions, fluctuations in commodity prices and currency rates, actions by governments or regulators.

## Risk management approach

The diversification of our portfolio of products, geographies and currencies is a key strategy for reducing volatility. The managing director's review and business review describe external factors and trends affecting our results, and note 31 to the financial statements outlines the group's financial risk management strategy, including market and currency risk. We engage with government authorities and other key stakeholders to ensure the potential impacts of proposed regulatory changes are understood and where possible, mitigated.

### Business, operational and financial risks

Risks arise from a competitive marketplace, identifying and developing innovative solutions, legal proceedings, accessing and sourcing capital from financial markets, management of manufacturing facilities and supply chain. In addition, relationships with commercial counterparties we transact with may change.

We support our growth strategy through established investment approval and review processes that apply to all major capital decisions, and we invest in new product development and innovation projects that help keep our businesses competitive. We seek to establish a capital structure that is appropriate for our business model and provides a platform to support our growth strategy. We analyse risks to monitor volatilities and key financial ratios. Credit limits and review processes are established for all customers and financial counterparties. Note 31 to the financial statements outlines our financial risk management strategy.

We engage expert advisers to ensure our intellectual property is protected and potential impacts of legal proceedings are mitigated.

We seek to ensure that adequate operating margins are maintained through operating cost-effective manufacturing facilities. Global sourcing arrangements have been established to ensure continuity of supply and competitive costs for key supply inputs. Through the application of our risk management processes, we identify material catastrophic operational risks and implement appropriate risk management controls and business continuity plans.



# FINANCIAL REPORT



# 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 2016 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)  
AB Brennan  
GR Davis  
FA Ford  
Dr WB Goodfellow  
PM Margin  
T Takasaki

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 on pages 16 and 17.

## Company secretary

The company secretary is R Heath.

Mr Heath has a bachelor of laws and joined the company in 1980 initially as legal officer, later becoming assistant company secretary. In 1989, Mr Heath moved from New Zealand to Australia to become company secretary of Nufarm Australia Limited. In 2000, Mr Heath was appointed company secretary of Nufarm Limited.

## 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	15,000	–
Dr WB Goodfellow <sup>1</sup>	1,170,735	48,423
GA Hunt <sup>2</sup>	143,845	–
DG McGauchie	54,239	–
PM Margin	2,458	–
T Takasaki	–	–

1. The shareholdings of Dr WB Goodfellow include:

- (i) 31,585 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 (128,110 shares);
- (iv) 531 Trust (400,861 shares). Dr Goodfellow and R Marshall 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) Henry Berry Corporation Limited (20,000 shares and 700 step-up securities).

2. GA Hunt's interest in 143,845 ordinary shares includes 58,784 deferred shares granted as remuneration that are not yet exercised or vested.

# DIRECTORS' REPORT continued

## 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:

Director	Committees									
	Board		Audit and risk committee		Human resources		Nomination and governance		Health safety and 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	8	7	5	5	3	3	–	–	–	–
GR Davis	8	7	5	5	3	3	–	–	3	3
FA Ford	8	7	5	5	–	–	4	3	–	–
Dr WB Goodfellow	8	8	–	–	–	–	4	4	–	–
GA Hunt	8	8	–	–	–	–	–	–	–	–
DG McGauchie	8	8	–	–	3	3	4	4	–	–
PM Margin	8	8	5	5	3	3	–	–	3	3
T Takasaki	8	8	–	–	–	–	–	–	3	3

1. Number of meetings held during the period the director held office.

## Principal activities and changes

Details of Nufarm's principal activities and changes are set out in the information on the company section on pages 20 and 21.

Nufarm employs approximately 3,200 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 2016 is \$27.5 million. The comparable figure for the 12 months to 31 July 2015 was \$43.2 million.

## Dividends

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

	\$000
The final dividend for 2014–2015 of six cents paid 13 November 2015.	15,933
The interim dividend for 2015–2016 of four cents paid 6 May 2016.	10,631
The final dividend for 2015–2016 of seven cents as declared and recommended by the directors is payable 11 November 2016.	

## 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 2015 – 15 October 2015 at the rate of 6.1617% per annum paid 15 October 2015	7,754
Distribution for the period 16 October 2015 – 15 April 2016 at the rate of 6.12% paid 15 April 2016	7,702

## 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 on pages 4 to 8 and the business review on pages 11 to 13.

# DIRECTORS' REPORT continued

## State of affairs

The state of the group's affairs are set out in the managing director's review on pages 4 to 8 and the business review on pages 11 to 13.

## 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.

## Events subsequent to reporting date

On 21 September 2016, the directors declared a final franked dividend of seven cents per share payable 11 November 2016.

On 30 June 2016, Sumitomo Chemical Company Limited acquired a 45 per cent state in Excel Crop Care and declared an open market offer for an additional 30 per cent stake, which subsequently closed on 9 September 2016. Nufarm has registered to participate in the open market offer proposed by Sumitomo Chemical Company Limited. Nufarm is awaiting confirmation from the Bombay Securities Exchange regarding the sale of its interest in Excel Crop Care.

## 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 on page 14. 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 on page 41 and forms part of the directors' report for the financial year ended 31 July 2016.

## 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.

## 2016 Remuneration report

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. This report details Nufarm's remuneration framework and outcomes for key management personnel (KMP) for the year ended 31 July 2016 (FY16). The report has been prepared in accordance with section 300A of the *Corporations Act 2001* (Corporations Act).

Section	What it covers
<b>1. Remuneration snapshot</b>	
1.1 Key points	Provides a summary of the remuneration outcomes for FY16.
1.2 Changes during FY16	Details the key remuneration changes in FY16.
1.3 Key management personnel	Lists the names and roles of the executive KMP whose remuneration details are disclosed in this report.
<b>2. Setting senior executive remuneration</b>	
2.1 Remuneration governance	Explains Nufarm's remuneration policy, and how the board and human resources committee (HRC) make decisions, including the use of external consultants.
2.2 Remuneration strategy	Explains Nufarm's remuneration strategy and how it underpins the business strategy.
2.3 Remuneration components	Shows how executive remuneration is structured to support business objectives and explains the executive remuneration mix.
<b>3. Executive remuneration outcomes</b>	
3.1 Financial performance	Provides a breakdown of Nufarm's performance over the past five years.
3.2 Short term incentive outcomes	Details the STI outcomes for FY16.
3.3 Long term incentive outcomes	Details the LTI outcomes for the plan with a performance test at 31 July 2016.
3.4 Senior executive contract details	Lists the key contract terms governing the employment of executive KMP (including termination entitlements where relevant).
<b>4. Non-executive director remuneration</b>	Provides details of the fee structure for board and committee roles.
<b>5. Remuneration tables</b>	
5.1 Remuneration of directors and disclosed executives	
5.2 Equity instruments held by disclosed executives	Provides the remuneration disclosures required by the Corporations Act and in accordance with relevant Australian accounting standards.
5.3 Shares held in Nufarm Ltd	

# DIRECTORS' REPORT continued

## 1. Remuneration snapshot

### 1.1 Key points

The overall structure and philosophy of Nufarm's approach to remuneration remained consistent throughout FY16. The organisation's remuneration philosophy is based on linking financial rewards directly to employee contributions and company performance. As Nufarm continues its three-year business transformation journey to deliver growth and build a better Nufarm, the remuneration framework and incentive plans continue to connect the evolving business strategy to leadership behaviours.

The incentive outcomes for FY16 reflect the performance of the business and the value created for shareholders over the past three years.

The key outcomes under our incentive plans this year were:

Short term incentive outcomes	Senior executives received an average of 70.8 per cent of the target opportunity available based on the assessment of financial and individual performance.
Long term incentive outcomes	The FY14 LTI plan was tested on 31 July 2016. The outcome was that 89.2 per cent of the maximum opportunity vested as shares. The results of the two plan measures were that the relative total shareholder return (RTSR) ranked at the 73rd percentile of the comparator group and Nufarm achieved an average ROFE over three years of 11 per cent, which exceeded the target of 10.7 per cent for the FY14 LTI plan.

### 1.2 Changes during FY16

Valdemar Fischer ceased to be KMP effective 5 February 2016 as he stepped down from the role of group executive, marketing and portfolio strategy. Valdemar remains in the business (based in Brazil) as a strategic advisor to the CEO.

Niels Pörksen was appointed group executive portfolio solutions effective October 2016. He will represent the portfolio function as part of Nufarm's leadership team. He will be responsible for the development of a product portfolio pipeline that will meet the needs of customers in key crops.

### 1.3 Key management personnel

Nufarm's KMP comprise the directors of the company and selected members of the Nufarm leadership team. The term senior executives refers to the CEO and those executives with authority and responsibility for planning, directing and controlling the activities of the company and the group, directly or indirectly. The executive KMPs disclosed in this report are:

Name	Position	Term as KMP in FY16
Greg Hunt	Managing director and chief executive officer	1 August 2015 – 31 July 2016
Paul Binfield	Chief financial officer	1 August 2015 – 31 July 2016
Elbert Prado	Group executive supply chain operations	1 August 2015 – 31 July 2016
Brent Zacharias	Group executive Nuseed	1 August 2015 – 31 July 2016
Valdemar Fischer	Group executive portfolio and marketing strategy	1 August 2015 – 5 February 2016

## 2. Setting senior executive remuneration

### 2.1 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 2016, the HRC reviewed information provided by Godfreys Remuneration Group (GRG) to assess whether existing frameworks remain appropriate. The HRC also sought external general market movement data for the 2016 year from GRG but did not require a remuneration recommendation.

The HRC reviews executive KMPs' remuneration annually to ensure there is a balance between fixed and at-risk pay, and it reflects both short and long term performance objectives aligned to Nufarm's strategy. The board reviews the CEO's remuneration based on market practice, performance against agreed measures and other relevant factors, while the CEO undertakes a similar exercise in relation to senior executives. The results of the CEO's annual review of senior executives' performance and remuneration are subject to board review and approval.

The board measures financial performance under the STI and LTI plans using audited numbers. The RTSR is measured by an independent external adviser.

Within the remuneration framework the board has discretion to 'clawback' LTI plan 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.

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

In making its remuneration decisions 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.

### 2.2 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 to attract, motivate and retain a high-performing workforce.

The core elements of Nufarm's remuneration strategy and policy for the disclosed executive KMPs 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 LTI plan that is based on the principle of aligning executive KMPs' 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 \$116 million by 2018.

# DIRECTORS' REPORT continued

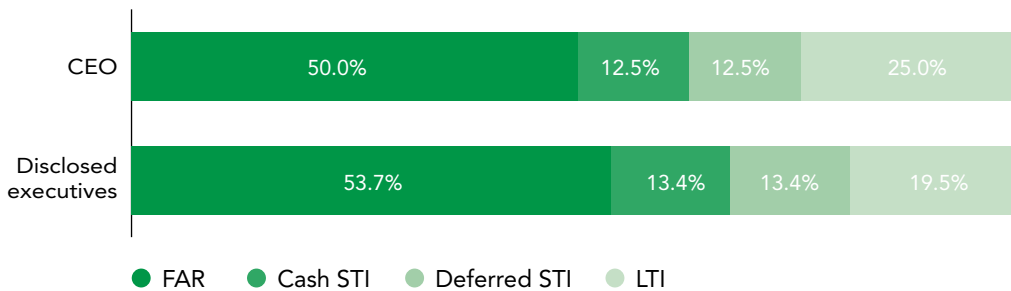
A focus on working capital and improving returns on funds employed is fundamental to the way in which Nufarm operates and where it is heading with its organisational strategy and is therefore a key element of the way performance is measured and assessed at a group and individual level.

The STI and LTI plans 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.

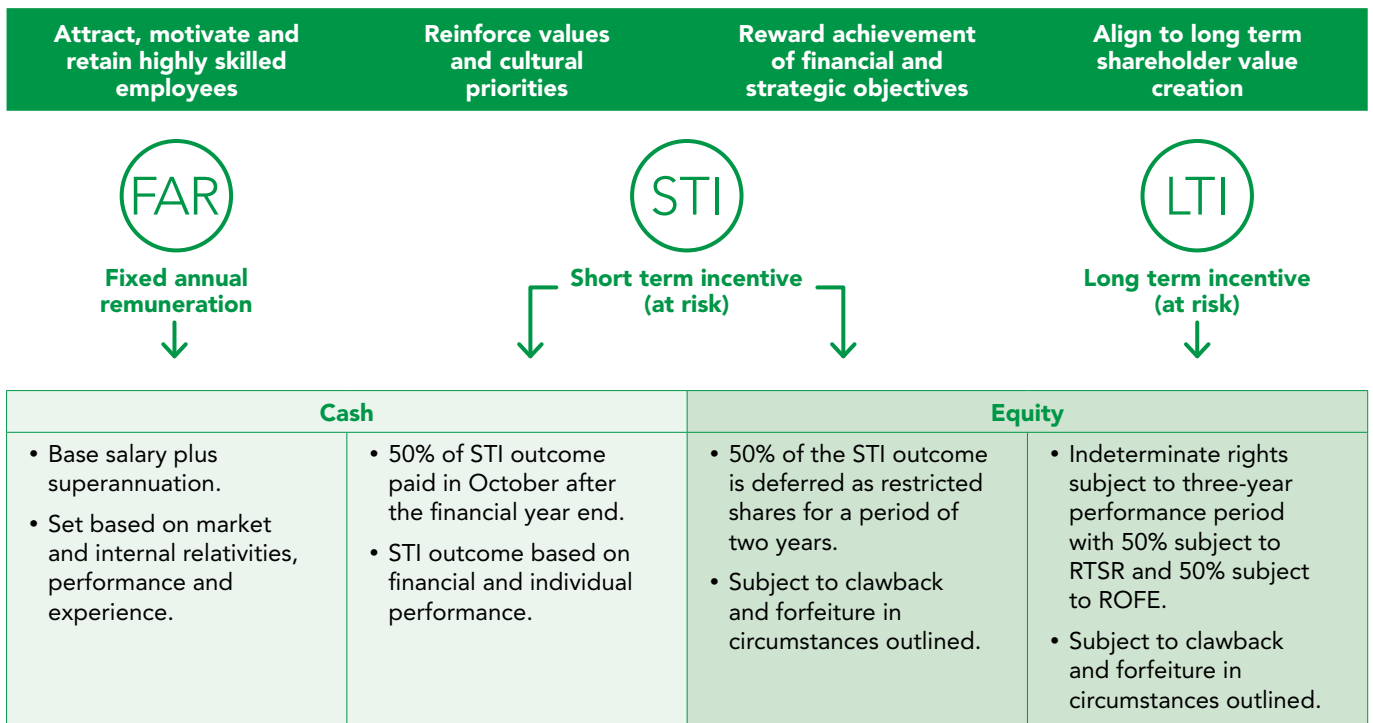
## 2.3 Remuneration components

In FY15, the board approved a change to the executive remuneration structure from the total target reward (TTR) model, with fixed and variable components in aggregate equalling 100 per cent, to a more common structure of fixed annual remuneration (FAR) with additional short term and long term incentives (described as a percentage of FAR) available to be earned subject to performance. All senior executives are employed on this basis.

The graph below outlines the target remuneration mix for executive KMPs. The variable components of STI (including potential restricted shares) and LTI are expressed at target (which is 50 per cent of the maximum opportunity).



### (a) Remuneration structure





# DIRECTORS' REPORT continued

## (b) FY16 STI plan

<b>Who participates in the STI?</b>	Plan participants include disclosed executives and senior managers globally.				
<b>When are awards made?</b>	Awards under the plan are made at the end of the financial year.				
<b>What measures are used in the plan?</b>	The board sets measures at the start of each year focused on profitability and balance sheet management. Noted below are the measures used in 2016.				
	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.				
<b>When and how are the STI payments determined?</b>	Awards are assessed annually at the end of the financial year. Awards are based on the percentage achievement against the budget and strategic measures.				
	<b>Percentage budget achievement</b>	<85%	85%	100%	120%
	<b>Percentage of STI target award realised</b>	nil	25%	100%	150%
	Straight-line vesting between 85% and budget and between budget (target) and 120% budget achievement (stretch).				
<b>Are payments in cash or shares?</b>	50% of executive KMPs' STI is paid in cash at the time of performance testing and 50% deferred into shares in the company for nil consideration.				
<b>When do the shares vest?</b>	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.				
<b>Is there a clawback provision in the plan?</b>	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.				
<b>What happens if the executive KMP leaves Nufarm?</b>	If an executive KMP 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 provide 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.				

## DIRECTORS' REPORT continued

### (c) FY16 LTI plan

<b>Why have an LTI plan?</b>	This plan aligns executive interests and earnings with the longer term Nufarm strategy and the interests of shareholders.											
<b>Who participates in the LTI plan</b>	The current participants in the plan are disclosed executives and other selected senior managers (together, the LTI plan participants).											
<b>Are the awards cash or shares?</b>	The plan rules provide the flexibility to use a number of different instruments provided they comply with local regulations and sound practice. 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.											
<b>When are the awards made?</b>	Under the plan, LTI plan participants receive an annual award of rights as soon as practical after the announcement of results for the preceding year.											
<b>How is the number of rights calculated?</b>	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.											
<b>When do the awards vest?</b>	<p>The performance/vesting period for awards is three years. Awards will vest in two equal tranches as follows:</p> <ul style="list-style-type: none"> <li>• 50% of the LTI plan grant will vest subject to the achievement of RTSR performance hurdle measured against a selected comparator group of companies; and</li> <li>• the remaining 50% of the LTI plan grant will vest subject to the three-year average of an absolute ROFE target.</li> </ul>											
<b>Why have ROFE and RTSR been chosen as the hurdles?</b>	ROFE is used to track progress towards the goal to return long term results back to acceptable levels for Nufarm. Strong RTSR performance ensures Nufarm is an attractive investment for shareholders.											
<b>What is the comparator group for the assessment of relative TSR?</b>	Based on the results of research and modelling carried out by Ernst & 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 RTSR 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 FY15, the board approved the inclusion of Dulux (DLX), Incitec Pivot (IPL) and Orica (ORI) on the basis of their similarity as chemical companies even though they appear in the materials index. The RTSR comparator group is also seen as an appropriate representation of Nufarm's competitors for investment.											
<b>How is RTSR measured?</b>	RTSR 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.											
<b>What is the RTSR performance required for vesting?</b>	<table border="1"> <thead> <tr> <th>TSR of Nufarm relative to the TSR of comparator group companies</th> <th>Proportion of RTSR grant vesting</th> </tr> </thead> <tbody> <tr> <td>Less than 50th percentile</td> <td>0%</td> </tr> <tr> <td>50th percentile</td> <td>50%</td> </tr> <tr> <td>Between 51st percentile and 75th percentile</td> <td>Straight-line vesting between 50% and 100%</td> </tr> <tr> <td>75th percentile</td> <td>100% vesting</td> </tr> </tbody> </table>	TSR of Nufarm relative to the TSR of comparator group companies	Proportion of RTSR 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	
TSR of Nufarm relative to the TSR of comparator group companies	Proportion of RTSR 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											
<b>How is the ROFE target set?</b>	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 LTI plan is truly reliant on outstanding performance.											
<b>How is ROFE measured?</b>	Return is calculated on the group's earnings before interest and taxation and adjusted for any material items. Funds employed are represented by shareholders' funds plus total interest bearing debt. For the purposes of measuring ROFE performance in the LTI plan, ROFE will be averaged over the life of the plan.											

