Nufarm Limited
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26 September 2018

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

Dear Sir

2017-2018 FULL YEAR RESULT & PRELIMINARY FINAL REPORT

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

- Appendix 4E – Preliminary Final Report
- Operating and Financial Review
- Directors' Report (including the remuneration report)
- Financial Statements and Accounting Policies
- Directors' Declaration
- Lead Auditor's Independence Declaration
- Independent Audit Report

Yours faithfully

Rodney Heath
Nufarm Limited

Appendix 4E

Nufarm Limited
ABN 37 091 323 312

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 JULY 2018

This statement includes the consolidated results for Nufarm Limited group for the year ended 31 July 2018 compared with the year ended 31 July 2017.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

TRADING RESULTS	Consolidated 2018 $000	2017 $000	increase / (decrease) $000	increase / (decrease) %
Revenue from ordinary activities	3,307,847	3,111,115	196,732	6.3%
Profit/(loss) from ordinary activities after tax attributable to members				
- Before material items	98,396	135,823	(37,427)	(27.6%)
- After material items	(15,588)	114,467	(130,055)	(113.6%)
Net profit/(loss) attributable to members				
- Before material items	98,396	135,823	(37,427)	(27.6%)
- After material items	(15,588)	114,467	(130,055)	(113.6%)

DIVIDENDS AND DISTRIBUTIONS	2018 $	2017 $
Final Dividend		
Amount per security	0.06	0.08
Total value of dividend	19,662,299	21,354,307
Franked amount per security at 30%	nil	nil
Amount per security of foreign source Dividend	0.06	0.08
Date payable	2/11/2018	10/11/2017
Record date for entitlement	5/10/2018	13/10/2017
Interim Dividend		
Amount per security	0.05	0.05
Franked amount per security at 30%	nil	nil
Amount per security of foreign source Dividend	0.05	0.05
Date paid	4/05/2018	5/05/2017
Total Dividends		
Amount per security	0.11	0.13
Dividend reinvestment plans	Yes	Yes
Net tangible assets per ordinary share	0.86	2.67
Contral gained over entities (refer note 14)		
Control lost over entities	nil	nil

AUDIT STATUS

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

COMMENTARY

A commentary on the results for the year is attached.

G A Hunt
Managing Director

26 September 2018

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26 September 2018

Operating and Financial Review
Results for the year ended 31 July 2018

Strong revenue growth however earnings impacted by dry Australian conditions

- **Revenue growth in all regions except Australia**
- **Underlying EBITDA [1][2] down by 1%, with the Australian drought impact largely offset by the European acquisition contribution**
- **Underlying net profit after tax[3] down 28% on prior year**
- **Reported $15.6 million net loss after tax compared to a $114.5 million profit last year. Reported net loss after tax includes material items of $114.0 million, mainly comprising Australian impairment charge and European business acquisition costs**
- **Underlying earnings per share down 40% to 28.2 cents per share**
- **Australian drought and late season in Europe impact working capital, with average net working capital to sales increasing to 40.3% (2017: 36.8%)**
- **Final dividend: 6 cents per share (2017: 8 cents per share). Full year dividend: 11 cents per share (2017: 13 cents per share).**

Nufarm Limited today announced a statutory net loss after tax of $15.6 million for the 12 months to 31 July 2018. The statutory result includes $114 million in material items, including an impairment charge and tax asset write-off for the Australian business of $91.5 million and business acquisition costs of $22.2 million, and compares to a statutory profit after tax of $114.5 million in the previous year.

Underlying net profit after tax was $98.4 million, down 28% on the $135.8 million reported in the prior period. Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) decreased by 1% to $385.7 million and underlying earnings before interest and tax (EBIT) decreased by 12% to $265.1 million. On a constant currency basis, underlying EBITDA was in line with last year and underlying EBIT decreased by 10%.

Group revenues increased by 6% to $3.31 billion (2017: $3.11 billion), despite the overall industry recording minimal growth during the period. The group generated an underlying gross profit margin of 29.1%, slightly below the 29.4% margin for the previous year.

The underlying EBIT result was impacted by the very dry Australian autumn conditions, and continued drought into winter in the eastern and southern states. Whilst this impact was largely offset by the underlying EBITDA contribution from the European acquisitions, the increased amortisation related to the acquisitions reduced the contribution at the underlying EBIT level. Good earnings growth was delivered in the North American and Latin American businesses.

Nufarm

Underlying earnings per share were down to 28.2 cents, a 40% decrease over the prior year 46.7 cents.

Average net working capital to sales went up to 40.3% (2017: 36.8%), driven by higher inventories in Australia and higher receivables in Europe.

Net debt at 31 July 2018 was $1,374 million, up on the $680 million at 31 July 2017. The year-end net debt was impacted by the funding for the European acquisitions of $335 million and the higher year-end net working capital balance (up by $287 million). Average net debt over the 12-month period was $1,085 million, higher than the $886 million average in 2017.

Year ended 31 July	2018 $000	2017 $000	Change
Revenue	3,307,847	3,111,115	6.3%
Underlying Gross profit	963,434	915,765	5.2%
Underlying EBITDA (1)	385,653	390,016	-1.1%
Underlying EBIT (1)(2)	265,103	302,285	-12.3%
Operating profit	175,499	279,242	-37.2%
Net profit after tax	(15,588)	114,467	-113.6%
Net operating cash flow	(88,169)	55,443	-259.0%
Underlying basic earnings per share (cents)	28.2	46.7	-39.6%
Total dividend per share declared in respect of period (cents)	11.0	13.0	(2.0)

The financial information contained within our statutory accounts has been prepared in accordance with IFRS. Refer to footnotes, including explanations of the non-IFRS measures used in this announcement. All references to the prior period are to the year ended 31 July 2017 unless otherwise stated. This report is based on financial statements which have been audited by KPMG. Non-IFRS measures have not been subject to audit or review. Refer to the 31 July 2018 Nufarm Limited Financial Report for the independent auditor's report to the members of Nufarm Limited.

Final Dividend

Directors declared an unfranked final dividend of 6 cents per share, resulting in a full year dividend of 11 cents. This is down 2 cents on the previous year.

The final dividend will be paid on 2 November 2018 to the holders of all fully paid shares in the company as at the close of business on 5 October 2018. The final dividend will be 100% conduit foreign income.

The Dividend Reinvestment Plan (DRP) will be made available to shareholders for the final dividend. Directors have determined that the Issue Price will be calculated on the volume weighted average price of the company's ordinary shares on the ASX over the 10-day period commencing on 10 October 2018 and ending on 19 October 2018. The last election date for shareholders who are not yet participants in the DRP is 8 October 2018.

Interest / tax / cash flow

Total underlying financing costs were $118.3 million, compared to an underlying $107.0 million in the prior year.

Underlying net external interest expense was $91.8 million, which is $1.4 million lower than the previous period. The lower interest expense was primarily driven by a reduction in Brazilian bank base rates, and lower net working capital in Brazil leading to lower funding requirements for the business.

Nufarm

Underlying foreign exchange losses were $26.6 million, compared to $13.8 million recorded in the 2017 year. The exchange loss relates largely to the Latin American operations ($19.5 million), and is consistent with the company's previous guidance. The remaining losses relate to emerging markets currencies, particularly in Europe.

The underlying effective tax rate was 33.2% for the year, which compared to 30.2% in the prior period. The income tax expense includes non-recoverable withholding taxes in Australia and a prior year tax adjustment in Canada. An underlying effective tax rate of approximately 32% is expected in the FY19 year, reducing to approximately 31% for FY20.

The business generated an underlying net operating cash outflow of $56.7 million in the 2018 year. This compares to a cash inflow of $73.4 million in the previous year. The cash outflow was attributable to a higher net working capital balance at year-end, which was driven by the late seasonal conditions in Europe and the dry Australian conditions.

Acquisitions

During the year, Nufarm signed and announced agreements to acquire crop protection product portfolios, from FMC Corporation for US$85 million, and from Adama and Syngenta for US$490 million. The acquisitions were subject to regulatory approval, and both acquisitions were subsequently completed in the first quarter of 2018. The FMC acquisition was completed on 1 February 2018, and the Adama/Syngenta portfolio acquisition completed on 16 March 2018.