# DIRECTORS' REPORT continued

What ROFE result is required for vesting?	<b>Percentage of ROFE target achieved</b>	<b>Proportion of ROFE grant vesting</b>
	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 FY16 year?	The FY14 award, which matured in 2016, met the ROFE hurdle rate over the three-year performance period and performance against the RTSR target was above the 50th percentile over the same period. The three-year average ROFE outcome was 11% compared with a three-year target of 10.7%. Overall, 89.2% of the FY14 award vested at 31 July 2016.	
What happens if the awards do not vest?	To the extent that the RTSR and ROFE performance hurdles are not met at the end of the three-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 LTI plan before the third anniversary.	
Is there a clawback provision in the plan?	The rules of the plan provide for clawback of unvested LTI plan 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 KMP leaves?	<p>To be eligible under the LTI plan, the executive must be employed by Nufarm on the first 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 first anniversary and before the third 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.</p> <p>The rules of the plans provide the flexibility, in special circumstances (e.g. 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.</p>	

## 3. Executive remuneration outcomes

### 3.1 Financial performance

Details of Nufarm's performance, share price and dividends over the past five years are summarised in the table below:

Performance measures		FY16	FY15	FY14	FY13	FY12
<b>Earnings</b>						
Underlying EBIT <sup>1</sup>	\$m	<b>286.7</b>	236.9	200.6	186.8	206.0
ANWC/sales <sup>3</sup>	%	<b>39.9</b>	41.9	47.7	46.8	45.3
Underlying NPAT <sup>2</sup>	\$m	<b>108.9</b>	117.1	86.4	83.2	115.4
ROFE achieved	%	<b>13.2</b>	11.0	9.1	8.8	10.4
<b>Shareholder value</b>						
Closing share price 31 July	\$	<b>8.28</b>	7.72	4.35	4.50	5.47
RTSR	%	<b>8.7</b>	80.2	(1.7)	(16.5)	26.8
Dividends declared	cents	<b>11.0</b>	10.0	8.0	8.0	6.0

1. and 2. 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.

3. 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.

# DIRECTORS' REPORT continued

## 3.2 Short term incentive outcomes

Based on an underlying NPAT result of \$108.9 million, an ANWC/sales result at 39.9 per cent 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.

### (a) FY16 STI plan payment results

The table below displays FY16 STI payments as a percentage of FAR and also as a percentage of target opportunity.

#### 2016 STI potential

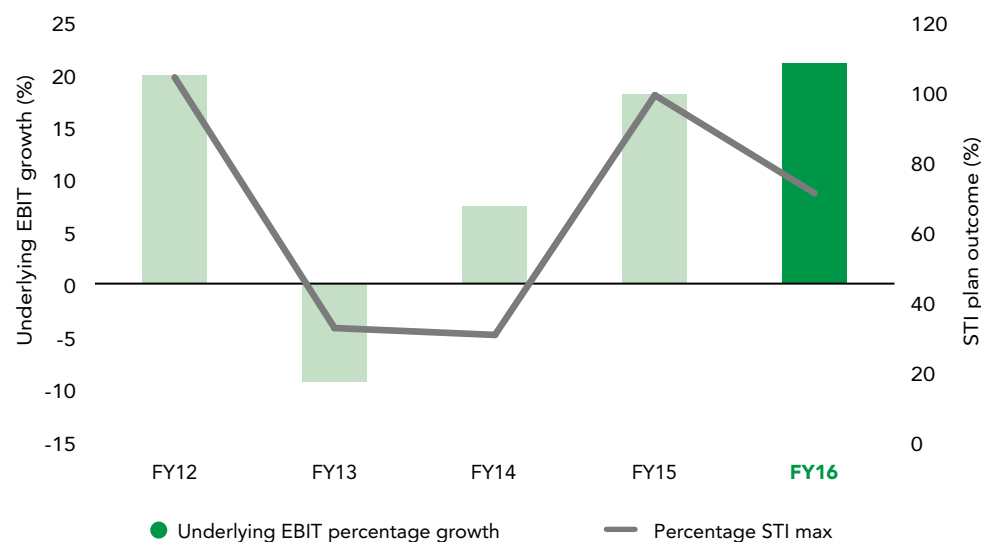
Disclosed executive	At target \$	At maximum \$	Total award \$	FY16 STI award as a % of target potential	FY16 STI as % of FAR	To be paid in cash in October 2016 \$	Retained in shares vesting 2nd anniversary 31.07.18 <sup>2</sup> \$
Greg Hunt	600,000	900,000	437,684	73	36	218,842	218,842
Paul Binfield	391,456	587,183	285,557	73	36	142,778	142,778
Elbert Prado	350,000	525,000	255,316	73	36	127,658	127,658
Brent Zacharias	216,953	325,429	114,871	53	26	57,435	57,435
Valdemar Fischer <sup>1</sup>	443,535	665,303	323,547	73	48	161,774	161,774
<b>Executive KMP average</b>	<b>400,389</b>	<b>600,583</b>	<b>283,395</b>	<b>71</b>	<b>37</b>	<b>141,697</b>	<b>141,697</b>

1. 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.
2. The portion of FY16 STI payment retained in shares will vest on 31 July 2018, on the second anniversary from effective allocation date.

### (b) Historical STI plan performance relative to Nufarm's underlying EBIT results

The following chart compares Nufarm's historical STI plan performance results against underlying EBIT for the same period. Nufarm's incentive plans measure performance against a range of financial and non-financial metrics with varied weightings. Accordingly, the pay for performance relationship is based on the performance against these metrics as a whole and may not always align with underlying EBIT growth, as was the case in FY16.

#### Underlying EBIT growth vs STI outcomes



# DIRECTORS' REPORT continued

## 3.3 Long term incentive outcomes

The performance period for the FY14 LTI plan concluded on 31 July 2016.

The results of Nufarm's RTSR was calculated by an external provider. The RTSR vesting result was based on Nufarm ranking at the 73rd percentile of the comparator group. The board determined the ROFE outcome to ensure no windfall gains or losses and accordingly adjusted for the net impact of material items. The outcome was reviewed by Nufarm's external auditor KPMG. The board approved the vesting outcomes in accordance with the LTI plan rules.

### (a) FY14 LTI plan testing as at 31 July 2016

The vesting table for the FY14 LTI plan is detailed below, reflecting performance up to 31 July 2016 against the two performance measures of RTSR and ROFE.

Performance measure	% of total plan vested
RTSR (97% vesting)	48.5
ROFE (81.4% vesting)	40.7
Total	89.2

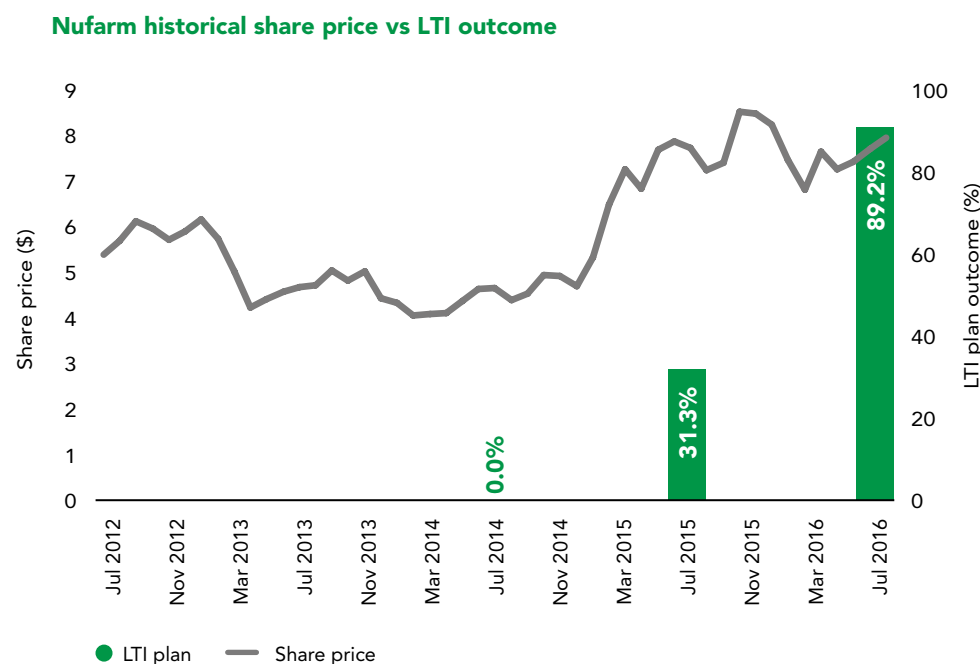
### (b) FY14 LTI award outcome

The table below details the individual outcome for the FY14 LTI plan.

Disclosed executive	Total number of rights available	Total number of rights awarded	Total award as a % of potential	Average grant date fair value of awarded rights	Total grant date fair value of award \$
Greg Hunt	48,865	43,587	89.2	\$2.95	128,733
Paul Binfield	54,341	48,472	89.2	\$2.95	143,161
Elbert Prado	34,786	31,029	89.2	\$2.95	91,643
Brent Zacharias	14,747	13,154	89.2	\$2.95	38,850
Valdemar Fischer	30,547	27,247	89.2	\$2.95	80,473

### (c) Historical LTI plan performance relative to Nufarm's share price

The following chart compares Nufarm's LTI plan vesting results for the past three LTI plans (as a percentage of plan maximum) to the share price history during the same period:



# DIRECTORS' REPORT continued

## 3.4 Senior executive contract details

The company has employment contracts with the disclosed executive KMPs. 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 six 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 six months notice.

The company may terminate the contract of most other executives by six 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.

## 4. Non-executive directors (NED) remuneration

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 2015 AGM, shareholders approved an aggregate of \$1,760,000 per year (including superannuation costs).

The total fees for the 2016 year remained within the approved cap. Board fees are reviewed every 18 months. These were reviewed in August 2016. Nufarm's NEDs are remunerated with set fees and do not receive any performance-based pay. This enables them to maintain independence and impartiality when making decisions affecting the future direction of the company.

	<b>Fees applicable from 1 August 2015 to 31 July 2016 (\$)<sup>1</sup> per annum</b>
Chairman <sup>1</sup>	363,825
General board	148,838
Audit committee chair	30,000
Audit committee member	15,000
HSE risk committee chair	17,500
HSE risk committee member	8,750
HR committee chair	25,000
HR committee member	12,500
Nominations committee chair	11,550
Nominations committee member	1,500 per meeting

1. The chairman receives no fees as a member of any committee.

# DIRECTORS' REPORT continued

## 5. Remuneration tables

### 5.1 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 executive KMPs.

		Short term			
In AUD		Salary and fees \$	Cash bonus (vested) \$	Non- monetary benefits \$	Total \$
<b>Directors' non-executive</b>					
AB Brennan	2016	160,307	–	–	160,307
	2015	151,148	–	–	151,148
GR Davis	2016	176,216	–	–	176,216
	2015	169,886	–	–	169,886
Dr WB Goodfellow	2016	140,762	–	–	140,762
	2015	138,852	–	–	138,852
DG McGauchie	2016	330,750	–	–	330,750
	2015	322,875	–	–	322,875
P Margin	2016	179,625	–	–	179,625
	2015	169,120	–	–	169,120
F Ford	2016	168,035	–	–	168,035
	2015	165,613	–	–	165,613
T Takasaki	2016	143,262	–	–	143,262
	2015	138,688	–	–	138,688
<b>Sub total non-executive directors' remuneration</b>	2016	1,298,957	–	–	1,298,957
	2015	1,256,182	–	–	1,256,182
Executive director DJ Rathbone <sup>2</sup>	2016	–	–	–	–
	2015	828,659	124,265	120,045	1,072,969
Executive director GA Hunt <sup>4</sup>	2016	1,165,000	218,842	9,095	1,392,937
	2015	835,581	219,594	–	1,055,175
<b>Total directors' remuneration</b>	2016	2,463,957	218,842	9,095	2,691,894
	2015	2,920,422	343,859	120,045	3,384,326
<b>Group executives</b>					
PA Binfield	2016	747,696	142,778	9,509	899,983
	2015	694,369	167,899	–	862,268
E Prado	2016	709,012	127,658	98,604	935,274
	2015	513,759	136,424	20,031	670,214
V Fischer <sup>7</sup>	2016	338,736	83,539	64,670	486,945
	2015	–	–	–	–
B Zacharias <sup>6</sup>	2016	487,047	57,435	6,598	551,080
	2015	–	–	–	–
<b>Group executives – former KMP</b>					
BF Benson <sup>3</sup>	2016	–	–	–	–
	2015	778,788	254,971	3,785	1,037,544
RG Reis <sup>5</sup>	2016	–	–	–	–
	2015	324,815	120,803	23,375	468,993
BJ Croft <sup>5</sup>	2016	–	–	–	–
	2015	166,510	–	134,409	300,919
R Heath <sup>5</sup>	2016	–	–	–	–
	2015	162,845	63,428	31,774	258,047
<b>Sub total – total executive remuneration</b>	2016	2,282,491	411,410	179,381	2,873,282
	2015	2,641,086	743,525	213,374	3,597,985
<b>Total directors' and executive remuneration</b>	2016	4,746,448	630,252	188,476	5,565,176
	2015	5,561,508	1,087,384	333,419	6,982,311

1. Represents total remuneration paid in the financial year.

2. D Rathbone ceased employment effective 4 February 2015.

3. B Benson ceased employment effective 31 July 2015.

4. G Hunt appointed acting CEO 4 February 2015 and managing director and CEO from 5 May 2015.

5. Ceased acting as KMPs from 4 February 2015.

6. B Zacharias commenced acting as KMP from 1 August 2015.

7. V Fischer commenced acting as KMP from 1 August 2015 and ceased acting as KMP from 5 February 2016.

# DIRECTORS' REPORT continued

	Post-employment		Share-based payments	Other long term	Total <sup>1</sup>	Percentage of remuneration performance based %	Value of options as a proportion of total remuneration %
	Superannuation \$	Termination benefits \$	Equity settled \$	\$	Total remuneration \$		
	16,031	-	-	-	176,338		
	15,115	-	-	-	166,263		
	17,622	-	-	-	193,838		
	16,989	-	-	-	186,875		
	14,076	-	-	-	154,838		
	13,885	-	-	-	152,737		
	33,075	-	-	-	363,825		
	32,287	-	-	-	355,162		
	17,963	-	-	-	197,588		
	16,912	-	-	-	186,032		
	16,803	-	-	-	184,838		
	16,561	-	-	-	182,174		
	14,326	-	-	-	157,588		
	13,869	-	-	-	152,557		
	129,896	-	-	-	1,428,853		
	125,618	-	-	-	1,381,800		
	-	-	-	-	-	0	0
	17,261	1,643,193	(213,840)	101,717	2,621,300	-3	-8
	35,000	-	412,113	-	1,840,050	34	14
	34,983	-	175,682	-	1,265,840	31	6
	164,896	-	412,113	-	3,268,903		
	177,862	1,643,193	(38,158)	101,717	5,268,940		
	35,000	-	308,798	-	1,243,781	36	15
	34,200	-	170,030	-	1,066,498	32	7
	2,917	-	238,449	-	1,176,640	31	12
	30,843	-	139,147	-	840,204	33	6
	200,414	-	124,410	-	811,769	26	6
	-	-	-	-	-		
	49,016	-	149,998	-	750,094	28	9
	-	-	-	-	-		
	-	-	-	-	-	0	0
	66,350	1,196,954	372,067	87,904	2,760,819	23	1
	-	-	-	-	-	0	0
	17,507	-	87,442	22,335	596,277	35	4
	-	-	-	-	-	0	0
	17,917	425,600	(86,857)	-	657,579	-13	-7
	-	-	-	-	-	0	0
	17,507	-	45,910	69,319	390,783	28	3
	287,347	-	821,655	-	3,982,284		
	184,324	1,622,554	727,739	179,558	6,312,160		
	452,243	-	1,233,768	-	7,251,187		
	362,186	3,265,747	689,581	281,275	11,581,100		



# DIRECTORS' REPORT continued

## 5.2 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 2015	Granted as remuneration <sup>(g)</sup>	Exercised	Forfeited or lapsed <sup>(d)</sup>	Net change other <sup>(f)</sup>	Balance at 31 July 2016 <sup>(e)</sup>	Vested during 2016	Vested at 31 July 2016 <sup>(a)</sup>	Value at date of forfeiture <sup>(d)</sup>
<b>Directors</b>										
G Hunt	LTI performance	110,627	74,378	(11,984)	(5,278)	–	167,743	43,587	43,587	43,702
	STI deferred <sup>(c)</sup>	31,563	27,221	–	–	–	58,784	10,018	31,563	–
<b>Executives</b>										
<b>Current KMP</b>										
P Binfield	LTI performance	123,023	34,938	(13,327)	(5,869)	–	138,765	48,472	48,472	48,595
	STI deferred <sup>(c)</sup>	40,690	20,813	–	–	–	61,503	11,172	40,690	–
E Prado	LTI performance	72,271	31,238	–	(3,757)	–	99,752	31,029	31,029	31,108
	STI deferred <sup>(c)</sup>	7,145	16,911	–	–	–	24,056	7,145	7,145	–
B Zacharias	LTI performance	34,457	20,082	(3,202)	(1,593)	–	49,744	13,154	13,154	13,190
	STI deferred <sup>(c)</sup>	36,890	2,569	(8,859)	–	–	30,600	29,218	28,031	–
<b>Former KMP</b>										
V Fischer <sup>(b)</sup>	LTI performance	68,972	18,594	(7,471)	–	(80,095)	–	–	–	–
	STI deferred <sup>(c)</sup>	71,442	18,232	–	–	(89,674)	–	–	–	–
<b>Total</b>	LTI performance	409,350	179,230	(35,984)	(16,497)	(80,095)	456,004	136,242	136,242	136,595
	STI deferred	187,730	85,746	(8,859)	–	(89,674)	174,943	57,553	107,429	–
<b>Total</b>		597,080	264,976	(44,843)	(16,497)	(169,769)	630,947	193,795	243,671	136,595

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

(b) V Fischer ceased acting as KMP from 5 February 2016.

(c) The grant date fair value of deferred shares granted as remuneration in 2016 was \$8.07. 100% of STI deferred shares available to vest in 2016 vested as the necessary service condition was satisfied. 100% of non-vested STI deferred shares are due to vest in 2017. Note those deferred shares granted as remuneration during FY16 relate to the FY15 STI outcomes. Deferred shares granted as remuneration on the back of the FY16 STI outcomes will be determined and allocated in October 2016.

(d) LTIP performance rights forfeited due to a failure to satisfy service or performance conditions during 2016 are disclosed in column 'forfeited or lapsed'. 11% of rights due to vest in 2016 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 2016 of \$8.28.

(e) 159,126 of total LTIP performance rights held by KMPs are due to vest in 2017, with the remaining unvested balance due to vest in 2018.

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

(g) The number of LTIP performance rights granted as remuneration during FY16 were determined by dividing the KMP's total LTI grant opportunity by \$8.07, being the five-day VWAP post the announcement of the group's 2015 annual results.

# DIRECTORS' REPORT continued

## 5.3 Shares held in Nufarm Ltd

### Shares held in Nufarm Limited

	Note	Balance at 1 August 2015	Granted as remuneration	On exercise of rights	Net change other	Balance at 31 July 2016
<b>Directors</b>						
DG McGauchie		46,239	–	–	8,000	<b>54,239</b>
G Hunt		22,862	–	11,984	50,215	<b>85,061</b>
AB Brennan		10,000	–	–	–	<b>10,000</b>
GR Davis		40,000	–	–	–	<b>40,000</b>
FA Ford		10,000	–	–	5,000	<b>15,000</b>
Dr WB Goodfellow	1	1,148,715	–	–	22,020	<b>1,170,735</b>
PM Margin		2,458	–	–	–	<b>2,458</b>
T Takasaki		–	–	–	–	<b>–</b>
<b>Executives</b>						
<b>Current KMP</b>						
P Binfield		56,000	–	13,327	5,000	<b>74,327</b>
E Prado		–	–	–	–	<b>–</b>
B Zacharias		1,176	–	12,061	(8,859)	<b>4,378</b>
<b>Former KMP</b>						
V Fischer		252,468	–	7,471	(259,939)	<b>–</b>
<b>Total</b>		<b>1,589,918</b>	<b>–</b>	<b>44,843</b>	<b>(178,563)</b>	<b>1,456,198</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 (128,110 shares);
- (iii) 531 Trust (400,861 shares). Dr Goodfellow and R Marshall 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) Henry Berry Corporation Limited (20,000 shares and 700 step-up securities).
- (vii) 31,585 shares issued under the company's non-executive director share plan and held by Pacific Custodians Pty Ltd as trustee of the plan.

# DIRECTORS' REPORT continued

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

There were 110,483 (2015: nil) shares issued as a result of the exercise of options during the year.

## Unissued shares under option

There are 374,220 (2015: 131,681) 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 2016 (2015: 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 directors' 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 arm's 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.



DG McGauchie AO  
Director



GA Hunt  
Director

Melbourne  
21 September 2016

# 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 2016 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.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Gordon Sangster', written over a horizontal line.

Gordon Sangster  
Partner

Melbourne  
21 September 2016

# INCOME STATEMENT

For the year ended 31 July 2016

		Consolidated	
	Note	2016 \$000	2015 \$000
<b>Continuing operations</b>			
Revenue		2,791,217	2,737,163
Cost of sales		(1,989,561)	(2,020,290)
<b>Gross profit</b>		<b>801,656</b>	716,873
Other income	7	39,971	11,710
Sales, marketing and distribution expenses		(419,317)	(348,120)
General and administrative expenses		(181,273)	(198,620)
Research and development expenses		(39,348)	(32,745)
Share of net profits/(losses) of equity accounted investees	19	1,397	1,120
<b>Operating profit</b>		<b>203,086</b>	150,218
Financial income	10	15,678	7,423
Financial expenses excluding foreign exchange gains/(losses)	10	(112,159)	(82,329)
Net foreign exchange gains/(losses)	10	(56,966)	(302)
Net financial expenses		(169,125)	(82,631)
<b>Net financing costs</b>		<b>(153,447)</b>	(75,208)
<b>Profit/(loss) before income tax</b>		<b>49,639</b>	75,010
Income tax benefit/(expense)	11	(22,161)	(31,961)
<b>Profit/(loss) for the period from continuing operations</b>		<b>27,478</b>	43,049
<b>Attributable to:</b>			
Equity holders of the company		27,519	43,220
Non-controlling interests		(41)	(171)
<b>Profit/(loss) for the period</b>		<b>27,478</b>	43,049
<b>Earnings per share</b>			
Basic earnings/(loss) per share	30	6.1	11.7
Diluted earnings/(loss) per share	30	6.1	11.6

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

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 July 2016

	Note	Consolidated 2016 \$000	2015 \$000
<b>Profit/(loss) for the period</b>		<b>27,478</b>	43,049
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign exchange translation differences for foreign operations		<b>(64,880)</b>	36,352
Effective portion of changes in fair value of cash flow hedges		<b>(1,497)</b>	1,437
Effective portion of changes in fair value of net investment hedges		<b>5,487</b>	(7,572)
Net changes in fair value of available-for-sale financial assets		<b>(448)</b>	–
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial gains/(losses) on defined benefit plans		<b>(19,631)</b>	(19,323)
Income tax on share-based payment transactions		<b>772</b>	(201)
<b>Other comprehensive profit/(loss) for the period, net of income tax</b>		<b>(80,197)</b>	10,693
<b>Total comprehensive profit/(loss) for the period</b>		<b>(52,719)</b>	53,742
<b>Attributable to:</b>			
Equity holders of the company		<b>(52,678)</b>	53,913
Non-controlling interest		<b>(41)</b>	(171)
<b>Total comprehensive profit/(loss) for the period</b>		<b>(52,719)</b>	53,742

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 2016

		Consolidated	
	Note	2016 \$'000	2015 \$'000
<b>Assets</b>			
Cash and cash equivalents	15	281,444	391,418
Trade and other receivables	16	819,977	732,391
Inventories	17	685,833	753,690
Current tax assets	18	34,114	39,259
Other investments	20	38,564	–
<b>Total current assets</b>		<b>1,859,932</b>	1,916,758
<b>Non-current assets</b>			
Trade and other receivables	16	121,681	73,123
Investments in equity accounted investees	19	1,138	10,552
Other investments	20	438	466
Deferred tax assets	18	252,058	250,942
Property, plant and equipment	22	352,853	369,883
Intangible assets	23	873,038	952,464
<b>Total non-current assets</b>		<b>1,601,206</b>	1,657,430
<b>TOTAL ASSETS</b>		<b>3,461,138</b>	3,574,188
<b>Current liabilities</b>			
Bank overdraft	15	–	1,282
Trade and other payables	24	699,430	671,483
Loans and borrowings	25	364,830	380,426
Employee benefits	26	18,691	19,552
Current tax payable	18	6,524	5,919
Provisions	28	20,336	33,174
<b>Total current liabilities</b>		<b>1,109,811</b>	1,111,836
<b>Non-current liabilities</b>			
Payables	24	16,941	22,691
Loans and borrowings	25	542,048	556,427
Deferred tax liabilities	18	141,284	151,807
Employee benefits	26	100,826	94,632
<b>Total non-current liabilities</b>		<b>801,099</b>	825,557
<b>TOTAL LIABILITIES</b>		<b>1,910,910</b>	1,937,393
<b>NET ASSETS</b>		<b>1,550,228</b>	1,636,795
<b>Equity</b>			
Share capital		1,080,768	1,074,119
Reserves		(276,148)	(213,134)
Retained earnings		494,055	524,089
<b>Equity attributable to equity holders of the company</b>		<b>1,298,675</b>	1,385,074
Nufarm step-up securities		246,932	246,932
Non-controlling interest		4,621	4,789
<b>TOTAL EQUITY</b>		<b>1,550,228</b>	1,636,795

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

# STATEMENT OF CASH FLOWS

For the year ended 31 July 2016

		Consolidated	
	Note	2016 \$000	2015 \$000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		2,714,314	2,841,147
Cash paid to suppliers and employees		(2,412,549)	(2,484,368)
Material items	6	(51,688)	(19,899)
Cash generated from operations		250,077	336,880
Interest received		15,678	7,423
Dividends received		508	538
Interest paid		(106,626)	(73,182)
Income tax paid		(22,262)	(43,149)
<b>Net cash from operating activities</b>	38	<b>137,375</b>	228,510
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		1,103	6,806
Proceeds from sales of businesses and investments		-	-
Payments for plant and equipment		(59,209)	(46,654)
Purchase of businesses, net of cash acquired	14	2,665	-
Payments for acquired intangibles and major product development expenditure		(82,769)	(64,251)
<b>Net investing cash flows</b>		<b>(138,210)</b>	(104,099)
<b>Cash flows from financing activities</b>			
Debt establishment transaction costs		(2,876)	(1,536)
Proceeds from borrowings		1,091,834	1,071,244
Repayment of borrowings		(1,138,232)	(1,023,581)
Distribution to Nufarm step-up security holders		(15,456)	(16,689)
Dividends paid		(24,919)	(20,913)
<b>Net financing cash flows</b>		<b>(89,649)</b>	8,525
Net increase/(decrease) in cash and cash equivalents		(90,484)	132,936
Cash at the beginning of the year		390,136	241,638
Exchange rate fluctuations on foreign cash balances		(18,208)	15,562
<b>Cash and cash equivalents at 31 July</b>	15	<b>281,444</b>	390,136

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



# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2016

	Share capital \$000	Translation reserve \$000	Capital profit reserve \$000
<b>Consolidated</b>			
<b>Balance at 1 August 2014</b>	1,068,871	(258,779)	33,627
Profit/(loss) for the period	-	-	-
<b>Other comprehensive income</b>			
Actuarial gains/(losses) on defined benefit plans	-	-	-
Foreign exchange translation differences	-	36,352	-
Gains/(losses) on cash flow hedges taken to equity	-	-	-
Gains/(losses) on net investment hedges taken to equity	-	-	-
Income tax on share-based payment transactions	-	-	-
<b>Total comprehensive income/(loss) for the period</b>	-	36,352	-
<b>Transactions with owners, recorded directly in equity</b>			
Accrued employee share award entitlement	-	-	-
Issuance of shares under employee share plans	2,104	-	-
Dividends paid to shareholders	-	-	-
Dividend reinvestment plan	3,144	-	-
Distributions to Nufarm step-up security holders	-	-	-
Remeasurement of non-controlling interest option	-	-	-
<b>Balance at 31 July 2015</b>	1,074,119	(222,427)	33,627
<b>Balance at 1 August 2015</b>	<b>1,074,119</b>	<b>(222,427)</b>	<b>33,627</b>
Profit/(loss) for the period	-	-	-
<b>Other comprehensive income</b>			
Actuarial gains/(losses) on defined benefit plans	-	-	-
Foreign exchange translation differences	-	(64,880)	-
Gains/(losses) on cash flow hedges taken to equity	-	-	-
Gains/(losses) on net investment hedges taken to equity	-	-	-
Net changes in fair value of available-for-sale financial assets	-	-	-
Income tax on share-based payment transactions	-	-	-
<b>Total comprehensive income/(loss) for the period</b>	-	<b>(64,880)</b>	-
<b>Transactions with owners, recorded directly in equity</b>			
Accrued employee share award entitlement	-	-	-
Issuance of shares under employee share plans	4,876	-	-
Dividends paid to shareholders	-	-	-
Dividend reinvestment plan	1,773	-	-
Distributions to Nufarm step-up security holders	-	-	-
Remeasurement of non-controlling interest option	-	-	-
<b>Balance at 31 July 2016</b>	<b>1,080,768</b>	<b>(287,307)</b>	<b>33,627</b>

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

# STATEMENT OF CHANGES IN EQUITY continued

For the year ended 31 July 2016

Other reserve \$000	Retained earnings \$000	Total \$000	Nufarm step-up securities \$000	Non-controlling interest \$000	Total equity \$000
(23,421)	536,241	1,356,539	246,932	5,229	1,608,700
–	43,220	43,220	–	(171)	43,049
–	(19,323)	(19,323)	–	–	(19,323)
–	–	36,352	–	–	36,352
1,437	–	1,437	–	–	1,437
(7,572)	–	(7,572)	–	–	(7,572)
(201)	–	(201)	–	–	(201)
(6,336)	23,897	53,913	–	(171)	53,742
4,304	–	4,304	–	–	4,304
(2,104)	–	–	–	–	–
–	(23,788)	(23,788)	–	(269)	(24,057)
–	–	3,144	–	–	3,144
–	(12,261)	(12,261)	–	–	(12,261)
3,223	–	3,223	–	–	3,223
(24,334)	524,089	1,385,074	246,932	4,789	1,636,795
<b>(24,334)</b>	<b>524,089</b>	<b>1,385,074</b>	<b>246,932</b>	<b>4,789</b>	<b>1,636,795</b>
–	27,519	27,519	–	(41)	27,478
–	(19,631)	(19,631)	–	–	(19,631)
–	–	(64,880)	–	–	(64,880)
(1,497)	–	(1,497)	–	–	(1,497)
5,487	–	5,487	–	–	5,487
(448)	–	(448)	–	–	(448)
772	–	772	–	–	772
4,314	7,888	(52,678)	–	(41)	(52,719)
3,956	–	3,956	–	–	3,956
(4,876)	–	–	–	–	–
–	(26,564)	(26,564)	–	(127)	(26,691)
–	–	1,773	–	–	1,773
–	(11,358)	(11,358)	–	–	(11,358)
(1,528)	–	(1,528)	–	–	(1,528)
(22,468)	494,055	1,298,675	246,932	4,621	1,550,228

# 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 2016 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 21 September 2016.

### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments and available-for-sale investments, which are measured at fair value, and defined benefit fund obligations that are 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 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 Corporations (Rounding in Financial/Directors' Reports) instrument 2016/191 and, in accordance with that instrument, 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. Refer to note 11 and note 18.

#### (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 to 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. Refer to note 17.

#### (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.

Refer to note 23.

#### (vii) 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. The group assesses intellectual property to have a finite life or indefinite life.

#### (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: *AASB 2015-3 Amendments to Australian Accounting Standards Arising from the Withdrawal of AASB 1031 Materiality* and *AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent*. These standards did not materially effect the entity's accounting policies or any of the amounts recognised in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 3. Significant accounting policies (continued)

### 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 2016, 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 and IFRS 15 Revenue from Contracts with Customers*, which become mandatory for the group's 2019 consolidated financial statements and *IFRS 16 Leases*, which becomes mandatory for the 2018 consolidated financial statements. AASB 9 could change the classification and measurement of financial assets, IFRS 15 could change revenue recognition practices and IFRS 16 could change the classification and measurement of operating or financing leases. The group does not currently plan to adopt these standards early and the extent of the impact (if any) has not been determined.

### (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. 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. 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.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 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 joint ventures.

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, which includes transaction costs. The group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. Subsequent to initial recognition, the consolidated financial statements include the group's share of the income and expenses and equity movements of the investees after adjustments to align the accounting policies of the investees with those of the group, until the date on which significant influence or joint control ceases. On loss of significant influence the investment is no longer equity accounted and is revalued to fair value.

#### (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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 3. Significant accounting policies (continued)

### (c) Financial instruments (continued)

#### (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 Nufarm step-up securities (NSS) are classified as non-controlling equity instruments 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.

#### (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.



# NOTES TO THE FINANCIAL STATEMENTS continued

## 3. Significant accounting policies (continued)

### (c) Financial instruments (continued)

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

##### *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.

##### *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.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 3. Significant accounting policies (continued)

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

#### (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.

#### (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. Intellectual property is assessed as to whether it has a finite or indefinite life. Finite life intellectual property is amortised over its useful life but not longer than 30 years. 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.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 3. Significant accounting policies (continued)

### (e) Intangible assets (continued)

#### (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 – 30 years (2015: 5 – 10 years)
- intellectual property – finite life over the useful life and not more than 30 years (2015: over the useful life)
- computer software 3 – 7 years (2015: 3 – 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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 3. Significant accounting policies (continued)

### (h) Impairment (continued)

#### (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 or joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate or joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate or joint venture may be impaired.

#### (i) Assets held for sale

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 3. Significant accounting policies (continued)

### (j) Employee benefits (continued)

#### (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 other comprehensive income (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 corporate 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 12 months after the reporting period, then they are discounted to their present value.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 3. Significant accounting policies (continued)

### (j) Employee benefits (continued)

#### (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 to 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 three years. Refer to 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

The group's finance income and finance costs include the following: interest income, interest expense, dividend income, dividends on preference shares issued classified as financial liabilities, the net gain or loss on the disposal of available-for-sale financial assets, the net gain or loss on financial assets at fair value through profit or loss, the foreign currency gain or loss on financial assets and financial liabilities, the gain on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination, the fair value loss on contingent consideration classified as a financial liability, impairment losses recognised on financial assets (other than trade receivables), the net gain or loss on hedging instruments that are recognised in profit or loss, and the reclassification of net gains previously recognised in other comprehensive income.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the group's right to receive payment is established.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 3. Significant accounting policies (continued)

### (o) Income tax

#### (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.

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.



# NOTES TO THE FINANCIAL STATEMENTS continued

## 3. Significant accounting policies (continued)

### (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 segment 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.

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).

### (viii) Available-for-sale investments

The fair value of the available-for-sale investment is derived from quoted market prices in an active market.

## 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 Latin America. The North America region includes Canada and the United States. The Latin America region (previously known as Latin America) includes Brazil, Argentina, Chile, Uruguay, Paraguay, Bolivia, Columbia, the Andean countries, Mexico and the Central American 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 non-operating corporate segment comprises mainly corporate expenses, interest-bearing loans, borrowings and corporate assets.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 5. Operating segments (continued)

2016 Operating segments	Crop protection					Total \$000	Seed technologies	Non- operating corporate	Group Total \$000
	Australia and New Zealand \$000	Asia \$000	Europe \$000	North America \$000	Latin America \$000		Global \$000	\$000	
<b>Revenue</b>									
Total segment revenue	553,994	148,604	550,376	653,939	740,686	2,647,599	143,618	-	2,791,217
<b>Results</b>									
Underlying EBITDA <sup>(a)</sup>	61,773	26,723	110,313	76,931	104,443	380,183	35,529	(43,992)	371,720
Depreciation and amortisation excluding material items	(14,810)	(3,899)	(37,296)	(17,643)	(4,047)	(77,695)	(6,810)	(519)	(85,024)
<b>Underlying EBIT<sup>(a)</sup></b>	<b>46,963</b>	<b>22,824</b>	<b>73,017</b>	<b>59,288</b>	<b>100,396</b>	<b>302,488</b>	<b>28,719</b>	<b>(44,511)</b>	<b>286,696</b>
Material items included in operating profit (refer note 6)									(83,610)
Material items included in net financing costs (refer note 6)									(15,450)
Total material items (refer note 6)									(99,060)
Net financing costs (excluding material items)									(137,997)
<b>Profit/(loss) before tax</b>									<b>49,639</b>
<b>Assets</b>									
Segment assets	486,868	89,788	688,906	412,074	803,801	2,481,437	363,129	615,434	3,460,000
Investment in associates	-	-	764	-	-	764	374	-	1,138
<b>Total assets</b>	<b>486,868</b>	<b>89,788</b>	<b>689,670</b>	<b>412,074</b>	<b>803,801</b>	<b>2,482,201</b>	<b>363,503</b>	<b>615,434</b>	<b>3,461,138</b>
<b>Liabilities</b>									
Segment liabilities	129,558	182,173	243,544	67,249	207,577	830,101	26,833	1,053,976	1,910,910
<b>Total liabilities</b>	<b>129,558</b>	<b>182,173</b>	<b>243,544</b>	<b>67,249</b>	<b>207,577</b>	<b>830,101</b>	<b>26,833</b>	<b>1,053,976</b>	<b>1,910,910</b>
<b>Other segment information</b>									
Capital expenditure	40,421	2,317	47,453	12,378	6,992	109,561	30,753	-	140,314

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

# NOTES TO THE FINANCIAL STATEMENTS continued

## 5. Operating segments (continued)

2015 Operating segments	Crop protection					Total \$000	Seed technologies	Non- operating corporate	Total \$000
	Australia and New Zealand \$000	Asia \$000	Europe \$000	North America \$000	Latin 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 and 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)									–
Total material items (refer note 6)									(86,664)
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
Total assets	440,197	106,141	753,310	531,119	671,788	2,502,555	376,332	695,301	3,574,188
<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
Total liabilities	146,079	110,567	257,625	103,421	194,533	812,225	26,914	1,098,254	1,937,393
<b>Other segment information</b>									
Capital expenditure	14,727	1,316	40,282	22,969	6,844	86,138	25,580	–	111,718

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

# NOTES TO THE FINANCIAL STATEMENTS continued

## 5. Operating segments (continued)

Geographical information	Revenue by location of customer		Non-current assets by location	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Australia	519,709	548,307	265,472	250,651
New Zealand	61,031	59,391	5,008	5,429
Asia	148,029	155,233	39,838	43,607
Europe	591,640	567,446	387,697	437,265
United States	582,525	561,674	357,781	405,718
Rest of North America	118,789	105,913	8,639	14,311
Brazil	590,784	556,475	278,399	231,166
Rest of Latin America	178,710	182,724	6,364	18,341
Unallocated <sup>(b)</sup>	–	–	252,008	250,942
<b>Total</b>	<b>2,791,217</b>	<b>2,737,163</b>	<b>1,601,206</b>	<b>1,657,430</b>

(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.