The acquired portfolios consist of established brands, formulations and registrations for the European market. These product portfolios strengthen the company's position in our core crops and key markets in Europe and provide additional scale that will make Nufarm more relevant to both key distribution customers and end-users.

For the 2018 financial year, the acquisitions delivered sales of $69 million. Integration plans are well progressed and the business has seen strong engagement with customers on the new portfolios. To support the new products in the portfolio, an extra 41 people have been added to the business in the areas of sales, marketing, regulatory and field development. The acquired European portfolios are expected to deliver the financial targets given at the time of the acquisitions.

Material items

The company incurred post-tax one-off material items totalling $114.0 million in the year, mainly related to the impairment and tax asset write-off associated with the Australian business, and costs relating to the European acquisitions.

The Australian business was severely impacted by drought conditions during the year, particularly in the eastern and southern states. The 2019 financial period will also be impacted due to the high amounts of inventory in the channel. The lower than expected earnings in the 2018 and 2019 financial years, and the discounting of future cash flows of the Australian/New Zealand cash-generating unit (CGU), has resulted in the carrying value of the CGU being higher than its recoverable amount, causing an impairment loss of $70.6 million in the year. The impairment loss brings the carrying value equal to the recoverable amount, and was allocated against goodwill, fixed assets and intangible assets. Associated with the reduced earnings in 2018 and a lower expectation of earnings in 2019, there was also a write-off of the Australian carried forward tax losses amounting to $20.9 million.

One-off transaction costs of $24.1 million were incurred in relation to the European acquisitions, mainly consisting of advisor fees, integration costs, hedging costs and other financing expenses.

Nufarm undertook an early refinance of the 2019 senior unsecured notes to accommodate the European acquisitions and to strengthen its capital structure. The early termination of the existing notes resulted in break fees and the early recognition of interest costs in relation to interest rate swaps on the notes. The cash impact of the refinancing of the notes was a $0.3 million outflow, due to the favourable outcomes on currency hedges.

Changes in the corporate tax rates in USA, France and Argentina led to the remeasurement of the group's deferred tax assets and liabilities, resulting in net income tax credits of $12.2 million.

The cash impact of the material items is $26.1 million, of which $19.2 million was incurred in financial year 2018, with the balance carrying over into future financial years. In the current year, the net cash outflow associated with material items was $26.1 million, consisting of the business acquisition costs and some restructuring costs carried over from the previous financial year.

Year ended 31 July 2018	Pre-tax $000	After-tax $000
Material items by category		
Asset rationalisation and restructuring	1,491	1,201
Sale of Excel Crop Care investment	-	-
ANZ impairment and tax asset write-down	(70,559)	(91,504)
Business acquisition costs - other	(24,124)	(22,228)
Business acquisition costs - refinance 2019 notes	(13,684)	(13,684)
Change in corporate tax rates	-	12,231
Total material items	**(106,876)**	**(113,984)**

Operating segments summary

The group generated increased sales in both its crop protection and seed technologies segments, and across all regions except for Australia/New Zealand.

Total crop protection sales increased by 6% to $3.1 billion, but underlying EBITDA fell by 1% to $395.7 million mainly due to the Australia/New Zealand segment. The crop protection underlying gross profit margin was 28.3% of sales, in line with the previous year of 28.4%.

Seed technology sales in the period were up by 10% to $185.5 million and generated an underlying EBITDA of $43.6 million, which was down 4% on the $45.3 million recorded in this segment in the 2017 year. The seed technologies underlying gross profit margin was 43.8% of sales, below the previous year of 46.7%.

The following table provides a summary of the performance of the operating segments for the 2018 financial year and the prior year.

Year ended 31 July		Revenue			Underlying EBITDA	
($000s)	2018	2017	Change %	2018	2017	Change %
Crop protection						
Australia and New Zealand	590,151	654,194	-9.8%	23,736	64,876	-63.4%
Asia	170,680	165,633	3.0%	25,229	28,315	-10.9%
Europe	642,571	539,803	19.0%	149,873	121,350	23.5%
North America	833,705	761,050	9.5%	99,487	89,338	11.4%
Latin America	885,232	821,835	7.7%	97,377	95,608	1.9%
Total Crop protection	*3,122,339*	*2,942,515*	*6.1%*	*395,702*	*399,487*	*-0.9%*
Seed Technologies - global	185,508	168,600	10.0%	43,580	45,305	-3.8%
Corporate	-	-	n/a	(53,629)	(54,776)	-2.1%
Nufarm Group	**3,307,847**	**3,111,115**	**6.3%**	**385,653**	**390,016**	**-1.1%**

Australia / New Zealand

Australia/New Zealand sales were down 10% on the prior year, as the Australian business was impacted by a severe drought through the autumn and winter cropping periods.

The segment generated sales of $590.1 million, down on the previous year's $654.2 million. Underlying EBITDA was $23.7 million compared to $64.9 million in the prior year.

Climatic conditions in Australia were poor during the winter cropping period. The autumn period was one of the driest on record across Australia, limiting pre-plant herbicide opportunities. Winter also proved to be very dry in the eastern and southern states. Much of New South Wales and Queensland have been declared drought affected and production is expected to be down 30% to 40% on the prior year. Western Australia received good winter rains and will deliver close to a record harvest. The drier winter conditions in the Eastern states have extended into spring, which severely limited the post-emergent market opportunities and reduced demand for this higher-value component of Nufarm's portfolio.

The earnings result was impacted by a scheduled plant upgrade at the Laverton manufacturing site in the first half. The 2,4-D plant was off-line for a total of nearly eight weeks, and works included the replacement of two reactors involved in the synthesis process. This has improved long term efficiency and productivity of the plant. Lost recoveries from the scheduled shutdowns impacted the Australian result by $8 million at the underlying EBIT level.

The consolidation of the company's Nufarm and Crop Care marketing arms and brands in Australia, occurred on August 1, 2017. This has resulted in a single, focused sales organisation that is delivering business efficiencies and an improved service to Australian customers, who have welcomed the change.

Both the New Zealand and Croplands equipment businesses performed well, improving earnings on the prior year. The New Zealand business capitalised on a strong agriculture sector, with growth in the pasture and horticulture markets. The Croplands business increased sales of its WeedIT smart technology applications and improved manufacturing efficiencies during the period.

Asia

Asian crop protection sales were $170.7 million compared to $165.6 million in the prior year, an increase of 3%. Underlying EBITDA was $25.2 million, 11% down on the $28.3 million generated in the prior year.

Indonesian sales were up 8.6% in local currency, driven by good weather, new product introductions and higher glyphosate pricing. Sales growth was also achieved in China, Malaysia and Sri Lanka. Sales into Japan were down 18%, due to increased generic competition in the non-crop segment. Sales in Japan are typically higher margin so the lost sales had a significant impact on earnings.

During the period, Nufarm established a sales and marketing joint venture in China with locally-based Fuhua Group. The joint venture strengthens Nufarm's relationship with a highly strategic supply partner, with a portfolio and go-to-market approach that is complementary to Nufarm.

North America

North American sales grew by 10% to $833.7 million. Underlying EBITDA was up strongly to $99.5 million, compared to $89.3 million in the prior year.

The North American business increased market share in all three of its key segments, being US row crops, the Canada market and the turf and ornamental business. The revenue growth reflects a focused product portfolio and increased support from the customer base. Glyphosate volumes grew 12% on last year reflecting strong customer support for our foundational products. The business also successfully launched several new products, including formulations that combine Sumitomo and Nufarm chemistry to address an increasing incidence of glyphosate resistance.

During the year, the US business extended the distribution relationship with Sumitomo in the turf and ornamental business for a further five years. Nufarm plans to extend its manufacturing capacity in the USA, with a new formulation facility to be based in Greenville, Mississippi. The facility will help facilitate sales growth into the south-eastern region of the USA and will provide freight savings to the business. It is expected to commence operations in the middle of 2019.

Latin America

Latin American crop protection sales were up 8% on the previous year ($885.2 million v $821.8 million). Underlying EBITDA at $97.4 million was up 2% on the prior year's $95.6 million.