Material items by category:	Consolidated		Consolidated	
	2016	2016	2015	2015
	\$000	\$000	\$000	\$000
	Pre-tax	After-tax	Pre-tax	After-tax
Asset rationalisation and restructuring	(126,223)	(108,497)	(86,664)	(73,839)
Argentina peso devaluation event	36	23	–	–
Gain arising on revaluation of investment to fair value	27,127	27,075	–	–
<b>Total</b>	<b>(99,060)</b>	<b>(81,399)</b>	<b>(86,664)</b>	<b>(73,839)</b>

### 2016 asset rationalisation and restructure

The asset rationalisation and restructuring program has resulted in the rationalisation of under-utilised assets and a restructure throughout the Nufarm group. Asset rationalisation and restructure costs amount to \$126.2 million mainly relate to the write-down of product related assets arising from rationalisation of the group's product portfolio. A breakdown of the nature of costs incurred are further described below. Asset rationalisation costs have only been tax benefited to the extent that it is probable that the benefit will be utilised.

Summary of nature of cost	2016 \$000	Further explanation of nature of cost
Portfolio rationalisation program	81,346	Primarily the write downs of product related assets
Manufacturing excellence	30,999	Primarily closure of the Calgary plant
Other asset rationalisation and restructure costs	13,878	
	<b>126,223</b>	

### 2016 Argentina peso devaluation event

In December 2015 the Argentine government relaxed regulations restricting free movement of the Argentine peso. This relaxation of regulations resulted in a one-off significant devaluation of the peso against the United States dollar. As a result of the devaluation Nufarm incurred foreign currency exchange losses on its net USD liabilities (\$15.450 million) and benefited from increased gross margin on its USD denominated sales (\$15.486 million).

# NOTES TO THE FINANCIAL STATEMENTS continued

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

### 2016 Gain arising on revaluation of investment to fair value

Excel Crop Care is an Indian crop protection business, in which Nufarm had an equity accounted 14.69 per cent interest. During June 2016, Sumitomo Chemical Company Limited acquired a 45 per cent stake in Excel Crop Care and declared an open market offer for an additional 30 per cent of the company's shares. On 30 June 2016, Nufarm concluded that its ability to exert significant influence was relinquished. Subsequently, the company ceased to account for its investment in Excel Crop Care as an equity accounted investment, and reclassified its investment as 'available-for-sale'. This reclassification resulted in a one-off gain of \$27.127 million to account for the difference between the carrying value of the equity investment and the fair value.

### 2015 asset rationalisation and restructure

The 2015 asset rationalisation and restructuring program 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 related to the rationalisation of European manufacturing assets, whereby the Botlek manufacturing facilities were closed and manufacturing consolidated. Asset rationalisation costs were tax benefitted to the extent that it is probable that the benefit will be utilised.

Material items are classified by function as follows:

Year ended 31 July 2016 \$000	Cost of sales	Other income	Selling, marketing and distribution expense	General and administrative expense	Research and development expenses	Net financing costs	Total pre-tax
Asset rationalisation and restructuring	(40,259)	–	(68,574)	(17,381)	(9)	–	(126,223)
Argentina peso devaluation event	15,486	–	–	–	–	(15,450)	36
Gain arising on revaluation of investment to fair value	–	27,127	–	–	–	–	27,127
Total material items	(24,773)	27,127	(68,574)	(17,381)	(9)	(15,450)	(99,060)
Total material items included in operating profit	(24,773)	27,127	(68,574)	(17,381)	(9)	–	(83,610)

Year ended 31 July 2015 \$000	Cost of sales	Other income	Selling, marketing and distribution expense	General and administrative expense	Research and development expenses	Net financing costs	Total pre-tax
Asset rationalisation and restructuring	(48,349)	–	(5,142)	(33,111)	(62)	–	(86,664)
Total material items	(48,349)	–	(5,142)	(33,111)	(62)	–	(86,664)
Total material items included in operating profit	(48,349)	–	(5,142)	(33,111)	(62)	–	(86,664)

Material items impact operating cash flows as follows:

	Consolidated	
	2016 \$000	2015 \$000
Net cash from operating activities	137,375	228,510
Net cash arising on material items	(51,688)	(19,899)
Net cash from operating activities excluding material items	189,063	248,409

# NOTES TO THE FINANCIAL STATEMENTS continued

## 7. Other income

	Consolidated	
	2016 \$000	2015 \$000
Other income		
Dividend income	35	137
Rental income	243	241
Gain arising on revaluation of investment to fair value (a)	27,127	–
Sundry income	12,566	11,332
Total other income	39,971	11,710

(a) Refer to notes 19 and 20.

## 8. Other expenses

The following expenses were included in the period result:

	Consolidated	
	2016 \$000	2015 \$000
Depreciation and amortisation	(85,024)	(80,208)
Inventory write down	(22,910)	(11,104)
Minimum lease payments recognised as an operating lease expense	(6,476)	(6,204)

## 9. Personnel expenses

	Consolidated	
	2016 \$000	2015 \$000
Wages and salaries	(271,966)	(261,896)
Other associated personnel expenses	(48,237)	(46,583)
Contributions to defined contribution superannuation funds	(13,471)	(15,398)
(Expense)/gain related to defined benefit superannuation funds	(3,991)	2,528
Short term employee benefits	(8,645)	(9,975)
Other long term employee benefits	(2,481)	(2,597)
Restructuring	(17,464)	(22,162)
Personnel expenses	(366,255)	(356,083)

The restructure expense relates to the group's asset rationalisation and organisational restructure program. These costs are included in material items in note 6.

## 10. Finance income and expense

	Consolidated	
	2016 \$000	2015 \$000
Other financial income	15,678	7,423
Financial income	15,678	7,423
Interest expense – external	(104,387)	(73,054)
Interest expense – debt establishment transaction costs	(5,533)	(7,175)
Lease amortisation – finance charges	(2,239)	(2,100)
Net foreign exchange gains/(losses)	(56,966)	(302)
Financial expenses	(169,125)	(82,631)
Net financing costs	(153,447)	(75,208)

# NOTES TO THE FINANCIAL STATEMENTS continued

## 11. Income tax expense

	Consolidated	
	2016	2015
	\$000	\$000
<b>Recognised in the income statement</b>		
<b>Current tax expense</b>		
Current period	30,276	24,567
Tax-free income and non-recognition of tax assets on material items	12,538	11,272
Adjustments for prior periods	(2,393)	489
Current tax expense	40,421	36,328
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences and tax losses	(20,433)	(1,602)
Effect of changes in tax rates	(14)	25
Initial (recognition)/derecognition of tax assets	2,187	(2,790)
Deferred tax expense/(benefit)	(18,260)	(4,367)
<b>Total income tax expense/(benefit) in income statement</b>	<b>22,161</b>	31,961
Attributable to:		
Continuing operations	22,161	31,961
<b>Total income tax expense/(benefit) in income statement</b>	<b>22,161</b>	31,961
<b>Numerical reconciliation between tax expense and pre-tax net profit</b>		
Profit/(loss) before tax	49,639	75,010
Income tax using the Australian corporate tax rate of 30%	14,892	22,503
<i>Increase/(decrease) in income tax expense due to:</i>		
Non-deductible expenses	4,591	5,102
Other taxable income	2,218	2,668
Effect of changes in tax rates	(14)	25
Initial (recognition)/derecognition of tax assets	2,187	(2,790)
Tax-free income and non-recognition of tax assets on material items	12,538	11,272
Effect on tax rate in foreign jurisdictions	(5,051)	(2,195)
Tax exempt income	(1,740)	(2,607)
Tax incentives not recognised in the income statement	(5,067)	(2,506)
	24,554	31,472
Under/(over) provided in prior years	(2,393)	489
<b>Income tax expense/(benefit)</b>	<b>22,161</b>	31,961
<b>Income tax recognised directly in equity</b>		
Nufarm step-up securities distribution	(4,098)	(4,428)
<b>Income tax recognised directly in equity</b>	<b>(4,098)</b>	(4,428)
<b>Income tax recognised in other comprehensive income</b>		
Relating to actuarial gains/(losses) on defined benefit plans	(3,687)	(4,997)
Relating to equity based compensation	(772)	201
<b>Income tax recognised in other comprehensive income</b>	<b>(4,459)</b>	(4,796)



# NOTES TO THE FINANCIAL STATEMENTS continued

## 12. Discontinued operations

There were no discontinued operations in the current or prior period.

## 13. Assets held for sale

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

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

### Business acquisitions – 2016

On 1 November 2015 the group acquired 100 per cent ownership interest in F&N Agro Polska SP. Z O.O (F&N Poland). As a result the group's equity interest in F&N Poland increased from 50 to 100 per cent, obtaining control of F&N Poland. The acquisition of F&N Poland increases the group's presence in this emerging agriculture chemical market.

### Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Fair value on acquisition \$000
<b>Acquiree's net assets at acquisition date</b>	
Cash and cash equivalents	2,665
Receivables	19,694
Inventory	10,673
Property, plant and equipment	326
Deferred tax asset	746
Intangible assets	1
Other assets	404
Trade and other payables	(16,329)
Interest bearing loans and borrowings	(15,052)
Deferred tax liability	(31)
Other liabilities	(3,097)
Net identifiable assets and liabilities	–
Goodwill on acquisition	3,875
Total fair value of assets acquired	3,875

### Goodwill arising at the date of acquisition was recognised as follows:

Consideration to be transferred <sup>(a)</sup>	1,937
Fair value of pre-existing interest in F&N Poland	1,938
Fair value of identifiable net assets	–
Goodwill	3,875

(a) The total consideration to be transferred represents the fair value at the acquisition date of Nufarm's equity investment in the Czech Republic and Slovakian F&N joint ventures (F&N joint ventures). Under the terms of the acquisition, between 1 June 2016 and 31 December 2016 (at the discretion of the seller), Nufarm will relinquish its equity investment in the F&N joint ventures. At 31 July 2016 Nufarm had not relinquished its equity investment in the F&N joint ventures.

Total goodwill of \$3.875 million (2015: \$nil) from business acquisitions is attributable mainly to the synergies expected to be achieved from integrating the respective business into the group's existing business. The remeasurement to fair value of the group's existing 50 per cent interest in F&N Poland resulted in a gain of \$1.938 million. This amount has been included in other income.

### Business acquisitions – 2015

There were no business acquired during the 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 continued

## 15. Cash and cash equivalents

	2016 \$000	2015 \$000
Bank balances	236,511	292,770
Call deposits	44,933	98,648
	<b>281,444</b>	391,418
Bank overdraft	–	(1,282)
Total cash and cash equivalents	<b>281,444</b>	390,136

## 16. Trade and other receivables

	Consolidated	
	2016 \$000	2015 \$000
<b>Current</b>		
Trade receivables	779,318	682,846
Provision for impairment losses	(36,127)	(42,766)
	<b>743,191</b>	640,080
Derivative financial instruments	8,521	7,261
Prepayments	18,298	37,793
Other receivables	49,967	47,257
Current receivables	<b>819,977</b>	732,391
<b>Non-current</b>		
Derivative financial instruments	19,060	17,760
Trade receivables	62,351	32,422
Other receivables	40,270	22,941
Non-current receivables	<b>121,681</b>	73,123
Total trade and other receivables	<b>941,658</b>	805,514

## 17. Inventories

	Consolidated	
	2016 \$000	2015 \$000
Raw materials	202,231	214,682
Work in progress	14,780	26,527
Finished goods	474,613	517,222
	<b>691,624</b>	758,431
Provision for obsolescence of finished goods	(5,791)	(4,741)
Total inventories	<b>685,833</b>	753,690

# NOTES TO THE FINANCIAL STATEMENTS continued

## 18. Tax assets and liabilities

### Current tax assets and liabilities

The current tax asset for the group of \$34.114 million (2015: \$39.259 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 \$6.524 million (2015: \$5.919 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	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Consolidated</b>						
Property, plant and equipment	1,838	1,512	(11,961)	(8,750)	(10,123)	(7,238)
Intangible assets	14,121	13,846	(108,337)	(121,070)	(94,216)	(107,224)
Employee benefits	23,361	23,333	–	–	23,361	23,333
Provisions	21,797	27,039	–	–	21,797	27,039
Other items	22,836	22,447	(20,986)	(21,987)	1,850	460
Tax value of losses carried forward	168,105	162,765	–	–	168,105	162,765
Tax assets/(liabilities)	252,058	250,942	(141,284)	(151,807)	110,774	99,135
Set off of tax	–	–	–	–	–	–
<b>Net tax assets/(liabilities)</b>	<b>252,058</b>	<b>250,942</b>	<b>(141,284)</b>	<b>(151,807)</b>	<b>110,774</b>	<b>99,135</b>

### Movement in temporary differences during the year

	Balance 31.07.15 \$000	Recognised in income \$000	Recognised in equity \$000	Currency adjustment \$000	Other movement \$000	Balance 31.07.16 \$000
<b>Consolidated 2016</b>						
Property, plant and equipment	(7,238)	(4,017)	–	1,132	–	(10,123)
Intangibles assets	(107,224)	11,205	–	1,803	–	(94,216)
Employee benefits	23,333	6,136	(3,687)	(2,421)	–	23,361
Provisions	27,039	(5,212)	–	(30)	–	21,797
Other items	460	1,606	(772)	556	–	1,850
Tax value of losses carried forward	162,765	8,542	–	(3,202)	–	168,105
	99,135	18,260	(4,459)	(2,162)	–	110,774

	Balance 31.07.14 \$000	Recognised in income \$000	Recognised in equity \$000	Currency adjustment \$000	Other movement \$000	Balance 31.07.15 \$000
<b>Consolidated 2015</b>						
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
	111,179	4,367	(4,796)	(11,615)	–	99,135

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.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 18. Tax assets and liabilities (continued)

### Deferred tax assets and liabilities

#### Unrecognised deferred tax liability

At 31 July 2016, a deferred tax liability of \$26,865,351 (2015: \$32,099,309) 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 2016, there are unrecognised deferred tax assets in respect of tax losses and timing differences of \$42,961,719 (2015: \$20,400,996).

## 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	
				2016 %	2015 %	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Excel Crop Care Ltd	Associate <sup>1</sup>	India	31 March	14.69	14.69	–	8,760	2,005	1,737
F&N joint ventures	Joint ventures <sup>2</sup>	Europe	31 December	50.00	50.00	764	1,441	(682)	266
Others	Associates <sup>3</sup>					374	351	74	(883)
						<b>1,138</b>	10,552	<b>1,397</b>	1,120

1. Excel Crop Care is an Indian crop protection business, in which Nufarm had an equity accounted 14.69 per cent interest. During June 2016, Sumitomo Chemical Company Limited acquired a 45 per cent stake in Excel Crop Care and declared an open market offer for an additional 30 per cent of the company's shares. On 30 June 2016, Nufarm concluded that its ability to exert significant influence was relinquished. Subsequently, the company ceased to account for its investment in Excel Crop Care as an equity accounted investment, and reclassified its investment as 'available-for-sale'. This reclassification resulted in a one-off gain of \$27.127 million (note 6) to account for the difference between the carrying value of the equity investment and the fair value.

Up to this date Nufarm's investment in Excel Crop Care was equity accounted due to Nufarm holding 14.69 per cent of voting rights and Nufarm's ability to exert significant influence. The relationship extended to manufacturing and marketing collaborations and the sale/purchase of crop protection products. The share of profits disclosed above for the year ended 31 July 2016 is the share of profits earned from 1 August 2015 to 30 June 2016.

2. The F&N joint ventures represents the group's interest in joint ventures with FMC Corporation, which operated in Poland until 31 October 2015, and continues to operate in the Czech Republic and Slovakia. The joint ventures sell Nufarm and FMC products within their respective country. On 1 November 2015, the group's equity interest in F&N Poland increased from 50 to 100 per cent and F&N Poland became a subsidiary from that date (see note 14).

The share of net profits has been derived from the latest management reports as at 31 July 2016 for the F&N joint ventures.

3. Aggregate of other individually immaterial associates.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 20. Other investments

	Consolidated	
	2016	2015
	\$000	\$000
<b>Investments – available-for-sale</b>		
Balance at the beginning of the year	–	–
Additions	39,012	–
Net change in fair value gains/(losses) transferred to equity	(448)	–
Balance at the end of the year	38,564	–
<b>Current investments</b>		
Equity securities – available-for-sale	38,564	–
Total current investments	38,564	–
<b>Non-current investments</b>		
Other investments	438	466
Total non-current investments	438	466

### Available-for-sale equity securities

As discussed in note 19, on 30 June 2016 Nufarm ceased to equity account for its investment in Excel Crop Care due to the loss of significant influence, and subsequently recognised a one-off gain of \$27.127 million (note 6) due to the difference between the carrying amount of the investment and its fair value. Subsequently Nufarm reclassified its investment as 'available-for-sale'.

## 21. Other non-current assets

There were no other non-current assets in the current or prior period.

	Consolidated	
	2016	2015
	\$000	\$000
Other non-current assets	–	–
	–	–

# NOTES TO THE FINANCIAL STATEMENTS continued

## 22. Property, plant and equipment

	Land and buildings \$000	Plant and machinery \$000	Leased plant and machinery \$000	Capital work in progress \$000	Total \$000
<b>Consolidated 2016</b>					
<b>Cost</b>					
Balance at 1 August 2015	213,733	654,148	24,240	28,410	920,531
Additions	2,870	31,130	528	24,681	59,209
Additions through business combinations	–	329	338	–	667
Disposals and write-offs	(17,258)	(112,076)	(21)	(358)	(129,713)
Other transfers	5,771	(42,756)	(18)	(22,872)	(59,875)
Exchange adjustment	(3,311)	(26,324)	(3,155)	(1,991)	(34,781)
Balance at 31 July 2016	201,805	504,451	21,912	27,870	756,038
<b>Depreciation and impairment losses</b>					
Balance at 1 August 2015	(93,416)	(452,733)	(4,499)	–	(550,648)
Depreciation charge for the year	(6,659)	(33,369)	(1,637)	–	(41,665)
Additions through business combinations	–	(278)	(63)	–	(341)
Impairment loss	–	–	–	–	–
Disposals and write-offs	8,024	111,893	14	–	119,931
Other transfers	4,006	49,674	14	–	53,694
Exchange adjustment	1,707	13,536	601	–	15,844
Balance at 31 July 2016	(86,338)	(311,277)	(5,570)	–	(403,185)
Net property, plant and equipment at 31 July 2016	115,467	193,174	16,342	27,870	352,853

	Land and buildings \$000	Plant and machinery \$000	Leased plant and machinery \$000	Capital work in progress \$000	Total \$000
<b>Consolidated 2015</b>					
<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
Balance at 31 July 2015	213,733	654,148	24,240	28,410	920,531
<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)
Balance at 31 July 2015	(93,416)	(452,733)	(4,499)	–	(550,648)
Net property, plant and equipment at 31 July 2015	120,317	201,415	19,741	28,410	369,883

Assets pledged as security for finance leases amount to \$10.298 million (2015: \$12.433 million).

# NOTES TO THE FINANCIAL STATEMENTS continued

## 23. Intangible assets

Consolidated 2016	Intellectual property			Capitalised development costs \$000	Computer software \$000	Total \$000
	Goodwill \$000	Indefinite life \$000	Finite life \$000			
<b>Cost</b>						
Balance at 1 August 2015	354,661	443,071	134,799	303,880	45,560	1,281,971
Additions	–	–	3,056	58,026	15,438	76,520
Additions through business combinations	3,875	–	–	44	–	3,919
Disposals and write-offs	(5,920)	(34,566)	(2,396)	(41,024)	(828)	(84,734)
Other transfers	(2,518)	(389,333)	394,664	(9,545)	3,714	(3,018)
Exchange adjustment	(14,115)	(17,609)	2,987	(39,359)	(1,939)	(70,035)
Balance at 31 July 2016	335,983	1,563	533,110	272,022	61,945	1,204,623
<b>Amortisation and impairment losses</b>						
Balance at 1 August 2015	(112,578)	(15,743)	(89,586)	(79,384)	(32,216)	(329,507)
Amortisation charge for the year	–	–	(15,185)	(24,408)	(3,766)	(43,359)
Additions through business combinations	–	–	–	(43)	–	(43)
Impairment loss	–	–	–	–	–	–
Disposals and write-offs	–	(258)	1,064	18,506	454	19,766
Other transfers	2,036	13,745	(12,364)	2,093	51	5,561
Exchange adjustment	2,702	693	1,636	9,820	1,146	15,997
Balance at 31 July 2016	(107,840)	(1,563)	(114,435)	(73,416)	(34,331)	(331,585)
Intangibles carrying amount at 31 July 2016	228,143	–	418,675	198,606	27,614	873,038

Consolidated 2015	Intellectual property			Capitalised development costs \$000	Computer software \$000	Total \$000
	Goodwill \$000	Indefinite life \$000	Finite life \$000			
<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
Balance at 31 July 2015	354,661	443,071	134,799	303,880	45,560	1,281,971
<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)
Balance at 31 July 2015	(112,578)	(15,743)	(89,586)	(79,384)	(32,216)	(329,507)
Intangibles carrying amount at 31 July 2015	242,083	427,328	45,213	224,496	13,344	952,464

# NOTES TO THE FINANCIAL STATEMENTS continued

## 23. Intangible assets (continued)

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 \$208 million (2015: \$253 million), Brazil \$166 million (2015: \$168 million), Seed technologies \$252 million (2015: \$245 million), Europe \$177 million (2015: \$210 million) and Australia and New Zealand (ANZ) \$52 million (2015: \$36 million). The balance of intangibles is spread across multiple CGUs, with no individual CGU intangible balance 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	
	2016 %	2015 %	2016 %	2015 %	2016 \$000	2015 \$000
Material crop protection CGUs (North America, Brazil, Europe and ANZ)	1.7 to 4.5	1.7 to 3.5	7.6 to 13.4	8.1 to 12.4	144,341	465,869
Seed technology CGU	2.2	2.3	13.3	8.9	68,821	178,195

## 24. Trade and other payables

	Consolidated	
	2016 \$000	2015 \$000
<b>Current payables – unsecured</b>		
Trade creditors and accruals – unsecured	683,854	664,768
Derivative financial instruments	15,415	6,548
Payables – acquisitions	161	167
Current payables	699,430	671,483
<b>Non-current payables – unsecured</b>		
Creditors and accruals	10,623	12,652
Derivative financial instruments	212	4,150
Payables – acquisitions	6,106	5,889
Non-current payables	16,941	22,691



# NOTES TO THE FINANCIAL STATEMENTS continued

## 25. Interest-bearing loans and borrowings

	Consolidated	
	2016 \$000	2015 \$000
<b>Current liabilities</b>		
Bank loans – secured	288,517	346,751
Bank loans – unsecured	79,026	37,569
Deferred debt establishment costs	(3,696)	(5,003)
Other loans – unsecured	787	543
Finance lease liabilities – secured	196	566
Loans and borrowings – current	<b>364,830</b>	380,426
<b>Non-current liabilities</b>		
Bank loans – secured	83,002	44,593
Bank loans – unsecured	19,965	62,802
Senior unsecured notes	428,800	438,357
Deferred debt establishment costs	(4,546)	(5,895)
Other loans – unsecured	2,752	2,111
Finance lease liabilities – secured	12,075	14,459
Loans and borrowings – non-current	<b>542,048</b>	556,427
Net cash and cash equivalents	<b>(281,444)</b>	(390,136)
<b>Net debt</b>	<b>625,434</b>	546,717

### Financing facilities

Refer to the section entitled 'liquidity risk' in note 31 for detail regarding the group's financing facilities.

	Accessible \$000	Utilised \$000
<b>2016</b>		
Bank loan facilities and senior unsecured notes	1,801,589	899,310
Other facilities	3,539	3,539
Total financing facilities	<b>1,805,128</b>	<b>902,849</b>
<b>2015</b>		
Bank loan facilities and senior unsecured notes	1,804,163	930,072
Other facilities	2,654	2,654
Total financing facilities	1,806,817	932,726

### Financing arrangements

	Consolidated	
	2016 \$000	2015 \$000
<b>Repayment of borrowings (excluding finance leases)</b>		
Period ending 31 July 2016	–	384,863
Period ending 31 July 2017	368,330	50,158
Period ending 31 July 2018	66,866	43,550
Period ending 31 July 2019 or later	467,653	454,155

# NOTES TO THE FINANCIAL STATEMENTS continued

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

### 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:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
Not later than one year	1,644	2,117
Later than one year but not later than two years	1,566	2,052
Later than two years but not later than five years	4,962	5,612
Later than five years	<b>88,159</b>	109,751
	<b>96,331</b>	119,532
Less future finance charges	<b>(84,060)</b>	(104,507)
Finance lease liabilities	<b>12,271</b>	15,025

Finance lease liabilities are secured over the relevant leased plant.

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>%</b>	<b>%</b>
<b>Average interest rates</b>		
Nufarm step-up securities (refer note 29)	<b>6.36</b>	6.16
Syndicated bank facility	<b>2.03</b>	3.54
Group securitisation program facility	<b>2.36</b>	2.38
Other bank loans	<b>12.09</b>	7.30
Finance lease liabilities – secured	<b>12.74</b>	12.57
Senior unsecured notes	<b>6.38</b>	6.38

Average interest rates are calculated using the weighted average of the interest rates for the drawn balances under each facility as at 31 July 2016.

## 26. Employee benefits

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
<b>Current</b>		
Liability for short term employee benefits	<b>15,563</b>	16,278
Liability for current portion of other long term employee benefits	<b>3,128</b>	3,274
Current employee benefits	<b>18,691</b>	19,552
<b>Non-current</b>		
<b>Defined benefit fund obligations</b>		
Present value of unfunded obligations	<b>8,409</b>	6,598
Present value of funded obligations	<b>216,495</b>	221,728
Fair value of fund assets – funded	<b>(136,292)</b>	(147,351)
Recognised liability for defined benefit fund obligations	<b>88,612</b>	80,975
Liability for non-current portion of other long term employee benefits	<b>12,214</b>	13,657
Non-current employee benefits	<b>100,826</b>	94,632
Total employee benefits	<b>119,517</b>	114,184

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

# NOTES TO THE FINANCIAL STATEMENTS continued

## 26. Employee benefits (continued)

	Consolidated	
	2016 \$000	2015 \$000
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
Opening defined benefit obligation	228,326	176,361
Service cost	1,180	2,861
Interest cost	7,611	7,353
Actuarial losses/(gains)	30,329	26,557
Past service cost	–	(4,469)
Losses/(gains) on curtailment	–	(2,416)
Contributions	41	171
Benefits paid	(7,389)	(6,639)
Exchange differences on foreign funds	(35,194)	28,547
Closing defined benefit obligation	224,904	228,326

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

Opening fair value of fund assets	147,351	121,773
Interest income	4,800	5,857
Actuarial gains/(losses) – return on plan assets excluding interest income	7,011	2,237
Surplus taken to retained earnings	–	–
Contributions by employer	6,472	5,368
Distributions	(7,231)	(6,284)
Exchange differences on foreign funds	(22,111)	18,400
Closing fair value of fund assets	136,292	147,351

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

	Consolidated	
	2016 \$000	2015 \$000
<b>Expense/(gain) recognised in profit or loss</b>		
Current service costs	1,180	2,861
Interest on obligation	7,611	7,353
Interest income	(4,800)	(5,857)
Losses/(gains) on curtailment	–	(2,416)
Past service cost/(gain)	–	(4,469)
Expense recognised in profit or loss	3,991	(2,528)

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

Cost of sales	2,053	2,686
Sales, marketing and distribution expenses	1,177	1,158
General and administrative expenses	515	(6,555)
Research and development expenses	246	183
Expense recognised in profit or loss	3,991	(2,528)

# NOTES TO THE FINANCIAL STATEMENTS continued

## 26. Employee benefits (continued)

	2016 \$000	2015 \$000
<b>Actuarial gains/(losses) recognised in other comprehensive income (net of tax)</b>		
Cumulative amount at 1 August	(52,325)	(33,002)
Recognised during the period	(19,631)	(19,323)
Cumulative amount at 31 July	(71,956)	(52,325)

	Consolidated	
	2016 %	2015 %
The major categories of fund assets as a percentage of total fund assets are as follows:		
Equities	55.1	60.2
Bonds	38.7	34.5
Property	1.9	1.6
Cash	4.3	3.7
Principal actuarial assumptions at the reporting date (expressed as weighted averages):		
Discount rate at 31 July	2.5	3.6
Future salary increases	0.6	0.4
Future pension increases	2.3	2.6

The group expects to pay \$4,125,000 in contributions to defined benefit plans in 2016 (2015: \$4,187,000).

## 27. Share-based payments

### Nufarm executive share plan (2000)

The Nufarm executive share plan (2000) offered shares to executives. 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. 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 10 years without board approval. An independent trustee holds the shares and options on behalf of the executives. At 31 July 2016, there were 25 participants (2015: 32 participants) in the scheme and 189,460 shares (2015: 299,978) were allocated and held by the trustee on behalf of the participants. The cost of issuing shares is expensed in the year of issue.

### 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 profit before tax or net profit after tax and net working capital; and
- strategic and business improvement objectives.

A predetermined 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 five days subsequent to the results announcement. Vesting will occur after a two-year period.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 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 per cent of the number of ordinary shares acquired with a participant's contribution in the form of additional ordinary shares. Amounts over 10 per cent 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 per cent 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 2016 there were 766 participants (2015: 823 participants) in the scheme and 1,780,842 shares (2015: 1,938,372) 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.

<b>Employee expenses</b>	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
Total expense arising from share-based payment transactions	<b>3,956</b>	4,304

### 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:

<b>Plan</b>	<b>Nufarm STI 2016 deferred shares</b>	<b>Nufarm LTI 2016 performance rights Oct 2015</b>	<b>Nufarm LTI 2016 performance rights Dec 2015</b>	<b>Nufarm STI 2015 deferred shares</b>	<b>Nufarm LTI 2015 performance rights Sept 2014</b>
Weighted average fair value at grant date	<b>\$8.07</b>	<b>\$6.72</b>	<b>\$6.61</b>	\$4.85	\$3.87
Share price at grant date	<b>\$8.07</b>	<b>\$8.28</b>	<b>\$8.25</b>	\$4.93	\$4.93
Grant date	<b>30 Sep 2015</b>	<b>15 Oct 2015</b>	<b>3 Dec 2015</b>	30 Sep 2014	30 Sep 2014
Earliest vesting date	<b>31 Jul 2017</b>	<b>31 Jul 2018</b>	<b>31 Jul 2018</b>	31 Jul 2016	31 Jul 2017
Exercise price	-	-	-	-	-
Expected life	<b>1 year</b>	<b>2.9 years</b>	<b>2.8 years</b>	1 year	2.8 years
Volatility	<b>n/a</b>	<b>31%</b>	<b>31%</b>	n/a	35%
Risk-free interest rate	<b>n/a</b>	<b>1.8%</b>	<b>2.1%</b>	n/a	2.7%
Dividend yield	<b>n/a</b>	<b>1.5%</b>	<b>1.5%</b>	n/a	2.3%

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

# NOTES TO THE FINANCIAL STATEMENTS continued

## 27. Share-based payments (continued)

	Nufarm LTI number of performance rights 2016	Nufarm STI number of deferred shares 2016	Nufarm LTI number of performance rights 2015	Nufarm STI number of deferred shares 2015
<b>Reconciliation of outstanding share awards</b>				
Outstanding at 1 August	1,208,112	978,653	996,934	841,942
Forfeited during the year	(368,789)	(3,765)	(182,901)	(49,859)
Exercised during the year	(110,483)	(237,162)	–	(161,850)
Expired during the year	–	–	–	–
Granted during the year	248,561	443,433	394,079	348,420
Outstanding at 31 July	977,401	1,181,159	1,208,112	978,653
Exercisable at 31 July	374,220	715,552	–	571,767

The performance rights outstanding at 31 July 2016 have a \$nil exercise price and a weighted average contractual life of three years (2015: three years). All performance rights granted to date have a \$nil exercise price.

## 28. Provisions

Provisions	Consolidated	
	2016 \$000	2015 \$000
<b>Current</b>		
Restructuring	18,842	29,481
Other	1,494	3,693
Current provisions	20,336	33,174

Movement in provisions	Consolidated		Total \$000
	Restructuring \$000	Other provisions \$000	
Balance at 1 August 2015	29,481	3,693	33,174
Provisions made during the year	11,016	959	11,975
Provisions used during the year	(21,944)	(2,775)	(24,719)
Exchange adjustment	289	(383)	(94)
Balance at 31 July 2016	18,842	1,494	20,336

The provision for restructuring is mainly relating to the asset rationalisation and restructuring being undertaken by the group.

The other provision consists of liabilities of the group.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 29. Capital and reserves

Share capital	Parent company	
	Number of ordinary shares 2016	Number of ordinary shares 2015
Balance at 1 August	265,067,424	264,021,627
Issue of shares	<b>831,871</b>	1,045,797
Balance at 31 July	<b>265,899,295</b>	265,067,424

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

On 9 October 2015, 489,833 shares at \$8.0669 were issued under the Nufarm short term incentive plan and Nufarm executive long term incentive plan.

On 13 November 2015, 107,788 shares at \$8.3691 were issued under the dividend reinvestment program.

On 4 December 2015, 27,221 shares at \$8.0669 were issued under the Nufarm short term incentive plan and Nufarm executive long term incentive plan.

On 5 January 2016, 85,586 shares at \$8.2343 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 8 May 2016, 121,443 shares at \$7.1736 were issued under the dividend reinvestment program.

### 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 per cent (2015: 3.9 per cent). 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 two 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 per cent 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.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 29. Capital and reserves (continued)

### Dividends

An interim dividend of four cents per share totalling \$10,631,114 was declared on 23 March 2016, and was paid (net of dividend reinvestment program) on 6 May 2016 (2015: four cents per share, totalling \$10,570,585).

A final dividend of seven cents per share totalling \$18,612,951 was declared on 21 September 2016, and will be paid on 11 November 2016 (2015: six cents per share, totalling \$15,933,435).

### Distributions

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

	Distribution rate %	Total amount \$000	Consolidated Payment date
<b>2016</b>			
Distribution	6.16	7,702	15 April 2016
Distribution	6.16	7,754	15 October 2015
		<b>15,456</b>	
<b>2015</b>			
Distribution	6.64	8,350	15 April 2015
Distribution	6.63	8,339	15 October 2014
		16,689	

\* 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 \$11.358 million (2015: \$12.261 million).

<b>Franking credit/(debit) balance</b>	<b>2016 \$000</b>	<b>2015 \$000</b>
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the year at 30% (2015: 30%)	529	3,503
Franking credits/(debits) that will arise from the payment of income tax payable/(refund) as at the end of the year	(1,440)	(4,437)
Credit/(debit) balance at 31 July	(911)	(934)

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 (\$910,825) (2015: \$934,467) franking credits/(debits).



# NOTES TO THE FINANCIAL STATEMENTS continued

## 30. Earnings per share

	Consolidated	
	2016 \$000	2015 \$000
Net profit for the year	27,478	43,049
Net profit attributable to non-controlling interest	41	171
Net profit attributable to equity holders of the parent	27,519	43,220
Nufarm step-up securities distribution	(11,358)	(12,261)
Earnings used in the calculations of basic and diluted earnings per share	16,161	30,959
Earnings from continuing operations	16,161	30,959
Subtract items of material income/(expense) (refer note 6)	(81,399)	(73,839)
Earnings excluding items of material income/(expense) used in the calculation of earnings per share excluding material items	97,560	104,798

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	
	2016	2015
Weighted average number of ordinary shares used in calculation of basic earnings per share	265,635,463	264,727,654
Weighted average number of ordinary shares used in calculation of diluted earnings per share	266,527,407	266,019,789

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	
	2016	2015
<b>Earnings per share for continuing and discontinued operations</b>		
<i>Basic earnings per share</i>		
From continuing operations	6.1	11.7
	6.1	11.7
<i>Diluted earnings per share</i>		
From continuing operations	6.1	11.6
	6.1	11.6
<i>Earnings per share (excluding items of material income/expense – see note 6)</i>		
Basic earnings per share	36.7	39.6
Diluted earnings per share	36.6	39.4

## 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.

# NOTES TO THE FINANCIAL STATEMENTS continued

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

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.

### 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:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
<b>Carrying amount</b>		
Trade and other receivables	<b>914,077</b>	780,493
Cash and cash equivalents	<b>281,444</b>	391,418
Derivative contracts:		
Assets	<b>27,581</b>	25,021
	<b>1,223,102</b>	1,196,932

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

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
<b>Carrying amount</b>		
Australia/New Zealand	<b>153,584</b>	98,591
Asia	<b>34,940</b>	39,148
Europe	<b>217,319</b>	214,423
North America	<b>38,283</b>	80,299
Latin America	<b>469,951</b>	348,032
Trade and other receivables	<b>914,077</b>	780,493

The group's top five customers account for \$113 million of the trade receivables carrying amount at 31 July 2016 (2015: \$94.7 million). These top five customers represent 15 per cent (2015: 15 per cent) of the total receivables.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 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	
	2016 \$000	2015 \$000
<b>Receivables ageing</b>		
Current	684,317	544,919
Past due – 0 to 90 days	73,652	79,158
Past due – 90 to 180 days	7,572	27,373
Past due – 180 to 360 days	17,137	11,624
Past due – more than one year	58,991	52,194
	841,669	715,268
Provision for impairment	(36,127)	(42,766)
Trade receivables	805,542	672,502

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.