The Brazilian business grew sales by 11%, which was mostly volume-driven, and reflected increased demand in the soybean and pasture segments, and for solutions to a growing glyphosate-resistance issue. Nufarm continued to increase market share, with the total crop protection market in Brazil down 7% (in US dollars) in calendar year 2017. The reduced market size was caused by competitor channel stock adjustments. It is now considered that industry channel inventories are back to normal levels. Pricing was very competitive, with margins impacted by the higher cost of active ingredients out of China and currency volatility.

Argentina experienced a severe drought from November through April, which reduced soybean production by approximately 30%. Rains finally arrived in April/May, which provided a better outlook for the winter wheat season. Sales were down 16%, but earnings improved due to a focus on higher margin product sales and the benefit of price increases as the currency weakened.

In contrast to last year, the average Brazilian Real exchange rate for the period was 6% weaker against the Australian dollar and the Argentina Peso 31% weaker. On a constant currency basis, Latin America sales would have increased 17% and underlying EBITDA 12%.

Credit conditions in Brazil eased during the year, off the back of improved farmer profitability. The business managed net working capital well, and combined with a reduction in bank base interest rates, this led to lower funding costs in the business. The currency exposures were managed well, given the increased volatility in Latin American currencies in FY18, with exchange losses across the crop and seeds businesses totalling $19.5 million. This is largely in line with the guidance given for the year. The company will continue to closely manage credit and currency exposures.

Europe

European sales increased on the prior period by 19% (2018: $642.6 million v 2017: $539.8 million). Underlying EBITDA improved to $149.9 million, up 24% on the $121.4 million posted in the 2017 year.

The sales growth was driven by a $69 million contribution from the European portfolio acquisitions, and translation gains from a stronger Euro. Climatic conditions were adverse in the year, particularly in central and northern Europe. The season started late, with winter extending into late March/early April. This was followed by a very short spring season and a hot, dry summer. Severe drought and heat waves in large parts of France, Germany and the Nordic region severely impacted the business.

The business continues to focus on high value and differentiated products, together with new product launches and pricing discipline and this has contributed to the improved profitability of the business.

The new European ERP system and implementation of a shared services model will further strengthen the European business over coming periods. The first wave of countries went live on the new system in November 2017, with the remaining countries going live in two phases in August and December this year.

The newly acquired product portfolios performed strongly in FY18, reflecting well executed integration plans and a positive response from the customer base. Management has well-developed business plans to deliver the acquisition financial targets in FY19.

Major product segments

Crop Protection

Nufarm's crop protection business generated $3.12 billion in revenues, which was up 6% on the previous year sales of $2.94 billion. These sales generated an average underlying gross profit margin of 28.3%, in line with the 28.4% average gross profit margin recorded in the 2017 year.

Herbicide sales were up 8% to $2.12 billion. Glyphosate sales were well up on last year, due to a higher average technical price, and stronger volumes in North America and Latin America, however, margins were slightly down due to competitive market conditions in Australia and Latin America. Phenoxy herbicide revenues were 4% up on the prior year, but with margins largely in line with the previous year. Other herbicide revenues were ahead of last year by 6%, with picloram and fluroxypyr - two important mixture products for the pasture and glyphosate resistance segments - being the main drivers.

On August 10, a California jury found Monsanto liable in a lawsuit in which a man alleged the company's glyphosate-based products had caused his non-Hodgkins lymphoma. This verdict is being contested, with Bayer-Monsanto claiming the jury's decision is wholly at odds with over 40 years of real-world use, an extensive body of scientific data and analysis which support the conclusion that glyphosate-based herbicides are safe for use and do not cause cancer in humans. Glyphosate is an important product for Nufarm, contributing 12% of the group gross profit. The company's position on glyphosate is supported by the more than 800 scientific studies and reviews that have concluded that glyphosate is safe to use and is unlikely to cause cancer. The company supports the rigorous scientific process employed by regulatory authorities around the world, which undertake years of analysis and review before products like glyphosate are approved for use.

Insecticide sales were up 14% to $382 million, with margin percentage in line with the prior year. The increased sales were driven mainly by Brazil, with growth from new products and extensions into new crops.

Fungicide sales were down 6% to $316 million, with margins holding on the prior year. The fungicide portfolio was down due to the dry conditions in Australia and lower mancozeb sales in Brazil.

The company continued to strengthen its strategic relationship with Sumitomo Chemical Company and this was reflected in higher sales of Sumitomo products across Nufarm's distribution platform. Nufarm sales of Sumitomo products have grown at a compound annual growth rate of 37% to $245 million over the last five years. The higher sales were mainly in the US, Canada and Brazil. Portfolio collaboration opportunities continue to be explored and developed.

Seed Technologies

The company's seed technologies segment includes sales of seeds, managed under the Nuseed business, and seed treatment chemistry. Revenues in this segment were $185.5 million, which represented a 10% increase on prior year sales of $168.6 million. The segment generated underlying EBITDA of $43.6 million, down 4% on the $45.3 million recorded in the prior year.

Despite challenging seasonal conditions in the Australian canola segment, stronger sales of sunflower and sorghum and an expanded offering of seed treatment products helped drive higher revenues for the period. As disclosed in the July trading update, profitability was impacted by a European regulatory directive that restricted use of neonicotinoid-based seed treatment applications in France. A derogation application to allow temporary use of these products in France was not successful and this resulted in an estimated $11 million negative impact at the underlying EBITDA level. The seed technologies segment overall experienced an excellent growth year, gaining approximately $9M in underlying EBITDA contribution in other areas to offset the downside in France.

While the canola season was challenging for total canola seed volumes in Australia, Nuseed retained share in the largest segments, achieved growth in new hybrid categories, and increased end-point royalty collections, resulting in solid FY18 earnings in the region. Successful new product launches broadened Nuseed's offerings in the European, Latin American and US sunflower segments, and strengthened the company's position in the Latin American and US sorghum markets.

An expanded distribution base in the US helped drive higher sales of seed treatment products, along with the successful launch in Brazil of an insecticide treatment based on Sumitomo chemistry, and early sales of a combination product in Europe, acquired as part of the European portfolio transaction.

The reporting period saw significant progress relating to Nuseed's proprietary omega-3 canola. In February of this year, Australian regulators approved omega-3 canola for production and use in feed and human consumption. Subsequent to year-end, the United States Department of Agriculture

(USDA) approved omega-3 canola for cultivation in the US. Regulatory submissions relating to food and feed approval in the US and cultivation, food and feed in Canada continued to progress through the review process on schedule, and those approvals are anticipated prior to the 2019 North American cropping season.

Nuseed successfully contracted, planted and harvested 15,000 acres of omega-3 canola in Montana under the USDA notification process. This activity has helped validate the company's closed loop business model and stewardship protocols. Multiple pre-commercial feeding trials, utilising Nuseed's omega-3 canola oil, were commenced with downstream aquaculture companies, with initial data expected at the end of the calendar year.

Nuseed and its partners, CSIRO and GRDC, continue to strengthen the intellectual property (IP) relating to the technology, with more than 20 additional patents granted over the past 12 months. Earlier this month, Nuseed – together with partners CSIRO and GRDC - filed US federal court proceedings against BASF and Cargill claiming infringement of 16 of our patents for their activities in the USA. The company believes it has clear freedom to operate, and a clear path to commercialization of its proprietary omega-3 canola technology.

The company remains confident it will be first to market with a land-based, sustainable, long-chain omega-3 solution.

Balance Sheet Management

Net debt at 31 July 2018 was $1,374 million compared to $680 million at 31 July 2017. Year-end net debt was impacted by the higher net working capital (up $287 million) at 31 July 2018, which was driven by the dry Australian season and late seasonal conditions in Europe moving sales into the fourth quarter of the financial year. Net debt also includes the debt related to the European acquisitions of $335 million.

Average net debt was higher than in the previous 12-month period ($1,085 million versus $886 million), due to the higher net working capital brought forward from last year; the working capital related to the acquisitions; the drought-impacted Australian season; and the late start to the European season.

Average net working capital to sales was 40.3% (2017: 36.8%). Management continues to focus on driving efficiencies in working capital management, with the medium term target remaining in the 35% to 37% range given normal seasonal conditions and the full implementation of the global supply chain management system.

The average leverage ratio (12-month average net debt divided by the pro-forma underlying EBITDA) was 2.37x (2017: 2.27x). The interest coverage ratio (pro-forma underlying EBITDA divided by underlying net external interest) was 4.99x (2017: 4.90x). The underlying EBITDA is adjusted to reflect the pro-forma historical earnings (as allowed under the banking covenants) from the acquisitions to give pro-forma underlying EBITDA. The gearing ratio (net debt to net debt plus equity) was 41.1% (2017: 29.8%).

Return on Funds Employed (ROFE) at 31 July 2018 was 9.4%, down from 13.6% in the prior year, and up from 9.1% in the 2014 financial year, when the performance improvement program was initiated. Underlying ROFE, adjusted for the acquisitions and material items, is 10.3%.

Cost savings and performance improvement program

The company continues to progress its cost savings and performance improvement program. The program aimed to deliver a net benefit of $116 million in underlying EBIT by the 2018 financial year. The company had delivered $101 million of benefits to the end of the 2017 financial year.

Current business transformation initiatives, particularly the European back-office harmonisation and the global supply system projects, are expected to be fully implemented during the FY19 year. Consequently, the delivery of the remaining targeted benefits will move into the FY19 and FY20 years.

To support sustainable business improvement on an ongoing basis, the company is reinvesting in new systems and capabilities such as new customer relationship management (CRM) systems; improved supply chain processes and systems; specialist procurement resources and systems; standard back-office processes and systems across regions; and human resource systems. These transformational investments will provide a global view of information that enables a 'One Nufarm' approach to business decisions.

Outlook

The combination of revenue growth, partial recovery in the Australian business and the full year impact of the European acquisitions is expected to result in earnings growth in 2019. This is despite an expectation that soft commodity prices will remain low and market conditions will remain competitive. Underlying EBITDA is expected to be in the $500 million to $530 million range for the 2019 financial year.

This outlook also assumes average seasonal conditions for the major selling periods in our key markets and no material impact from government policy changes or third party supply interruptions outside of our control. It should also be noted that heightened volatility currently exists in relation to various potential industry-wide impacts, including currency movements.

An improvement in net working capital is anticipated, with the net working capital to sales ratio expected to return to a level below 40%. The completion of the supply chain investment and a commitment to the company's Integrated Business Planning (IBP) process should help drive the average net working capital to sales down to the 35% to 37% range over the medium term. An increased underlying EBITDA and lower net working capital position at July 2019 will strengthen cash flow and result in lower group net debt levels and reduced leverage.

Net interest expense is expected to increase in the 2019 financial year, given the full year funding of the acquisitions. Net foreign exchange impacts will continue to include anticipated hedging costs of approximately $20 million for Brazil and Argentina.

Given the ongoing drought-related impacts in Australia and some planned maintenance related plant shutdowns in Europe, first half underlying EBITDA is expected to be similar to that generated in the first half of FY18. At an underlying EBIT level, earnings are likely to be below the FY18 first half, as the increased amortization associated with the European acquisitions will more than offset the

first half earnings contribution from those portfolios, which are weighted to the second half of the year.
The company continues to remain alert to potential acquisitions that might result from industry consolidation, but will be disciplined in terms of ensuring any such opportunities represent compelling value and are strategically sound.

G A Hunt
Managing Director & CEO

IFRS and Non-IFRS financial information

Nufarm results are reported under International Financial Reporting Standards (IFRS) including Underlying EBIT and Underlying EBITDA which are used to measure segment performance. This release also includes certain non-IFRS measures including Underlying net profit after tax and Gross profit margin. These measures are used internally by management to assess the performance of our business, make decisions on the allocation of our resources and assess operational management. Non-IFRS measures have not been subject to audit or review.

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

(1) Underlying EBIT is earnings before net finance costs, taxation and material items. Underlying EBITDA is Underlying EBIT before depreciation and amortization of $120.550 million for the year ended 31 July 2018 and $87.731 million for the year ended 31 July 2017. We believe that Underlying EBIT and Underlying EBITDA provide useful information, but should not be considered as an indication of, or an alternative to, Profit / (loss) for the period as an indicator of operating performance or as an alternative to cash flow as a measure of liquidity.

(2) Underlying EBIT is used to reflect the underlying performance of Nufarm's operations. Underlying EBIT is reconciled to Operating Profit below.

Year ended 31 July	2018 $000	2017 $000
Underlying EBIT	265,103	302,285
Material items impacting operating profit	(89,604)	(23,043)
Operating profit	175,499	279,242

(3) Non-IFRS measures are defined as follows:
- Underlying gross profit – comprises gross profit less material items.
- Underlying net profit after tax – comprises Profit / (loss) for the period attributable to the equity holders of Nufarm Limited less material items.
- Average gross margin – defined as average gross profit as a percentage of revenue.
- Average gross profit – defined as revenue less a standardized estimate of production costs excluding material items and non-product specific rebates and other pricing adjustments.
- Net external interest expense – comprises Interest income – external, Interest expense – external/debt establishment transaction costs and Lease amortization - finance charges as described in note 10 to the 31 July 2018 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, non-current trade receivables and inventories less current trade and other payables.
- Average net working capital – net working capital measured at each month end as an average.
- Constant currency – comparison removing the impact of exchange rates. It is the FY18 result translated at FY17 exchange rates.

INFORMATION ON THE COMPANY

Our Capabilities

Nufarm is a leading crop protection and seed technologies company.

We develop, manufacture and sell a wide range of crop protection products, including herbicides, insecticides and fungicides, that help growers protect their 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 using technical active ingredients for which the patent has expired.

We also have a proprietary seed technologies business with a portfolio covering canola, sorghum and sunflower crops, and we are developing a global presence in the fast growing and high value seed treatment segment.

Our Reach

Leading positions in targeted markets and segments

We have an established presence and leading market positions in major agricultural regions throughout the world. We have crop protection formulation and manufacturing facilities in nine countries, and seed-related research, development and marketing operations in Australia, North America, Latin America and Europe.

We have marketing operations in more than 30 countries, and we distribute our products in approximately 100 countries across Australia and New Zealand, Asia, North America, Latin America and Europe.

Established strategic alliances and commercial relationships

We have a strategic alliance with our largest shareholder, Sumitomo Chemical Company, with whom we have a range of collaboration agreements covering product distribution, development and manufacturing. We also have commercial relationships with other major crop protection companies including Bayer, Dow, FMC, Syngenta and Monsanto which we believe strengthen our business in a variety of areas, including research and development, procurement, manufacturing, distribution and sales.

Differentiated product portfolio and expertise to bring new products to market

With strategically located laboratories across the world, we have proven product development and registration expertise in our key markets that enable us to develop innovative, differentiated and value-added products and formulations relevant to the region's growers and bring them to market quickly. This provides us with a large pipeline of new product opportunities and supports the profitable growth of our business.

Global manufacturing, marketing and distribution platform

Our global product development, manufacturing and distribution platform allows us to deliver products to our customers with short lead times, which is critical given the weather dependent nature of cropping and related crop protection product demand patterns. This platform also allows us to establish close relationships with our customer base, including independent distributors and dealers as well as end users of our products – contributing to our understanding of the evolving needs of crop producers and thereby helping us optimize our product development activities.

We believe our product and geographic diversity, along with our long-term customer relationships, help to protect our business from adverse seasonal or commercial pressures in any one market while also providing a range of expansion opportunities in major cropping markets around the world.

Our History

We have our origins in New Zealand dating back to 1916 and have been operating in the crop protection business for more than 60 years.

From the beginning, growers and channel partners have looked to Nufarm for its adaptability, helping them experience everyday certainty in challenging times. We continue to be a supplier of smart, dependable, great-value products, backed by the best service and technical support in the industry.

Over the last century, Nufarm has seen various acquisitions and solid organic growth expand the business to distribute in 100 countries.

Earlier this year we strengthened our presence in Europe with two acquisitions that complement our strategic priorities. The addition of these portfolios consolidates our position as a leading post-patent supplier in Europe and increases our relevance to the customer base by allowing us to offer a more comprehensive suite of crop protection solutions in a number of very important crop segments.

Nufarm is now one of the most significant crop protection company's in the world, with a clear leadership position in Australia and substantial operations in North and South America, Europe, New Zealand and Asia.