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	
	2016 \$000	2015 \$000
Balance at 1 August	42,766	26,591
Provisions made during the year	3,967	18,447
Provisions used during the year	(10,076)	(821)
Provisions acquired through business combinations	–	–
Exchange adjustment	(530)	(1,451)
Balance at 31 July	36,127	42,766

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 continued

## 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.

As at 31 July 2016, the key group facilities include a group trade receivables securitisation facility, a US\$325 million senior unsecured notes offering due in October 2019, and a senior secured bank facility of \$485 million (31 July 2015: \$540 million).

On the 29 January 2016, the senior secured bank facility (SFA) was refinanced such that the total facility amount decreased to \$485 million (31 July 2015: \$540 million), of which \$30 million is due in January 2018, \$415 million is due in January 2019, and \$40 million is due in January 2021 (31 July 2015: \$150 million due in February 2018, \$30 million due in December 2017, \$350 million due in December 2016, and \$10 million due in December 2015). 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 2016 is \$4 million (2015: \$10 million).

On 23 August 2011, Nufarm executed A\$300 million group trade receivables securitisation facility. The facility provides funding that aligns with the working capital cycle of the company. Subsequent to execution, on 15 April 2015, a monthly facility limit was introduced for the group trade receivables securitisation facility to reflect the cyclical nature of the trade receivables being used to secure funding under the program. The monthly facility limit is set at \$300 million for four months of the financial year, \$375 million for three months of the financial year, and at \$225 million for five months of the financial year (31 July 2015: facility limit was set at \$300 million for four months of the financial year, \$375 million for three months of the financial year, and at \$225 million for five months of the financial year).

The US\$325 million senior unsecured notes (the 'notes') due in October 2019 were completed on 8 October 2012.

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 2016 totalled \$588 million (2015: \$526 million).

At 31 July 2016, the group had access to debt of \$1,805 million (2015: \$1,807 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, Latin America and the notes.

# NOTES TO THE FINANCIAL STATEMENTS continued

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

### Liquidity risk (continued)

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

<b>Consolidated 2016</b>	<b>Carrying amount \$000</b>	<b>Contractual cash flows \$000</b>	<b>Less than 1 year \$000</b>	<b>1–2 years \$000</b>	<b>More than 2 years \$000</b>
<b>Non-derivative financial liabilities</b>					
Bank overdrafts	–	–	–	–	–
Trade and other payables	700,744	700,744	684,015	6,325	10,404
Bank loans – secured	371,519	394,252	301,001	58,483	34,768
Bank loans – unsecured	98,991	107,472	86,697	12,582	8,193
Senior unsecured notes	428,800	524,203	27,258	27,258	469,687
Other loans – unsecured	3,539	3,539	787	2,752	–
Finance lease liabilities – secured	12,271	96,331	1,644	1,566	93,121
<b>Derivative financial liabilities</b>					
Derivatives used for hedging:					
Outflow	3,081	39,345	39,345	–	–
Inflow	–	(35,929)	(34,222)	(772)	(935)
Other derivative contracts:					
Outflow	12,546	433,768	433,768	–	–
Inflow	–	(421,004)	(421,004)	–	–
<b>Derivative financial assets</b>					
Derivatives used for hedging:					
Outflow	–	153,662	7,643	7,643	138,376
Inflow	(19,060)	(180,828)	(9,569)	(9,569)	(161,690)
Other derivative contracts:					
Outflow	–	396,197	396,197	–	–
Inflow	(8,521)	(404,782)	(404,782)	–	–
	<b>1,603,910</b>	<b>1,806,970</b>	<b>1,108,778</b>	<b>106,268</b>	<b>591,924</b>

# NOTES TO THE FINANCIAL STATEMENTS continued

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

### Liquidity risk (continued)

<b>Consolidated 2015</b>	<b>Carrying amount \$000</b>	<b>Contractual cash flows \$000</b>	<b>Less than 1 year \$000</b>	<b>1–2 years \$000</b>	<b>More than 2 years \$000</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
Unsecured note issues	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>

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.

# NOTES TO THE FINANCIAL STATEMENTS continued

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

### Currency risk (continued)

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 are designated as net investment hedges for hedge accounting purposes. No ineffectiveness was recognised from net investment hedges during the reporting periods.

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 derivative contracts in the group, not designated as being in a hedge relationship, used as economic hedges of forecast transactions at 31 July 2016 was a \$4.025 million liability (2015: \$4.424 million asset) comprising assets of \$8.521 million (2015: \$7.261 million) and liabilities of \$12.546 million (2015: \$2.837 million).

### Exposure to currency risk

The group's exposure to major foreign currency risks at balance date are as follows. The exposures are calculated based on locally reported net foreign currency exposures, and are presented net of open derivative financial instruments. The analysis is performed on the same basis as the previous financial year.

	Net financial assets/(liabilities) – by currency of denomination			
	AUD \$000	USD \$000	Euro \$000	GBP \$000
<b>Consolidated 2016</b>				
<i>Functional currency of group operation</i>				
Australian dollars	–	21,631	3,232	(6,114)
US dollars	(1,362)	–	–	–
Euro	3,908	13,759	–	2,202
UK pounds sterling	(268)	19,227	(255)	–
	<b>2,278</b>	<b>54,617</b>	<b>2,977</b>	<b>(3,912)</b>
<b>Consolidated 2015</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>

# NOTES TO THE FINANCIAL STATEMENTS continued

## 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 2016, a one per cent strengthening or weakening of the following currencies at 31 July 2016 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 31 July 2015.

	<b>Strengthening</b>	<b>Weakening</b>	<b>Strengthening</b>	<b>Weakening</b>
	<b>Profit or (loss)</b>	<b>Profit or (loss)</b>	<b>Profit or (loss)</b>	<b>Profit or (loss)</b>
	<b>after tax</b>	<b>after tax</b>	<b>after tax</b>	<b>after tax</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Currency movement</b>				
1% change in the Australian dollar exchange rate	(114)	115	(500)	505
1% change in the US dollar exchange rate	392	(388)	864	(856)
1% change in the Euro exchange rate	(118)	117	(303)	300
1% change in the GBP exchange rate	(158)	157	(57)	56

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:

<b>AUD</b>	<b>Average rate</b>		<b>Reporting date</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
US dollar	0.727	0.811	0.760	0.733
Euro	0.658	0.693	0.680	0.665
GBP	0.496	0.519	0.573	0.469
BRL	2.692	2.266	2.462	2.489

### 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\$485 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 are designated for hedge accounting. The group also uses interest rate swaps to manage the level of floating rate debt held by the group. These swaps effectively convert a portion of floating rate debt to fixed rate debt, and are predominately 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 per cent (2015: 3.90 per cent).



# NOTES TO THE FINANCIAL STATEMENTS continued

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

### Interest rate risk (continued)

#### Profile

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

	Consolidated Carrying amount	
	2016 \$000	2015 \$000
<b>Variable rate instruments</b>		
Financial assets	44,933	98,648
Financial liabilities	(790,576)	(713,377)
	<b>(745,643)</b>	<b>(614,729)</b>
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	(124,544)	(234,374)
	<b>(124,544)</b>	<b>(234,374)</b>

### 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 2016. 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 31 July 2015.

	Profit or loss	
	100bp increase \$000	100bp decrease \$000
<b>2016</b>		
Variable rate instruments	(7,456)	7,456
Total sensitivity	<b>(7,456)</b>	<b>7,456</b>
<b>2015</b>		
Variable rate instruments	(6,147)	6,147
Total sensitivity	<b>(6,147)</b>	<b>6,147</b>

### 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 \$131.6 million (2015: \$136.4 million), the fair value at 31 July 2016 is \$128.484 million (2014: \$136.439 million).

# NOTES TO THE FINANCIAL STATEMENTS continued

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

Fair values (continued)

<b>Consolidated 2016</b>	<b>Note</b>	<b>Available -for-sale \$000</b>	<b>Carried at fair value through profit or loss \$000</b>	<b>Derivatives used for hedging \$000</b>	<b>Financial assets/ liabilities at amortised cost \$000</b>	<b>Total \$000</b>
Cash and cash equivalents	15	–	–	–	281,444	281,444
Trade and other receivables	16	–	–	–	914,077	914,077
Equity securities – available-for-sale	20	38,564	–	–	–	38,564
Forward exchange contracts:						
Assets	16	–	8,521	–	–	8,521
Liabilities	24	–	(5,250)	–	–	(5,250)
Interest rate swaps:						
Assets	16	–	–	19,060	–	19,060
Liabilities	24	–	(7,296)	(3,081)	–	(10,377)
Trade and other payables excluding derivatives	24	–	–	–	(700,744)	(700,744)
Bank overdraft	15	–	–	–	–	–
Secured bank loans	25	–	–	–	(371,519)	(371,519)
Unsecured bank loans	25	–	–	–	(98,991)	(98,991)
Senior unsecured notes <sup>(a)</sup>	25	–	–	–	(428,800)	(428,800)
Other loans	25	–	–	–	(3,539)	(3,539)
Finance leases	25	–	–	–	(12,271)	(12,271)
		<b>38,564</b>	<b>(4,025)</b>	<b>15,979</b>	<b>(420,343)</b>	<b>(369,825)</b>

<b>Consolidated 2015</b>	<b>Note</b>	<b>Available -for-sale \$000</b>	<b>Carried at fair value through profit or loss \$000</b>	<b>Derivatives used for hedging \$000</b>	<b>Financial assets/ liabilities at amortised cost \$000</b>	<b>Total \$000</b>
Cash and cash equivalents	15	–	–	–	391,418	391,418
Trade and other receivables	16	–	–	–	780,493	780,493
Equity securities – available-for-sale	20	–	–	–	–	–
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)
		–	<b>4,424</b>	<b>9,899</b>	<b>(460,598)</b>	<b>(446,275)</b>

(a) Includes \$297.2 million (2015: \$301.9 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 continued

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

### Fair values (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).

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>Consolidated 2016</b>				
Equity securities – available-for-sale	38,564	–	–	38,564
Derivative financial assets	–	27,581	–	27,581
	38,564	27,581	–	66,145
Derivative financial liabilities	–	(15,627)	–	(15,627)
	–	(15,627)	–	(15,627)
<b>Consolidated 2015</b>				
Equity securities – available-for-sale	–	–	–	–
Derivative financial assets	–	25,021	–	25,021
	–	25,021	–	25,021
Derivative financial liabilities	–	(10,698)	–	(10,698)
	–	(10,698)	–	(10,698)

There have been no transfers between levels in either 2016 or 2015.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS continued

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

### 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 shareholders' 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 2016 was 13.1 per cent (2015: 11 per cent).

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

## 32. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
	2016	2015
	\$000	\$000
Not later than one year	12,247	12,954
Later than one year but not later than two years	9,033	9,327
Later than two years but not later than five years	19,969	23,259
Later than five years	134,418	163,534
	<b>175,667</b>	209,074

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 \$7.713 million at 31 July 2016 (2015: \$3.787 million).

# NOTES TO THE FINANCIAL STATEMENTS continued

## 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	
	2016 \$000	2015 \$000
Guarantee facility for Eastern European joint ventures with FMC Corporation.	–	9,626
Environmental guarantee given to the purchaser of land and buildings at Gennevilliers for EUR 8.5 million.	12,500	12,782
Insurance bond for EUR 2.789 million established to make certain capital expenditures at Gaillon plant in France.	4,102	4,195
Brazilian taxation proceedings.	23,699	20,114
Other bank guarantees.	775	–
<b>Contingent liabilities</b>	<b>41,076</b>	<b>46,717</b>

### Brazilian taxation proceedings

As at 31 July 2016, the total contingent liability relating to future potential tax liabilities in Brazil is \$23.7 million (2015: \$20.1 million). The group considers that it is not probable that a liability will arise in respect of these cases and it continues to defend the cases.

### Brazilian business acquisition

The group has previously disclosed an ongoing arbitration related to indemnities held in respect of the purchase of the Brazilian business in 2007. The arbitration was completed in November 2015 and upon conclusion of this matter, no significant tax liabilities are expected to be deemed as indemnified in the foreseeable future. No material income statement impact arose on the conclusion of the November 2015 arbitration.

### Contingent asset

The group holds 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 continued

## 35. Group entities

	Note	Place of incorporation	Percentage of shares held	
			2016	2015
<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	100
Artfern Pty Ltd	(a)	Australia	100	100
Atlantica Sementes SA		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

# NOTES TO THE FINANCIAL STATEMENTS continued

## 35. Group entities (continued)

	Note	Place of incorporation	Percentage of shares held	
			2016	2015
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 Anonima		Guatemala	100	100
Marman de Mexico Sociedad Anonima 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
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

# NOTES TO THE FINANCIAL STATEMENTS continued

## 35. Group entities (continued)

	Note	Place of incorporation	Percentage of shares held	
			2016	2015
Nufarm Australia Limited	(a)	Australia	100	100
Nufarm Bulgaria		Bulgaria	100	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



# NOTES TO THE FINANCIAL STATEMENTS continued

## 35. Group entities (continued)

	Note	Place of incorporation	Percentage of shares held	
			2016	2015
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	100
Nufarm Pensions Scottish Limited Partnership		United Kingdom	100	100
Nufarm Peru SAC		Peru	100	100
Nufarm Platte Pty Ltd	(a)	Australia	100	100
Nufarm Polska SPZ O.O	(b)	Poland	100	50
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	100
Nufarm UK Limited		United Kingdom	100	100

# NOTES TO THE FINANCIAL STATEMENTS continued

## 35. Group entities (continued)

	Note	Place of incorporation	Percentage of shares held	
			2016	2015
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		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 Nufamindo Agro Mukmur		Indonesia	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 F&N Argo Polska SPZ O.O and operated under a joint venture agreement with FMC Corporation.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 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 2016 is set out as follows:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
<b>Summarised income statement and retained profits</b>		
Profit/(loss) before income tax expense	88,017	(17,961)
Income tax expense	(4,824)	(1,689)
Net profit attributable to members of the closed group	83,193	(19,650)
Retained profits at the beginning of the period	(6,273)	37,165
Adjustments for entities entering the deed of cross guarantee	–	–
Dividends paid	(26,564)	(23,788)
Retained profits at the end of the period	50,356	(6,273)
<b>Balance sheet</b>		
<b>Current assets</b>		
Cash and cash equivalents	50,541	73,607
Trade and other receivables	645,435	582,276
Inventories	177,121	202,553
Current tax assets	7,512	8,989
Other investments	38,564	–
<b>Total current assets</b>	<b>919,173</b>	<b>867,425</b>
<b>Non-current assets</b>		
Trade and other receivables	21,553	19,401
Investments in equity accounted investees	374	9,111
Other investments	1,216,126	1,200,606
Deferred tax assets	63,624	65,072
Property, plant and equipment	122,095	114,616
Intangible assets	124,600	110,911
<b>Total non-current assets</b>	<b>1,548,372</b>	<b>1,519,717</b>
<b>TOTAL ASSETS</b>	<b>2,467,545</b>	<b>2,387,142</b>
<b>Current liabilities</b>		
Trade and other payables	695,241	729,289
Loans and borrowings	–	5,748
Employee benefits	8,876	9,626
Current tax payable	1,560	4,030
Provision	5,745	3,735
<b>Total current liabilities</b>	<b>711,422</b>	<b>752,428</b>
<b>Non-current liabilities</b>		
Payables	212	5,150
Loans and borrowings	424,237	432,547
Deferred tax liabilities	16,212	13,828
Employee benefits	7,332	9,003
<b>Total non-current liabilities</b>	<b>447,993</b>	<b>460,528</b>
<b>TOTAL LIABILITIES</b>	<b>1,159,415</b>	<b>1,212,956</b>
<b>NET ASSETS</b>	<b>1,308,130</b>	<b>1,174,186</b>
<b>Equity</b>		
Share capital	1,147,259	1,074,119
Reserves	110,515	106,340
Retained earnings	50,356	(6,273)
<b>TOTAL EQUITY</b>	<b>1,308,130</b>	<b>1,174,186</b>

# NOTES TO THE FINANCIAL STATEMENTS continued

## 37. Parent entity disclosures

	Company	
	2016 \$000	2015 \$000
<b>Result of the parent entity</b>		
(Loss)/profit for the period	19,927	8,866
Other comprehensive income	2,527	1,841
Total comprehensive profit/(loss) for the period	22,454	10,707
<b>Financial position of the parent entity at year end</b>		
Current assets	1,067,008	1,087,435
Total assets	1,424,788	1,459,583
Current liabilities	190,012	225,978
Total liabilities	188,838	224,804
<b>Total equity of the parent entity comprising of:</b>		
Share capital	1,080,768	1,074,119
Reserves	42,988	41,829
Accumulated losses	(31,536)	(31,536)
Retained earnings <sup>(a)</sup>	143,730	150,367
<b>Total equity</b>	<b>1,235,950</b>	<b>1,234,779</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 \$26.564 million (2015: \$23.788 million) were distributed from the retained earnings during the year.

### Parent entity contingencies

The parent entity is one of the guarantors of the senior secured bank facility (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 Latin America 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 2016 or 2015.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 38. Reconciliation of cash flows from operating activities

	Consolidated	
	2016 \$000	2015 \$000
<b>Cash flows from operating activities</b>		
Profit/(loss) for the period	27,478	43,049
Adjustments for:		
Dividend from associated company	473	401
Amortisation	43,359	34,948
Depreciation	41,665	45,260
Non-cash material items	59,173	43,955
Inventory write down excluding material items	–	6,633
Gain on disposal of non-current assets and investments	4,036	(1,623)
Share of (profits)/losses of associates net of tax	(1,397)	(1,120)
Financial expense	112,159	82,329
Interest paid	(106,626)	(73,182)
Tax expense	22,161	31,961
Taxes paid	(22,262)	(43,149)
	<b>180,219</b>	169,462
Movements in working capital items:		
(Increase)/decrease in receivables	(114,742)	(6,404)
(Increase)/decrease in inventories	61,841	(131,954)
Increase/(decrease) in payables	(20,984)	163,258
Exchange rate change on foreign controlled entities working capital items	31,041	34,148
	<b>(42,844)</b>	59,048
<b>Net operating cash flows</b>	<b>137,375</b>	228,510

## 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.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 39. Related parties (continued)

### (b) Transactions with associated parties

		Consolidated	
		2016	2015
		\$000	\$000
Excel Crop Care Ltd	Purchases from	4,189	6,677
	Trade payable	3,355	4,573
F&N joint ventures	Sales to	19,551	50,756
	Trade payable	2	167
	Trade receivable	12,660	34,767
Sumitomo Chemical Company Ltd	Sales to	34,900	32,535
	Purchases from	136,181	110,894
	Trade receivable	17,261	20,843
	Trade payable	48,529	40,260
Lotus Agrar GmbH	Sales to	-	20,390
	Trade receivable	-	3,590
	Trade payable	-	-

These transactions were undertaken on commercial terms and conditions.

On 1 November 2015, the F&N joint venture involving FMC Corporation and Nufarm operating in Poland was acquired by Nufarm (refer note 14). At this point this joint venture ceased to be an associated party and became a 100 per cent owned subsidiary. The amounts disclosed for the F&N joint ventures only include amounts up to 31 October 2015 with respect to the F&N joint venture operating in Poland.