Our People

For more than 100 years our people have been finding more effective ways to fight disease, weeds and pests to increase the yields of our customers' crops, by turning world-leading scientific breakthroughs into local solutions.

Today, Nufarm employs 3,217 people globally.

Our global team demonstrates a range of expertise, including scientists, agricultural product specialists, manufacturing and logistics planners and customer-facing sales managers.

We have sales and marketing teams in more than 30 countries with strong relationships with local distributors who directly service growers and farmers. These relationships provide us with a competitive advantage in terms of our access to key markets as well as market intelligence.

Our product development staff globally as well as field personnel located in all key markets, provide local market insights to drive product development and differentiation.

We have strong in–house formulation development capabilities with Centres of Excellence in Australia, Brazil and the United States.

Our One Nufarm Strategy

We aim to build a more cost-competitive business and improve the quality of earnings to create a strong platform to support continued, profitable growth. We are focused on implementing a strategy of going deeper into those geographic markets and crop segments where we are the strongest, rather than spreading our efforts more broadly.

Our strategy is focused on the following key crops in four core geographies: cereals; corn; soybean; pasture, turf and ornamentals; and TNVV. Our four core geographies are: Australia/New Zealand, serviced by a hub in Australia; North America, serviced by a hub in the United States; Latin America, serviced by a hub in Brazil; and Europe, serviced by hubs in France, Germany and Poland. We believe that focusing on these crops and geographies - where we have existing strengths and further growth opportunities - ensures that we allocate capital to where we can maximize our returns.

Established in 2015, our One Nufarm Operating Model, puts our customers at the centre of all that we do so we can deliver a superior customer experience. This One Nufarm approach focuses on three pools of the business and focus crops and geographies.

A key component of delivering on our strategy has been our successful performance improvement program that was implemented in FY15. This program has generated sustainable earnings benefits and has embedded a culture of continuous improvement that we expect to continue to yield benefits in the future. Under this program, we have optimised our manufacturing footprint, strengthened our supply chain and improved our procurement processes. In turn, this has significantly enhanced our ability to supply Nufarm products to our customers at prices we believe are competitive.

We have implemented a business model that is centre-led, thereby reducing duplication and inefficiency in our regional operations, and focused on delivering superior quality, service and value to our customers. We continue to invest in the transformation of our global systems, driving greater efficiency across our product development and customer engagement processes.

SUSTAINABILITY

Responsibility is central to Nufarm's business values. Our employees, shareholders and customers expect us to act responsibly in everything we do including ensuring we operate sustainably and safely.

Since the launch of our sustainability strategy in 2015, we have increased our efforts across all locations, improving our safety processes and procedures while building a strong safety leadership and culture.

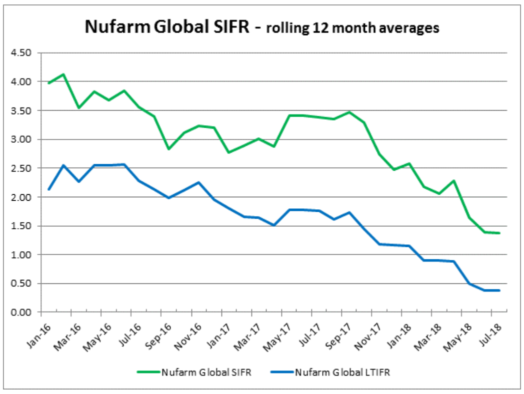
The most significant hazards managed by Nufarm relate to the potential loss of containment of chemicals at our manufacturing sites. Last year, Nufarm's continuous improvement approach saw a global process safety management program (PSM) initiated at our sites with each site developing a

PSM gap closure plan. Each site is now well progressed in implementing their plans, having adopted a strong risk management-based approach to reducing these risks to as low as reasonably practicable.

Another significant safety hazard in our business is the risk of a vehicle accident to our sales team when driving on public roads. This year we launched a behavioural based online driver safety program for frequent drivers. We have also commenced the development of a non-manufacturing sustainability learning program as well as other initiatives to increase sustainability awareness amongst our non-manufacturing employees that will be launched in 2019.

This year our determination to ensure our people are safe delivered our lowest ever Lost Time Injury Frequency Rate (LTIFR) and we have also seen a decline in the severity of incidents. Our sites are achieving record stretches of time between serious injury events with ten of our twelve manufacturing sites Lost Time Injury free for more than 12 months.

Figure 1: Nufarm Serious Injury Frequency Rate (SIFR) and Lost Time Injury Frequency Rate (LTIFR)



** Serious Injury Frequency Rate (SIFR) is an indicator that includes the two principal serious injury metrics (Lost Time and Medical Treatment). It is designed to assist us to focus on all incidents that are serious enough to result in treatment by a medical professional rather than only those that result in time lost from work.*

The initiatives that were implemented through our sustainability strategy including Nufarm's Health, Safety and Environment Standard and Procedures, Process Safety Management program, systematic risk identification and management, auditing of compliance, Nufarm's Life Saving Rules, driver safety education programmes and safety training for leaders and staff have all contributed to this improvement in our safety performance across the business.

In 2017, we established new corporate environmental procedures. These procedures set a higher level of environmental performance across our business. This year, to embed those requirements, each of our manufacturing sites undertook an environmental gap analysis against these procedures and established an environmental gap closure plan which they will execute over the next two to three years.

We have best practice environmental management systems (EMS) in place at our manufacturing sites in Wyke (UK), Gaillon (France) and Merak (Indonesia), which are all certified to ISO14001. Our site in Linz, Austria is well progressed in implementing an IS14001 EMS with certification planned for next year. Our Pipe Road site in Australia will commence work on an ISO14001 equivalent EMS in 2019.

We continue to reduce the environmental footprint of our manufacturing operations through implementing or commissioning new environmental controls that improve the quality of our air and waste water emissions. For example, our site at Maracanau, Brazil is in close proximity to a local community; in response to their concerns we made improvements to our air emission controls, reducing nuisance odours from our site.
We operate several manufacturing sites that are subject to Australian federal and state environmental regulations. The nature of our operations can lead to these regulators issuing remedial notices requiring us to carry out additional environmental protection activities. This was the case this year and we are progressing through these requirements in line with the timeframes set out by the regulator.

Nufarm works to reduce the environmental impact of our products through the development of biorationals products and designing formulations to have minimum off-target impacts. We work closely with our customers to provide training on using our products safely and correctly across all business regions and we partner with local service providers in the countries in which we operate to collect and recycle our packaging.

During the financial year, the crop protection sector came under increasing public pressure. In a number of markets, sections of the community continue to question the safety and perceived environmental impact of herbicides, insecticides and fungicides. A rigorous regulatory process exists in every country in which we operate to ensure only products that have been thoroughly tested and assessed against stringent health, safety and environmental requirements can be approved for use.

In 2018, the European Union restricted the use of three neonicotinoids, including Imidacloprid, to indoor use only. These products continue to be approved for use by regulatory authorities in other parts of the world, including Brazil, the United States and Australia. There has been widespread public concern about the impact of glyphosate on human health following a legal case where the jury found the glyphosate manufacturer liable for causing the plaintiff's cancer. More than 800 studies have found glyphosate to be safe when used according to the manufacturers safety label and it continues to be approved as safe for use by regulatory authorities around the world, including the United States, Australia, New Zealand, Europe and Canada.

Our human rights policy establishes our zero tolerance for all forms of modern slavery in our operations and our supply chain. This year we completed an assessment of our exposure to modern slavery in our operations and the controls in place to prevent the practice. Last year we partnered with EcoVadis to undertake corporate social responsibility (CSR) assessments of our raw material suppliers, these assessments review the environmental, social governance and sourcing practices of our suppliers. In 2018, we have extended the program, increasing the number of suppliers assessed from 23 percent to 37 percent. We will expand this program further in 2019.

Some of our manufacturing sites are close to communities and in these locations, we have established community programs and partnerships. We can help to provide employment opportunities in these communities through the education and development of young people. In 2018, we established a partnership between our Wyke manufacturing site in the United Kingdom and the local primary school and have extended our program at our Maracanau site in Brazil to engage local primary schools. We have continued our support of the Nuffield International Scholarship program this year, sponsoring a Brazilian scholar.

RISK MANAGEMENT

Climate	As an input supplier to global agriculture, demand for crop protection products is influenced by climatic conditions that help determine the timing and extent of cropping activity as well as weed, pest and disease pressures. Climatic conditions will vary from region to region. While certain conditions may increase demand for crop protection products, extreme climatic conditions, such as prolonged drought, may reduce demand for those products. In 2018, Australia experienced one of the driest autumns since records began more than 100 years ago, leading to an extremely poor winter crop season. The Australian crop protection market is down substantially as a result. The limited demand for crop protection products across the country has led to increased competition and high inventory levels in the channel, resulting in significant margin pressure. These seasonal conditions have also impacted the mix of products sold, with growers purchasing lower margin foundational products over higher margin differentiated products. The Australian Bureau of Meteorology (BOM) is currently forecasting a dry spring 2018, and has issued an El Nino watch alert. The timing of weather seasons in the geographies in which Nufarm operates is uncertain and varies from year to year. Since the demand for Nufarm's products is dependent upon the weather, there is a risk that unusually early or late seasons may have a negative impact on demand for Nufarm products in a particular year and therefore its financial performance. The duration of key selling periods and subsequent demand, and the timing of that demand, for crop protection products can also be impacted by climatic conditions such as longer than average winters in Nufarm's larger Northern Hemisphere markets. Nufarm's operations are global, providing geographic diversification to climatic and seasonality risks. Our product portfolio is diverse, supporting a wide range of agricultural applications. At an operating level, Nufarm's business planning processes incorporate forecasting and supply planning based on typical weather conditions. These plans are reviewed on an ongoing basis as the seasons progress to align supply with changing demand.
Seasonality	The timing of weather seasons in the geographies in which Nufarm operates is uncertain and varies from year to year. Since the demand for Nufarm's products is dependent upon the weather, there is a risk that unusually early or late seasons may have a negative impact on demand for Nufarm's products in a particular year and therefore its financial performance. The duration of key selling periods and subsequent demand, and the timing of that demand, for crop protection products can also be impacted by climatic conditions such as longer than average winters in Nufarm's larger Northern Hemisphere markets.
Commodity prices	International commodity prices can impact the profitability of crop protection companies. This relates to fluctuations in the prices of commodities that are associated with chemical intermediates used in the manufacture of crop protection products, and to international prices for various crops ("soft" commodities) that can affect demand for those crops and growers' decisions to plant them. The crop protection products market can be volatile and pricing can change rapidly. This volatility, in combination with foreign exchange changes, could have a material impact on Nufarm's ability to compete and may impact the financial performance and prospects of the business.

	Nufarm has entered into numerous arrangements with suppliers and customers to assist in the management of our supply chain costs to ensure we can compete in changing and competitive markets. Nufarm's business planning processes help inventory management to reduce price risk of stock on hand.
Foreign exchange	Global crop protection companies such as Nufarm purchase inputs and determine selling prices in a range of international currencies and are therefore exposed to fluctuations in exchange rates. Further, a substantial portion of Nufarm's revenues, costs, assets and liabilities are denominated in currencies other than Australian dollars. As a result, exchange rate movements affecting these currencies may impact the financial performance and future prospects of the business of Nufarm. Nufarm has implemented a range of Financial Risk Management policies and procedures to assist with the management of foreign exchange exposure. The Group Treasury function manages financial risks in accordance with these policies. Where possible, currency and interest rate risk is managed through hedging strategies.
Regulatory	The crop protection industry is highly regulated with government controls and standards imposed on all aspects of the industry's operations. Crop protection products are subject to regulatory review and approval in all markets in which they are sold, with the requirements of regulatory authorities varying from country to country. Europe in particular is highly regulated and there is increasing political influence on the regulatory system. The influence of politics in the regulatory process also makes outcomes increasingly unpredictable. Regulatory policies can have an impact on the availability and usage of crop protection products and, in some cases, can result in the restriction or removal of certain products from the market, which can have a material adverse effect on the financial performance of Nufarm. Nufarm's business operations could be adversely affected by changes in international or Australian State, Territory and Commonwealth governments and changes in government legislation, guidelines and regulations. Nufarm monitors regulatory developments across its key regions of operations closely and participates in several industry bodies and task forces which provide input and analysis to regulatory bodies on the use of our key products. The Nufarm Portfolio team considers the regulatory environment in the maintenance and ongoing development of our portfolio.
Environmental	Nufarm operates in a regulatory environment that establishes high standards in terms of environmental compliance. Any material failure by Nufarm to adequately control hazardous substances and manufacturing operations, including the discharge of waste material, or to meet its various statutory and regulatory environmental responsibilities, could result in significant liabilities as well as ongoing costs relating to operations inefficiencies which may arise. Group HSE has provided clear guidelines on the management of environmental risks, which includes ongoing assessment and review of regulatory requirements. Local management engage with local environmental authorities on key risks and compliance.
Quality controls	Nufarm manufactures and supplies a range of crop protection products which must be manufactured, formulated and packaged to exact standards, with strict quality controls. The performance of those products would be negatively impacted if those quality standards are not met and this could, in turn, have an adverse impact on the reputation and success of Nufarm.

	Quality guidelines and procedures are defined across the manufacturing process, including external tolling activities. These processes are subject to rigorous testing to ensure quality standards are met. An ongoing review program is in place with the aim of ensuring operations adhere to the quality standards and identify continuous improvement opportunities.
Competition	Nufarm conducts business in a highly competitive industry in which there are a number of well-established competitors that have significantly greater financial resources, sales and marketing organisations, market penetration and development capabilities, as well as broader product offerings and greater market and brand presence. Most of the products supplied by Nufarm can also be purchased from other crop protection companies. This may place pricing pressure on Nufarm and may impact Nufarm's ability to retain existing customers or attract new customers. There can be no assurances given in respect of Nufarm's ability to compete. Nufarm's financial performance, the future prospects of the business and the value of Nufarm shares could be materially adversely affected if Nufarm cannot compete, existing competitors increase market share or new competitors enter the relevant markets. Nufarm monitors the competitive market on an ongoing basis. Pricing and supply decisions are managed globally and locally with the aim of ensuring our products remain competitive and market share is maintained.
Industry consolidation	The industry in which Nufarm conducts business is currently undergoing a period of consolidation with a number of large mergers and acquisitions transactions underway (including, for example, ChemChina's acquisition of Syngenta, Dow's merger with DuPont, FMC's acquisition of certain assets from DuPont's crop protection business, Bayer's acquisition of Monsanto, UPL's proposed acquisition of Arysta and BASF's acquisition of a portfolio of assets from Bayer). Completion of these transactions is expected to result in a change to the industry landscape and competitive environment, producing larger market competitors with an increased market presence. If these changes result in an increase in competition and Nufarm is unable to adapt and its competitive position deteriorates, Nufarm's financial performance, its future prospects and the value of Nufarm shares could be adversely affected. Nufarm continues to actively monitor the market to identify specific risks and opportunities presented by industry consolidation. We have taken a disciplined approach to participation in opportunities presented, ensuring all decisions are strategically aligned and execution risks are understood and managed. Analysis of the industry post consolidation occurs on an ongoing basis as input to strategic marketing and operational decisions.
Excess supply	Supply and demand factors play a role in the profitability of crop protection sales. The introduction of significant levels of new capacity relating to the supply of crop protection products can result in volatility in pricing and margins in key products supplied by Nufarm.
Environmental compliance audits in China	The Chinese government is undertaking environmental compliance audits in China, which in some circumstances have resulted in the partial or complete closure of chemical production facilities. These audits remain ongoing and there is a risk they result in the closure of further facilities, which could include facilities of Nufarm's suppliers. If these closures occur, it could impact in Nufarm's ability to source product at competitive prices which might impact Nufarm's sales and/or margins.
Third party	Nufarm relies on supply of various active ingredients, intermediates and other