During the year ended 31 July 2015, Nufarm divested its interest the Lotus Agrar GmbH joint venture and ceased to recognise Lotus Agrar GmbH as an associated party.

### (c) Key management personnel compensation

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

		Consolidated	
		2016	2015
		\$	\$
Short term employee benefits		5,565,176	6,982,311
Post-employment benefits		452,243	362,186
Equity compensation benefits		1,233,768	689,581
Termination benefits		-	3,265,747
Other long term benefits		-	281,275
		<b>7,251,187</b>	<b>11,581,100</b>

### Individual director's and executive's compensation disclosures

Information regarding individual directors and executives compensation is provided in the remuneration report section of the directors' report.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 39. Related parties (continued)

### (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 directors' 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 arm's-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 2016 (2015: nil).

## 40. Auditors' remuneration

	Consolidated	
	2016	2015
	\$	\$
<b>Audit services</b>		
<i>KPMG Australia</i>		
Audit and review of group financial report	510,000	498,000
<i>Overseas KPMG firms</i>		
Audit and review of group and local financial reports	1,470,122	1,250,000
	<b>1,980,122</b>	1,748,000
<i>Other auditors</i>		
Audit and review of financial reports	222,788	159,680
Audit services remuneration	<b>2,202,910</b>	1,907,680
<b>Other services</b>		
<i>KPMG Australia</i>		
Other assurance services	21,000	–
Other advisory services	–	–
<i>Overseas KPMG firms</i>		
Other assurance services	16,667	62,296
Other advisory services	75,000	159,486
Other services remuneration	<b>112,667</b>	221,782

## 41. Subsequent events

A final dividend of seven cents per share, totalling \$18,612,951, was declared on 21 September 2016, and will be paid on 11 November 2016 (2015: six cents per share, totalling \$15,933,435).

On 30 June 2016, Sumitomo Chemical Company Limited acquired a 45 per cent stake in Excel Crop Care and declared an open market offer for an additional 30 per cent stake which subsequently closed on 9 September 2016. Nufarm has registered to participate in the open market offer proposed by Sumitomo Chemical Company Limited. Nufarm is awaiting confirmation from the Bombay Securities Exchange regarding the sale of its interest in Excel Crop Care.

# 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 2016 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 2016.
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 21st day of September 2016.



DG McGauchie AO  
Director



GA Hunt  
Director



# 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 2016, 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.

# INDEPENDENT AUDITOR'S REPORT continued

to the members of Nufarm Limited

## 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 2016 and of their 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 2016. 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 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Gordon Sangster  
Partner

Melbourne  
21 September 2016

# SHAREHOLDER AND STATUTORY INFORMATION

## Details of shareholders, shareholdings and top 20 shareholders

<b>Listed securities – 23 September 2016</b>	<b>Number of holders</b>	<b>Number of securities</b>	<b>Percentage held by top 20</b>
Fully paid ordinary shares	8,439	265,899,295	89.10

<b>Twenty largest shareholders</b>	<b>Ordinary shares as at 23.09.16</b>	<b>Percentage of issued capital as at 23.09.16</b>
Sumitomo Chemical Company Limited	60,210,136	22.64
J M Morgan Nominees Australia Limited	55,149,552	20.74
HSBC Custody Nominees (Australia) Limited	35,248,010	13.26
Citicorp Nominees Pty Limited	28,900,607	10.87
National Nominees Limited	19,634,948	7.38
Amalgamated Dairies Limited	12,934,328	4.86
BNP Paribas Noms Pty Ltd <DRP>	5,404,476	2.03
Avalon Investment Trust Ltd	4,535,282	1.71
Challenge Investment Company Limited	3,130,282	1.18
Forsyth Barr Custodians Ltd <Forsyth Barr Ltd-Nominee A/C>	1,859,961	0.70
Pacific Custodians Pty Limited <Global Share Plan TST A/C>	1,739,096	0.65
Douglas Industries Limited	1,170,866	0.44
CPU Share Plans Pty Ltd <GIP Control Account>	1,138,548	0.43
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,096,998	0.41
Investment Custodial Services Limited <C A/C>	973,496	0.37
Moturua Properties Ltd	964,455	0.36
RBC Investor Services Australia Pty Limited <VFA A/C>	946,493	0.36
Mirrabooka Investments Limited	909,308	0.34
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	487,315	0.18
The Khyber Pass Investment Company Limited	480,792	0.18
<b>Totals: Top 20 holders of all ordinary shares</b>	<b>236,914,949</b>	<b>89.10</b>
<b>Total remaining holders balance</b>	<b>28,984,346</b>	<b>10.90</b>

<b>Distribution of shareholders</b>	<b>Number of holders as at 23.09.16</b>	<b>Ordinary shares held as at 23.09.16</b>
Size of holding		
1–1,000	4,205	1,716,487
1,001–5,000	3,234	7,566,498
5,001–10,000	596	4,207,699
10,001–100,000	350	7,580,577
100,001 and over	54	244,828,034

Of these, 750 shareholders held less than a marketable parcel of shares of \$500 worth of shares (56 shares). In accordance with the ASX Listing Rules, the last sale price of the company's shares on the ASX on 23 September 2016 was used to determine the number of shares in a marketable parcel.

# SHAREHOLDER AND STATUTORY INFORMATION continued

## Stock exchanges on which securities are listed

Ordinary shares: Australian Securities Exchange (ASX).

## Substantial shareholders

In accordance with section 671B of the Corporations Act, as at 23 September 2016, the substantial shareholders set out below have notified the company of their respective relevant interest in voting shares in the company shown adjacent to their respective names as follows:

## Number and percentage of shares in which interest held at date of notice

	<b>Date of notice</b>	<b>Number</b>	<b>Interest %</b>
Ellerston Capital Limited	21 September 2016	25,261,059	9.50
Zhang Hua on behalf of himself and his controlled entities			
Power Growth Global Limited and Brecken International Limited	26 August 2016	16,394,482	6.1657
Sumitomo Chemical Company Limited	10 June 2011	60,210,136	23
Nufarm Limited <sup>1</sup>	10 June 2011	60,210,136	23

1. Nufarm Limited has a relevant interest in the shares held by Sumitomo Chemical Company. The relevant interest arises under a Shareholder Deed dated 22 January 2010 between Nufarm and Sumitomo which contains certain obligations relating to the voting and disposal of shares in Nufarm by Sumitomo.

## Voting rights

On a show of hands, every shareholder present in person or represented by a proxy or representative shall have one vote and on a poll every shareholder who is present in person or represented by a proxy or representative shall have one vote for every fully paid share held by the shareholder.

# SHAREHOLDER AND STATUTORY INFORMATION continued

## Shareholder information

### Annual general meeting

The annual general meeting of Nufarm Limited will be held on Thursday 1 December 2016 at 10.00am in Bourke Rooms 2 and 3, Level 2, RACV Club, 501 Bourke Street, Melbourne, Victoria. Full details are contained in the notice of meeting sent to all shareholders.

### Voting rights

Shareholders are encouraged to attend the annual general meeting. However, when this is not possible, they are encouraged to use the form of proxy by which they can express their views. Proxy voting can be completed online via [www.nufarm.com/annualgeneralmeeting](http://www.nufarm.com/annualgeneralmeeting) or via post by completing the proxy form and sending it back in the return envelope.

Every shareholder, proxy or shareholder's representative has one vote on a show of hands. In the case of a poll, each share held by every shareholder, proxy or representative is entitled to:

- (a) one vote for each fully paid share; and
- (b) voting rights in proportion to the paid up amount of the issue price for partly paid shares.

### Stock exchange listing

Nufarm shares are listed under the symbol NUF on the ASX. The securities of the company are traded on the ASX under CHESS (Clearing House Electronic Sub-register System), which allows settlement of on-market transactions without having to reply on paper documentation.

Shareholders seeking more information about CHESS should contact their stockbroker or the ASX.

# SHAREHOLDER AND STATUTORY INFORMATION continued

## Shareholder details

The Nufarm Limited Share Register is managed by Computershare Investor Services. You can gain access to your shareholding information in the following ways.

### Online via Investor Centre

Details of individual shareholdings can be checked by visiting our share registry's website at [www.investorcentre.com](http://www.investorcentre.com)

Existing users can simply log in. New users will need to create a log in. You will need to enter your security reference number (SRN) or holder identification number (HIN), your postcode or country of residence, enter Nufarm as the company name and then follow the prompts to complete registration.

### By telephone via InvestorPhone:

InvestorPhone provides telephone access 24 hours a day seven days a week.

Step 1 Call the Nufarm shareholder information line on 1300 652 479 (within Australia) or +61 3 9415 4360 (outside Australia).

Step 2 Follow the prompts to gain secure, immediate access to your:

- holding details
- registration details
- payment information

## Shareholder communications

You can choose to receive shareholder communications electronically. Register for this initiative at [www.eTree.com.au/nufarm](http://www.eTree.com.au/nufarm) and a donation of \$1 will go to Landcare to support urgent reforestation projects in Australia and New Zealand.

The default for receiving the annual report is now via the company's website – [www.nufarm.com](http://www.nufarm.com)

# SHAREHOLDER AND STATUTORY INFORMATION continued

## Shareholder enquiries

### Contact:

Computershare Investor Services  
Yarra Falls, 452 Johnston Street  
Abbotsford Victoria 3067  
GPO Box 2975  
Melbourne Victoria 3001

Telephone: 1300 652 479 (within Australia)  
+61 3 9415 4360 (outside Australia)

Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)

## Key dates

26 October 2016*	Annual report sent to shareholders
1 December 2016	Annual general meeting
22 March 2017*	Announcement of profit result for half year ending 31 January 2016
31 July 2017	End of financial year

\* Subject to confirmation.

For enquiries relating to the operations of the company, please contact the Nufarm Corporate Affairs Office on:

Telephone: +61 3 9282 1177  
Facsimile: +61 3 9282 1111  
Email: [corporate.information@au.nufarm.com](mailto:corporate.information@au.nufarm.com)

Written correspondence should be directed to:

Corporate Affairs Office  
Nufarm Limited  
PO Box 103  
Laverton Victoria 3028 Australia

# DIRECTORY

## Directors

DG McGauchie AO – chairman  
GA Hunt – managing director  
AB Brennan  
GR Davis  
FA Ford  
Dr WB Goodfellow  
PM Margin  
T Takasaki

## Company secretary

R Heath

## Solicitors

Arnold Bloch Leibler & Co  
333 Collins Street  
Melbourne Victoria 3000 Australia

## Auditors

KPMG  
147 Collins Street  
Melbourne Victoria 3000 Australia

## Trustee for Nufarm step-up securities

The Trust Company (Australia) Limited  
Level 15, 20 Bond Street  
Sydney NSW 2000 Australia

## Share registrar

Australia  
Computershare Investor Services Pty Ltd  
GPO Box 2975EE  
Melbourne Victoria 3001 Australia  
Telephone: 1300 850 505  
Outside Australia: +61 3 9415 4000

## Step-up securities registrar

New Zealand  
Computershare Registry Services Limited  
Private Bag 92119  
Auckland NZ 1020  
Telephone: +64 9 488 8700

## Registered office

103–105 Pipe Road  
Laverton North Victoria 3026 Australia  
Telephone: +61 3 9282 1000  
Facsimile: +61 3 9282 1001

## NZ branch office

6 Manu Street  
Otahuhu Auckland New Zealand  
Telephone: +64 9 270 4157  
Facsimile: +64 9 267 8444

## Website

[www.nufarm.com](http://www.nufarm.com)

Nufarm Limited  
ACN 091 323 312





103-105 Pipe Road  
Laverton North Victoria 3026 Australia  
Telephone: +61 3 9282 1000  
Facsimile: +61 3 9282 1001  
[nufarm.com](http://nufarm.com)

# NOTICE OF ANNUAL GENERAL MEETING

## 2016

Notice is given that the 100th Annual General Meeting ('AGM') of Shareholders of Nufarm Limited (the 'Company') will be held in Victoria at the RACV Club, Bourke Rooms 2 and 3, Level 2, 501 Bourke Street Melbourne on Thursday 1 December 2016 at 10.00am AEDT.



**Nufarm**

**Grow a better tomorrow.**



# NOTICE OF ANNUAL GENERAL MEETING

## Ordinary Business

### 1. Financial Reports and Statements

To receive and consider the Financial Report, the Directors' Report and the Auditor's Report for the year ended 31 July 2016.

### 2. Remuneration Report

To receive, consider and adopt the Remuneration Report for the year ended 31 July 2016.

### 3. Re-election of Directors

To consider, and if thought fit, pass each of the following resolutions as a separate resolution:

- (a) That Mr Donald McGauchie AO, who retires by rotation in accordance with the Company's constitution and ASX Listing Rule 14.4 and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.
- (b) That Mr Toshikasu Takasaki, who retires by rotation in accordance with the Company's constitution and ASX Listing Rule 14.4 and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.

## Special Business

### 4. Issue of Deferred Shares to Managing Director and CEO – Mr Greg Hunt

To consider, and if thought fit, pass the following resolution:

"That, for the purpose of Listing Rule 10.14, approval be given to the issue of 23,927 Deferred Shares to the Company's Managing Director and Chief Executive Officer, Mr Greg Hunt in accordance with the terms of the Company's GIP as set out in the Explanatory Notes which accompany the Notice of AGM."

### 5. Amendment to Constitution – Proportional Takeover Approval Provisions

To consider, and if thought fit, pass the following special resolution:

"That the Constitution of the Company be amended by re-inserting clauses 13.7A and 13.7B after 13.7 as set out in Attachment A for a period of three years.

By Order of the Board



Rodney Heath  
Company Secretary

29 September 2016

# NOTICE OF ANNUAL GENERAL MEETING continued

## 1. Defined Terms

Capitalised terms used in this Notice of AGM (including those used in the items set out in this Notice) have, unless otherwise defined, the same meanings as set out in the Explanatory Notes attached to this Notice.

## 2. Materials accompanying this Notice

The following materials accompany this Notice:

- (a) the Financial Report, Directors' Report and Auditor's Report, including the Remuneration Report, if you have elected to receive a printed copy and have not withdrawn that election;
- (b) the Explanatory Notes setting out details relevant to the business set out in this Notice; and
- (c) a Proxy Form.

## 3. Voting and required majority – Corporations Act

- (a) In accordance with section 249HA of the Corporations Act for **resolutions 2 to 4** (both inclusive) to be effective:
  - (i) not less than 28 days written notice specifying the intention to propose the resolutions has been given; and
  - (ii) each resolution must be passed by more than 50 per cent of all the votes cast by Shareholders entitled to vote on the resolutions (whether in person or by proxy, attorney or representative).

- (b) In accordance with sections 136(2) and 249HA of the Corporations Act for **resolution 5** to be effective:

- (i) not less than 28 days written notice specifying the intention to propose the resolution as a special resolution has been given; and
  - (ii) the special resolution must be passed by at least 75 per cent of all the votes cast by Shareholders entitled to vote on the special resolution (whether in person or by proxy, attorney or representative).
- (c) Subject to paragraph 4 below, on a show of hands every Shareholder has one vote and, on a poll, every Shareholder has one vote for each Ordinary Share held.

## 4. Voting Exclusions – Items 2 and 4

### (a) Item 2

In accordance with the Corporations Act, a member of the Company's Key Management Personnel ('KMP') whose remuneration is included in the Remuneration Report and closely related parties of such a KMP, will not be eligible to vote on **resolution 2**. However, a person may vote if the vote is not cast on behalf of a KMP or a closely related party of the KMP and the person:

- (i) votes as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (ii) is the Chairman of the AGM appointed as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides even though these resolutions are connected with the remuneration of a member of the KMP.

### (b) Item 4

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on **resolution 4** by the Managing Director and Chief Executive Officer, Mr Greg Hunt, and his associates and any other Director and their respective associates (except if ineligible to participate in the GIP). However, the Company will not disregard a vote if it is cast by:

- (i) a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (ii) is the Chairman of the AGM appointed as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

As Mr Greg Hunt is a member of KMP, in accordance with the Corporations Act, a vote must not be cast on **resolution 4** by him or any other KMP, or a closely related party of Mr Greg Hunt or any other KMP, acting as a proxy if the Proxy Form does not specify the way the proxy is to vote on this resolution. However, the Company will not disregard any proxy votes cast on this resolution by a KMP if the KMP is the Chairman of the AGM acting as a proxy and the appointment expressly authorises the Chairman to exercise the proxy even though this resolution is connected with the remuneration of Mr Greg Hunt.

# NOTICE OF ANNUAL GENERAL MEETING continued

## 5. Shareholders Eligible to Vote

Pursuant to regulation 7.11.37 of the Corporations Regulations 2001, the Board has determined that, for the purposes of the AGM, all Ordinary Shares in the Company will be taken to be held by the persons registered as Shareholders at **7.00pm AEDT on Tuesday 29 November 2016** ('Effective Time').

## 6. Proxies and Representatives

- (a) All Shareholders at the Effective Time who are entitled to attend at the AGM may appoint a proxy for that purpose.
- (b) A proxy need not be a Shareholder of the Company.
- (c) The Proxy Form sent to you with this Notice should be used for the AGM unless you appoint your proxy online as set out in clause 6(g) below.
- (d) Each Shareholder who is entitled to cast two or more votes at the AGM, may appoint up to two proxies and may specify the proportion or number of votes that each proxy is entitled to exercise. If a Shareholder **does not** specify the proportion or number of that Shareholder's votes each proxy may exercise, each proxy will be entitled to exercise half of the votes. An additional Proxy Form will be supplied by the Company on request.
- (e) Any Shareholder may appoint an attorney to act on behalf of the Shareholder at the AGM. The power of attorney, or a certified copy of it, must be received by the Company as set out in clause 6(g) below.
- (f) Any corporation which is a Shareholder of the Company may appoint a representative to act on its behalf. Appointments of representatives must be received by the Company as set out in clause 6(g) below at any time before the time of the meeting, or adjourned meeting, or at the meeting.
- (g) Proxies and powers of attorney granted by Shareholders must be received by the Company by no later than **10.00am AEDT on Tuesday, 29 November 2016**:
  - (i) electronically, by visiting [www.investorvote.com.au](http://www.investorvote.com.au) and following the instructions provided **but** a proxy cannot be appointed online if appointed under power of attorney or similar authority; **or**
  - (ii) at the Company's share registry in Australia – Computershare Investor Services Pty. Limited, GPO Box 242, Melbourne, Victoria, 3001; **or**
  - (iii) by fax at the Company's share registry – fax number 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); **or**
  - (iv) for Intermediary Online subscribers **only** (custodians) – electronically by visiting [www.intermediaryonline.com](http://www.intermediaryonline.com).

Please refer to the Proxy Form accompanying this Notice for more information.

# EXPLANATORY NOTES

## 1. General

- (a) These Explanatory Notes contain information relevant to the business referred to in the Notice of AGM of Nufarm Limited (the 'Company'), which they accompany. **These Explanatory Notes should be read carefully by Shareholders prior to the AGM.**
- (b) All capitalised terms used in these Explanatory Notes have the meanings set out in the Glossary of Terms located at the end of this document.
- (c) Further details relating to each item in the Notice of AGM is set out below.

## 2. Business

### (a) Item 1: Financial Reports and Statements

The Financial Report, Directors' Report and Auditor's Report of the Nufarm Group, prepared on a consolidated single entity basis for the most recent financial year, will be laid before the AGM as required by the Corporations Act. This item does not require Shareholder approval.