supply	inputs from a number of third party suppliers, including suppliers based in China. The reliability of supply and the cost of these inputs can be impacted by a range of factors including, but not limited to, manufacturing closures or temporary disruptions, compliance with more stringent environmental and/or safety standards, and other changes in government policy or regulation. Any resulting disruption to supply or price impact may affect Nufarm's ability to meet its sales and/or margin forecasts. Supply and demand factors play a role in the profitability of crop protection sales. The introduction of significant levels of new capacity relating to the supply of crop protection products can result in volatility in pricing and margins in key products supplied by Nufarm Nufarm's procurement and business planning processes include the ongoing assessment of supply availability as input to manufacturing and safety stock levels. Where possible, we have entered into specific supply arrangements to assist with availability and pricing of key active ingredients. Our manufacturing facilities are geographically aligned with distribution to minimise disruption to supply.
Geopolitical risks	Nufarm is subject to a number of geopolitical risks in certain markets that Nufarm may or may not operate in, including political instability and policy changes. Following President Donald Trump's decision to raise tariffs on $US200 billion of Chinese imports, the Chinese Communist Party has announced it will levy tariffs on $US60 billion worth of American goods. The Chinese Ministry of Commerce has announced plans to impose a 10 per cent tariff on 3571 goods from the US and a five per cent tariff on another 1636 US products. The new US imposed tariffs, mark the latest move in a potentially volatile trade dispute between China and the US. The introduction of Chinese and US tariffs have the potential to impact the price and volume of a number of agricultural products that are traded between the countries (for example, Soybeans exported into China from the US) and also have the potential to impact the volume and price of certain chemical inputs imported by Nufarm. The UK's potential exit from the European Union has the potential to impact the UK and Europe's agricultural sector as new agricultural and crop chemical policies may be implemented. These changes, among others, could adversely affect Nufarm's operations and earnings, and impact of Nufarm's share price.
Relationships with customers and distributors	Nufarm is exposed to competitor pressures in retaining and attracting customers. The loss of a key customer, the inability to renew contracts on similar terms or the inability of Nufarm to attract new customers may have a material impact on future profitability and the value of Nufarm shares. Nufarm also uses third parties to sell and / or distribute its products. These third parties may choose to prioritise other products or may elect not to renew distribution agreements when they expire. Should this occur, Nufarm may not be able to sell its products or may suffer delays in appointing new distributors. Nufarm's strategic alliances, partnerships and distribution agreements are reviewed on an ongoing basis and aligned to strategy. Customer marketing plans are managed regionally and aligned to specific customer needs. Our

	customer base is diversified to minimise the impact of the loss of any single customer.
Relationships with other commercial counterparties	Nufarm has important strategic alliances and a range of business relationships with other major companies in the sector, including licensing arrangements and distribution arrangements. These arrangements provide opportunities to maximise the value of Nufarm's distribution platforms as well as increasing Nufarm's customer base by providing access to additional products or new markets. Nufarm's collaborative relationships with other major crop protection companies may change or be terminated, which could have a material adverse impact on Nufarm's financial performance and the value of Nufarm shares.
Relationships with suppliers	Nufarm relies on the supply of a number of key raw materials, intermediates and active ingredients in order to produce and supply its range of crop protection products. Commercial terms relating to the supply of those inputs can vary and are subject to negotiation with third parties. Pricing and other terms associated with these arrangements can impact the margins associated with the sale of related products and Nufarm's future profitability and the value of Nufarm shares. As part of Nufarm's acquisitions of two portfolios of products in Europe, Nufarm entered into Transitional Supply Agreements (TSAs) with the vendors, Adama, Syngenta and FMC. Nufarm is reliant on the vendors meeting their commitments under the respective TSAs for supply of a number of key products. The transitional services agreement (TSA) states that Adama following Nufarm's acquisition of Century must supply the in-scope finished good products to Nufarm for a period of two years from closing with an option to extend a further year. Prochloraz and Tebuconazole mixture formulations are key products in Century portfolio. Any inability to supply means farmers' needs may be replaced by competitor products as they cannot be substituted "like-for-like" by any others in Nufarm's portfolio. Once displaced by competitor products, it may be very challenging for Nufarm to re-enter for next season(s). The only substantive qualification to the supply obligation is force majeure. Adama has informed Nufarm that it is experiencing some supply issues arising out of the Chinese regulatory activity referenced on page 19, stating Force Majeure, a claim Nufarm has formally refuted. Adama has since put forward a proposal which would satisfy Nufarm's full forecast of Prochloraz based products on the assumption that one of their suppliers resumes production satisfactorily.
Grower options and technology	Growers evaluate a number of options when determining how best to address their crop protection needs. Products supplied by Nufarm might be assessed alongside products supplied by other crop protection companies and other forms of crop protection conferred by alternative technologies such as biological controls and biotechnology. The introduction of genetically modified seeds has, in some instances, either reduced the need for crop protection products or resulted in a change in the crop protection products used The Nufarm Portfolio team conducts regular assessments of advancements in application technology and product development. This is a key input to the product development pipeline and participation in potential partnerships with third parties with access to alternative technologies.
Loss of key personnel	There can be no assurance that Nufarm will be able to retain key personnel. The loss of key personnel or the inability to recruit and retain or motivate high calibre staff could have a material adverse effect on Nufarm. Nufarm operates globally and has facilities in multiple jurisdictions. Management of a complex business that operates globally has a higher employee risk / complexity than a

	business which operates in one jurisdiction. The addition of new employees and the departure of existing employees, particularly in key positions, can be disruptive and could have an adverse effect on Nufarm and may impact Nufarm's financial performance, future prospects of the business and the price of Nufarm shares Critical roles across the organisation have been identified and appropriate succession and retention strategies developed. Guidelines for remuneration and reward have been developed to ensure Nufarm can attract and retain talent.
Debt financing risk	Nufarm has significant short term bilateral funding facilities to fund its working capital requirements. Continued access to these facilities is dependent upon compliance with relevant banking covenants and the successful renewal of these facilities as and when they fall due. Nufarm's ability to refinance its debt obligations, and the terms on which any such refinancing can be obtained, is uncertain. If Nufarm is unable to refinance its debt obligations, or to do so on reasonable terms, this may have an adverse effect on the financial position and performance of Nufarm. Board and Executive oversight is in place to monitor ongoing compliance with key banking covenants and facilitate the early identification of any covenants under stress. A clearly defined funding strategy is in place which includes a diversified funding structure with a range of debt maturity profiles.
Operational risk	While Nufarm has operational risk management practices, its profitability will continue to be subject to a variety of operational risks including strategic and business decisions (including acquisitions), technology risk (including business systems failure), reputation risk, fraud, compliance with legal and regulatory obligations, counterparty performance under outsourcing arrangements, business continuity planning, legal risk, data integrity risk, customer default risk, key person risk and external events. Further operational risks are that a customer or customers may terminate the services of Nufarm at any time, for any reason, or that a regulatory investigation or review may adversely affect Nufarm's ability to conduct its operations in an efficient and cost effective manner. Operation of Nufarm's manufacturing sites in Australia requires a Major Hazard Facility (MHF) license from Worksafe Australia (Worksafe). Worksafe undertakes regular audits of Nufarm's sites to ensure that it is appropriate to renew the licence. These audits can result in Nufarm having to spend additional capital expenditure to modify the manufacturing facility or modify its ways of working to meet Worksafe's requirements. Any decision by Worksafe not to renew Nufarm's MHF licences would lead to Nufarm having to modify its ways of working which would lead to additional ongoing operational costs. Nufarm has implemented a risk management framework and process which includes an annual Board review of group risks, regional risks and mitigating strategies. Regional management identify and monitor key operational risks on a quarterly basis through the business planning process and report on the status of the risks to Group. Group policies and procedures have been established to manage key regulatory risks and where applicable regional leaders have been appointed to manage specific regulatory risks. A robust and comprehensive HSE program is in place which provides clear guidance on culture, behaviours, process and reporting. This program includes the ongoing assessment of HSE risks and practices.