The Chairman will give Shareholders the opportunity to ask questions and make comments on the financial statements and reports and to ask the Auditor questions relevant to the Auditor's Report or conduct of the audit. Shareholders are entitled to submit questions relevant to the content of the Auditor's Report or the conduct of the audit, in writing, to the Company up to five business days prior to the AGM. The Company will pass on any questions received to the Auditor prior to the AGM. The Auditor may, but is not obligated to, answer any written or oral questions that are put to it by Shareholders.

The Financial Report, Directors' Report and Auditor's Report are available from the Company's website at [www.nufarm.com/AnnualReports](http://www.nufarm.com/AnnualReports). In accordance with the Corporations Act, a printed copy of these reports has only been sent to Shareholders who have asked for them.

### (b) Item 2: Remuneration Report

The Remuneration Report (which forms part of the Directors' Report) is required to include discussion on a number of issues relating to remuneration policy and its relationship to the Nufarm Group's performance. Shareholders are asked to consider the Remuneration Report in accordance with section 250R(2) of the Corporations Act. The vote on this resolution is advisory only and is not binding on the Board.

If 25 per cent or more of the votes cast on this resolution are against adoption of the Remuneration Report, the Company will be required to consider, and report to Shareholders on, what action (if any) has been taken to address Shareholders' concerns at next year's annual general meeting.

### Directors' Recommendation

The Directors unanimously recommend Shareholders vote in favour of adopting the Remuneration Report. As stated in the Notice of AGM, each of the KMPs whose remuneration is included in the Remuneration Report and closely related parties of those KMPs are not eligible to vote on this Resolution, except as stated in the Notice of AGM.

The Chairman intends to vote all available proxies in favour of this Resolution.

### (c) Items 3(a) and 3(b): Re election of Directors

Each re-election will be conducted as a separate resolution.

### Mr Donald McGauchie AO

Donald McGauchie AO joined the board in 2003 and was appointed chairman on 13 July 2010.

He has wide commercial experience within the agricultural, food processing, commodity trading, finance and telecommunication sectors. He also has extensive public policy experience, having previously held several high-level advisory positions to the government including the Prime Minister's Supermarket to Asia Council, the Foreign Affairs Council and the Trade

Policy Advisory Council. He is a former member of the board of the Reserve Bank of Australia.

Donald is chairman of Australian Agricultural Company Limited and a director of GrainCorp Limited. In the past three years, Donald was a director of James Hardie Industries plc.

Donald is chairman of the nomination and governance committee and a member of the human resources committee.

### Mr Toshikazu Takasaki

Toshikazu Takasaki joined the Board in 2012.

Mr Takasaki represents the interests of 23 per cent shareholder Sumitomo Chemical Company (SCC).

He has a bachelor of Business Administration from the University of Tokyo and is a former executive of SCC holding senior management positions in businesses relating to crop protection, both within Japan and in the US. He is now a business consultant with a national qualification registered by the Japanese Ministry of Economy, Trade and Industry as a small and medium sized Enterprise Consultant.

He brings broad industry and international experience to the Board.

Toshikazu is a member of the health, safety and environment committee.

### Directors' Recommendation

The continuing Directors unanimously support, and recommend, the re-election of Mr McGauchie and the re-election of Mr Takasaki.

The Chairman intends to vote all available proxies in favour of these Resolutions.

### (d) Items 4: Issue of Deferred Shares to Managing Director and CEO – Mr Greg Hunt

#### Background

Item 4 set out in the Notice of AGM seeks approval to the proposed issue of 23,927 Deferred Shares to Mr Greg Hunt, the Company's

# EXPLANATORY NOTES continued

Managing Director and CEO, in accordance with the terms of the GIP.

As part of the Board's annual review of senior executive remuneration, the remuneration package for Mr Hunt for the 2016 financial year will comprise three components, each of which are described in the Remuneration Report: fixed annual remuneration ('FAR'), a long term incentive opportunity and a short term incentive award of \$437,684 ('STI Value') consisting of a 50 per cent cash payment and a 50 per cent grant of Deferred Shares.

The Directors (excluding Mr Hunt) have taken into consideration the nature of Mr Hunt's position, the purpose of the short term component of the Company's remuneration strategy and other relevant information provided by independent consultants, Ernst & Young, and the Company's Human Resources Committee.

The Board have decided to invite Mr Hunt to participate in the GIP and will offer him 23,927 Deferred Shares.

The issue of the Deferred Shares to Mr Hunt is conditional on Shareholder approval.

## Level of participation by Mr Greg Hunt

If Shareholders approve this resolution, 50 per cent of Mr Hunt's STI Value will be made available to him in the form of Deferred Shares, subject to the terms set out below. The number of Deferred Shares to be issued to Mr Hunt has been calculated by dividing 50 per cent of the STI Value by the volume weighted average market price of Ordinary Shares traded on the ASX in the five trading days following (and including) 22 September 2016.

Mr Hunt currently holds, indirectly through associated entities, 143,845 Ordinary Shares. At the date of this Notice, on a fully diluted basis (excluding all performance rights and indeterminate rights granted in accordance with Mr Hunt's employment contract and under the terms of the LTIP), Mr Hunt has a 0.054% relevant interest in voting rights in the Company. If Shareholders approve the issue of

these Deferred Shares to Mr Hunt and all the issued rights become a right to Ordinary Shares in the Company, Mr Hunt's relevant interest in the Company will increase by 0.108 per cent to 0.162 per cent on a fully diluted basis, based on the issued capital of the Company as at the date of the Notice of AGM.

## Key terms of the Deferred Shares

- (a) The Deferred Shares will be issued to Mr Hunt for no cash consideration as soon as possible after the AGM if Shareholders approve this resolution. In any event, the Deferred Shares will be issued no later than 12 months after the date of the AGM.
- (b) The Deferred Shares will vest **only** if Mr Hunt remains in continual employment for two years following the grant date of the Deferred Shares ('**Vesting Period**').
- (c) Deferred Shares which have not vested will automatically lapse if Mr Hunt ceases to be employed by the Company (whether temporarily or otherwise) in circumstances other than death, total and permanent disability, retirement over the age of 60 years, contract severance by the Company without cause, retrenchment or such other reason determined by the Board ('**Qualifying Reason**').
- (d) Deferred Shares which have not vested may be clawed back where:
  - a. Mr Hunt has, in the opinion of the Board, committed an act of fraud; or
  - b. the Board determines that the issue of Deferred Shares is contrary to the Company's financial interests and:
    - i. the Company terminates Mr Hunt's employment for reasons justifying summary dismissal, such as serious misconduct; and/or
    - ii. the Company's financial performance was misstated which resulted in substantial adverse consequences for the Company.

- (e) Deferred Shares may be capable of accelerated vesting in the event of a takeover bid or scheme of arrangement resulting in a change of control of the Company or following cessation of employment for a Qualifying Reason on terms determined by the Board.
- (f) On vesting of a Deferred Share, Mr Hunt will be entitled to receive one Ordinary Share for no consideration and until conversion into an Ordinary Share, the Deferred Share will be held on trust by the trustee for the time being of the GIP, on the terms of the rules of the GIP.
- (g) Ordinary Shares to be allocated on vesting and exercise of any Deferred Shares may be satisfied by the issue of new Ordinary Shares or acquired on market. All new Ordinary Shares will rank, in all respects, equally with all other Ordinary Shares of and the Company will apply for quotation of the new Ordinary Shares on ASX.
- (h) If there is a reorganisation of the Company's capital, the rights attaching to Deferred Shares will be adjusted to comply with the ASX Listing Rules to the extent necessary to reflect the effects of the reorganisation.

## Additional information

The ASX Listing Rules require that this Notice include the following additional information.

Mr Hunt is the only Director who is eligible to participate in the GIP. No other Director or associate of a Director has been issued Deferred Shares or other securities under the GIP. No loans have been, or will be, granted to Mr Hunt in relation to his participation in the GIP and Mr Hunt is prohibited from entering into hedging transactions or arrangements in respect of these Deferred Shares without the Board's consent.



# EXPLANATORY NOTES continued

## Shareholder approval

Shareholders are asked to approve the issue of the Deferred Shares to Mr Greg Hunt in accordance with, and for the purpose of, ASX Listing Rule 10.14.

## Directors' recommendation

The Directors, other than Mr Greg Hunt, believe that the success of the Nufarm Group is dependent largely on the skills, motivation and leadership of Mr Greg Hunt in overseeing the management of the Nufarm Group's operations and strategy. The Directors (excluding Mr Greg Hunt) unanimously recommend that you vote in favour of this resolution.

As stated in the Notice of AGM, Mr Greg Hunt, his associates and his closely related parties and each other KMP and their respective closely related parties are not eligible to vote on this resolution, except as stated in the Notice of AGM.

## (e) Item 5: Amendment to Constitution – Proportional Takeover Approval Provision

### Background

Item 5 set out in the Notice of AGM seeks approval, by special resolution, to the proposed amendments to the Company's constitution to renew the proportional takeover approval provisions ('PTA Provisions'). The PTA Provisions were first inserted into the constitution at the Company's annual general meeting in December 2001 and were last renewed at the annual general meeting in December 2013.

The Corporations Act provides that the PTA Provisions cease to apply at the end of three years but can be renewed for a further period of three years or lesser period specified. The PTA Provisions contained in the Company's constitution will expire on 5 December 2016.

### PTA Provisions

The PTA Provisions in the Company's constitution enable the Company to refuse to register a transfer of shares

acquired under a proportional takeover bid, unless a resolution is passed by Shareholders approving the bid. The Corporations Act provides that the PTA Provisions have effect despite anything in the ASX Listing Rules, the operating rules of ASX, the Company's constitution or any agreement.

A proportional takeover bid is defined to mean an off-market bid for a specified proportion of the Company's securities in a class of securities (defined in the Corporations Act as the 'bid class').

In considering this amendment to the Company's constitution, the following should be noted –

- (a) The effect of the provision is that if a proportional takeover bid is made for the Company, a share transfer to the bidder cannot be registered until the bid is approved by Shareholders, in general meeting.
- (b) The resolution to approve the bid must be considered at a meeting held more than 14 days before the bid closes and, in default, the bid is taken to have been approved.
- (c) If the resolution to approve the bid is passed, transfer forms pursuant to the bid may be registered but if the resolution is not passed, the bid is taken to have been withdrawn.
- (d) The provision requires renewal every three years and, unless renewed by further special resolution in general meeting, will cease to apply. The provision must be renewed in the same manner as if reinserted into the constitution.
- (e) The provision does not apply to, or have any effect on, a full takeover bid.
- (f) Shareholders who, together, hold not less than 10 per cent in number, of the issued securities in a class of securities in the Company to which the provisions apply may, within 21 days after the Company purports to alter its constitution by renewing the PTA Provisions, apply to the Court to have the renewal set aside to the extent to which it relates to that class of securities. However, the Court must be satisfied that it is appropriate, in all the circumstances.

This resolution is being put to Shareholders as the Directors consider that Shareholders should be able to vote on whether a proportional takeover bid should be permitted to proceed.

The PTA Provisions will enable the Directors to determine the views of Shareholders in respect of a proportional takeover bid and will ensure that Shareholders have an opportunity to consider the bid and vote on it at a general meeting.

The renewal of the PTA Provisions in the Company's constitution is likely to reduce the possibility of the Company becoming a target of a proportional takeover. A provision of this type could be considered to constitute an additional restriction on the ability of the Company's Shareholders to freely deal with their respective shares in the capital of the Company. However, a proportional takeover bid could have the effect of enabling control of the Company to change without giving Shareholders an opportunity to dispose of all of their securities for a satisfactory control premium.

The Directors of the Company will remain free to make a recommendation to Shareholders as to whether a proportional takeover bid should or should not be accepted but the proposed amendment to the Company's constitution will, as mentioned, ensure that for the bid to proceed, Shareholders must approve the proportional takeover.

At the date of the Notice of AGM which these Explanatory Notes accompany, no Director of the Company is aware of any proposal by any person to acquire, or to increase the extent of, a substantial shareholding in the Company.

## Shareholder approval

Shareholders are asked to pass this resolution as a special resolution pursuant to section 136 of the Corporations Act.

## Recommendation

The Directors unanimously recommend that you vote in favour of resolution 5 set out in the Notice of AGM to renew the PTA Provisions.

# ATTACHMENT A – TO NOTICE OF AGM

## **Item 5: Amendment to Constitution – Proportional Takeover Approval Provision**

In accordance with section 648G of the Corporations Act, clauses 13.7A and 13.7B of the Constitution of the Company shall be re-inserted after clause 13.7 for a period of three years.

### **13.7A(1)**

Subject to the Listing Rules, the ASTC Settlement Rules, Clause 13.7B and despite any other provision of this Constitution, if offers are made under a proportional takeover bid for securities of the Company:

#### 13.7A(1).1

the Directors shall refuse to register a transfer giving effect to a takeover contract for the bid unless and until a resolution (an '**approving resolution**') to approve the bid is passed in accordance with the provisions of this Clause; and

#### 13.7A(1).2

a person (other than the bidder or an associate of the bidder) who, as at the end of the day on which the first offer under the bid was made, held bid class securities is entitled to vote on an approving resolution; and

#### 13.7A(1).3

an approving resolution is to be voted on at a general meeting of the Company by the persons entitled to vote on the resolution, or in such other manner provided by the Corporations Act 2001 (the '**Act**'); and

#### 13.7A(1).4

an approving resolution that has been voted on is taken to have been passed if the proportion that the number of votes cast in favour of the resolution bears to the total number of votes cast on the resolution is greater than 50 per cent , and otherwise is taken to have been rejected.

#### 13.7A(2)

For the purposes of Clause 13.7A(1), an approving resolution in relation to a proportional takeover bid must be passed before the 14th day before the last day of the bid period to be effective.

#### 13.7A(3)

The provisions of Clauses 16 to 20 (inclusive) of this Constitution and/or the Act that apply to general meetings of the Company have effect, with such modifications as the circumstances may require, to a meeting called and held under Clause 13.7A(1).

### **13.7B**

Clause 13.7A ceases to have effect on the third anniversary of the date of passing of the special resolution to insert that Clause in the Company's Constitution, or its last renewal, in accordance with the Act and, in the event that the Act is amended to remove the requirement to periodically renew that Clause, this Clause shall cease to have any effect."

# GLOSSARY OF TERMS

**AEDT** means Australian Eastern Daylight Time.

**AGM** means the annual general meeting of the Company to be held on Thursday 1 December 2016 at 10.00am AEDT.

**ASX** means ASX Limited ACN 008 624 691.

**Auditor** means the auditor of the Nufarm Group.

**Auditor's Report** means the report of the Auditor regarding its audit of the Nufarm Group which accompanies the Notice of AGM.

**Board** means the board of Directors of the Company.

**Chairman** means the individual acting as chairman of the AGM.

**Company** means Nufarm Limited ABN 37 091 323 312.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Deferred Shares** means Ordinary Shares offered under the GIP which will be transferred at a later date, subject to any minimum holding period.

**Director** means a director of the Company.

**Directors' Report** means the report of the Directors, which accompanies the Notice of AGM.

**Effective Time** means 7.00pm AEDT on Tuesday 29 November 2016.

**Explanatory Notes** means the notes contained in this document that provide details of the business to be heard at the AGM.

**Financial Report** means the financial report of the Nufarm Group for the year ending on 31 July 2016 that accompanies the Notice of AGM.

**GIP** means the Nufarm Global Incentive Plan.

**Key Management Personnel** has the meaning given to that term in the Financial Report.

**Listing Rules** means the listing rules of the ASX, as amended from time to time.

**LTIP** means the Company's Executive Long Term Incentive Plan.

**Notice of AGM** means the notice of the AGM of the Company accompanying these Explanatory Notes (and the term 'Notice' has the same meaning).

**Nufarm Group** means the Company and its controlled entities.

**Ordinary Shares** means fully paid ordinary shares in the capital of the Company.

**Proxy Form** means the proxy form accompanying the Notice of AGM.

**Remuneration Report** means the remuneration report of the Nufarm Group that forms part of the Directors' Report accompanying the Notice of AGM.

**Shareholder** means a holder of one or more Ordinary Shares.






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MR JOHN SAMPLE  
FLAT 123  
123 SAMPLE STREET  
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SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

**Lodge your vote:**

 **Online:**  
www.investorvote.com.au

 **By Mail:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) www.intermediaryonline.com

**For all enquiries call:**

(within Australia) 1300 652 479  
(outside Australia) +61 3 9415 4360

**Proxy Form**

**XX**



**Vote and view the annual report online**

- Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.



**Your access information that you will need to vote:**

Control Number: **999999**

SRN/HIN: **I9999999999** PIN: **99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 10.00am (AEDT) Tuesday, 29 November 2016**

**How to Vote on Items of Business**

All your securities will be voted in accordance with your directions.

**Appointment of Proxy**

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

**Signing Instructions for Postal Forms**

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

**Attending the Meeting**

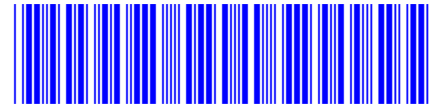
Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form →**

MR JOHN SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 1234567890 I N D

# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Nufarm Limited hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Nufarm Limited to be held at the RACV Club, Bourke Rooms 2 & 3, Level 2, 501 Bourke Street, Melbourne, Victoria on Thursday, 1 December 2016 at 10.00am (AEDT) and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 2 and 4 (except where I/we have indicated a different voting intention below) even though Items 2 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 2 and 4 by marking the appropriate box in step 2 below.

## STEP 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Item 2 Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3a Re-election of Mr Donald McGauchie AO as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3b Re-election of Mr Toshikasu Takasaki as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Issue of Deferred Shares to Mr Greg Hunt, Managing Director and Chief Executive Officer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 Amendment to Constitution - Proportional Takeover Approval Provisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

## SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Securityholder 2

Securityholder 3




Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_



**All correspondence to:**  
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MR JOHN SAMPLE

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SAMPLE STREET

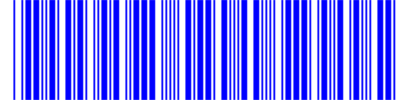
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SAMPLE STREET

SAMPLETOWN VIC 3030



Reference Number



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Dear Shareholder

I have pleasure in inviting you to attend our Annual General Meeting and have enclosed the Notice of Meeting, which sets out the items of business. The meeting will be held at the RACV Club, Bourke Rooms 2 & 3, Level 2, 501 Bourke Street, Melbourne, Victoria on Thursday, 1 December 2016 at 10.00am (AEDT).

If you are attending this meeting, please bring this letter with you to facilitate registration into the meeting.

If you are unable to attend the Annual General Meeting, you are encouraged to complete the enclosed proxy form. The proxy form should be returned in the envelope provided or faxed to our share registry on 1800 783 447 (within Australia) 61 3 9473 2555 (outside Australia) so that it is received by 10.00am (AEDT) on Tuesday, 29 November 2016. You may also vote online via [www.investorvote.com.au](http://www.investorvote.com.au).

Corporate shareholders will be required to complete a "Appointment of Corporate Representative" to enable a person to attend on their behalf. A copy of this form may be obtained from the Company's share registry.

I look forward to your attendance at the meeting.

Yours sincerely

Donald McGauchie AO  
Chairman

Encl.