IP Rights and branded names	Nufarm regards its brand names, trademarks, domain names, trade secrets and similar intellectual property as important to its success. Nufarm's business has been developed with a strong emphasis on branding. Should any brand names be damaged in any way or lose market appeal, Nufarm's business could be adversely impacted. While Nufarm will use all reasonable endeavours to protect its intellectual property rights, unauthorised use or disclosure of its intellectual property may have an adverse effect on the operating, marketing and financial performance of Nufarm. Although most of Nufarm's products are post patent, there are certain products or developing technologies which may be entitled to patent protection. There is a risk that Nufarm might not be able to obtain such protection, or that Nufarm's activities may infringe the patent or other rights of others. Policies and procedures are in place to assist with the identification and protection of patents and trademarks. The Nufarm product development process includes specific steps to identify potential patent or trademark risks. Where considered necessary, external expert advice is obtained.
Information and cyber security	Nufarm's operations are supported by several key IT systems and applications. Complete or partial failure of the IT systems, applications or data centre infrastructure due to unauthorised access, cyber-attacks or natural disasters could have a significant impact on Nufarm's ability to maintain operations and service customers. This could adversely impact Nufarm's financial position and / or reputation. Nufarm has implemented disaster recovery strategies over its key IT systems, applications and data centres, which are reviewed and tested on a regular basis. Cyber threats are assessed on an ongoing basis to the best of our knowledge based on the continually evolving nature of these threats. Security controls are updated to mitigate these risks supported by a combination of external and internal vulnerability testing.
Glyphosate litigation and increased community focus	On 6 August 2018, a Brazilian federal judge banned the use of crop protection products containing glyphosate whilst toxicology tests on the chemical are carried out. On 3 September 2018, the Regional Federal Court of first Region in Brasilia cancelled the suspension without conditions following discussions with the Ministry of Agriculture This has enabled Nufarm to continue to sell glyphosate for use in the forthcoming Brazilian soybean planting season. On 10 August 2018, a California jury found Monsanto liable to the amount of US$289m as a result of allegations their glyphosate-based product Round-Up caused a man's cancer. There is risk that glyphosate sales around the world are adversely impacted given both the intense legal and community pressure on this product. There is also a risk of future litigation for suppliers of glyphosate-based products, including Nufarm. Nufarm maintains a dedicated internal legal team across its key regional operations which is supported externally as required. Specific reporting protocols and guidelines are in place to manage ongoing legal input and facilitate escalation to Group when required.
ERP Implementation	Nufarm has begun the implementation of a new Enterprise Resource Planning (ERP) system and shared service centre. Whilst the ERP project is progressing to schedule, if the ERP implementation were to experience delays or unanticipated issues, this could have an impact on Nufarm's ability to service customers, provide timely and accurate financial information to the company's

	management and may also impede Nufarm's ability to integrate recent acquisitions. This could have a material adverse effect on the business, financial conditions and results of Nufarm. Regular executive oversight is in place through participation on the project steering committee and a program of independent project assessments has been established which coincide with key project milestones. Dedicated change management resources have been employed to facilitate training and readiness to minimise potential business disruption.

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 2018 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
ME McDonald
PM Margin
T Takasaki

Unless otherwise indicated, all directors held their position as a director throughout the entire period and up to the date of this report. Details of the qualifications, experience and responsibilities and other directorships of the directors will be set out in the Company's 2018 Annual Report.

Company secretary

The company secretary is Mr 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	12,224	-
GR Davis	48,889	-
FA Ford	24,445	-
Dr WB Goodfellow [1]	1,339,887	48,423
GA Hunt [2]	389,422	-
DG McGauchie	66,293	-
ME McDonald	8,584	-
PM Margin	3,005	-
T Takasaki	-	-

1 The shareholdings of Dr WB Goodfellow include:
(i) St Kentigern Trust Board (430,434 shares and 19,727 step-up securities) – Dr Goodfellow is a Trustee of the Trust Board. Dr Goodfellow does not have a beneficial interest in these shares or step-up securities;
(ii) Sulkem Company Limited (160,713 shares);
(iii) Auckland Medical Research Foundation (26,558 step-up securities). Dr Goodfellow does not have a beneficial interest in these step-up securities.
(iv) Trustees of the Goodfellow Foundation (41,378 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.
(v) Henry Berry Corporation Limited (514,386 shares and 700 step-up securities)

2 GA Hunt's interest in 389,422 ordinary shares includes 69,695 deferred shares granted as remuneration that are not yet exercised or vested.

Directors' meetings

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

	Committees									
Director	Board		Audit & Risk Committee		Human Resources		Nomination & Governance		Health Safety & Environment	
	Meetings Held 1	Meetings Attended	Meetings Held 1	Meetings Attended	Meetings Held 1	Meetings Attended	Meetings Held 1	Meetings Attended	Meetings Held 1	Meetings Attended
AB Brennan	13	12	4	4	3	3	-	-	-	-
GR Davis	13	13	4	4	3	3	-	-	3	3
FA Ford	13	13	4	4	-	-	3	3	-	-
Dr WB Goodfellow	13	13	-	-	-	-	3	3	-	-
GA Hunt	13	13	-	-	-	-	-	-	-	-
ME McDonald	13	13	2	2	-	-	-	-	3	2
DG McGauchie	13	13	-	-	3	3	3	3	-	-
PM Margin	13	13	4	4	3	3	-	-	-	-
T Takasaki 2	13	8	-	-	-	-	-	-	3	3

1 Number of meetings held during the period the director held office.
2 Mr T Takasaki did not attend 5 unscheduled meetings held in the period which related to the Century/Surf acquisitions to avoid any potential conflict of interest

Principal Activities and Changes

Nufarm's principal activities during the financial year were the manufacture and sale of crop protection products and its proprietary seed technologies business which are further described in the Information on the Company section of the Operating and Financial Review accompanying this Directors' Report.

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 / (loss) attributable to members of the Group for the 12 months to 31 July 2018 is $(15.6 million). The comparable figure for the 12 months to 31 July 2017 was $114.5 million.

Operating and Financial Review and Future Prospects

The operating and financial review and future prospects are set out in the Operating and Financial Review accompanying this Directors' Report.

Dividends

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

	$000
The Final dividend for 2016-2017 of 8 cents paid 10 November 2017.	21,415
The Interim dividend for 2017-2018 of 5 cents paid 4 May 2018.	16,380

The Final dividend for 2017-2018 of 6 cents as declared and recommended by the directors is payable 2 November 2018.

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 15 April 2017 – 14 October 2017 at the rate of 5.865 per cent per annum paid 16 October 2017	7,381
Distribution for the period 15 October 2017 – 14 April 2018 at the rate of 5.80 per cent paid 16 April 2018	7,259

State of Affairs

The state of the group's affairs are set out in the Operating and Financial Review accompanying this Directors' Report.

Events subsequent to reporting date

On 26 September 2018, the Directors declared a final unfranked dividend of 6 cents per share payable 2 November 2018.

On 26 September 2018, the company announced it was undertaking a pro rata entitlement offer to raise approximately $300 million of share capital. In raising the share capital, the company estimates $6.4 million of transaction costs will be incurred. Net of transaction costs, the company expects to use the estimated $293.6 million to repay existing debt facilities.

Environmental performance

Details of Nufarm's performance in relation to environmental regulations are set out in the Operating and Financial Review accompanying this Directors' Report. The group did not incur any prosecutions or fines in the financial period relating to environmental performance. The group publishes annually a sustainability report. 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 39 to the financial report.

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

Indemnities and insurance for directors and officers

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

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

Lead auditor's independence declaration

The lead auditor's independence declaration is set out in the Company's 2018 Annual Report and forms part of the directors' report for the financial year ended 31 July 2018.

Rounding of amounts

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.

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

DG McGauchie AO
Director

GA Hunt
Director

Melbourne
26 September 2018

A message from the chairman of the human resources committee (HRC) (unaudited)

Dear shareholder,

I am pleased to present our remuneration report for the year ended 31 July 2018. Our aim in preparing this report is to enable you, our shareholders and interested stakeholders, to understand the links between remuneration, company strategy and Nufarm's performance, and the framework we have in place to provide effective governance over remuneration at Nufarm.

Nufarm's remuneration structure is designed to support our strategic objectives and help drive sustainable value creation. The capabilities and commitment of our management and employees make a critical contribution to the success of the company and our remuneration policies are based on principles that encourage and reward performance and outcomes. Whilst enjoying strong revenue growth, 2018 earnings were impacted by a severe drought in Australia resulting in a decrease in underlying EBIT and a significant increase in our Net Working Capital outcome. Whilst underlying EBIT was lower, underlying EBITDA was down by 1%, with the Australian drought impact largely offset by the European acquisition contribution.

The company's performance has been reflected in the FY18 short term incentive outcomes which did not pay out for the chief executive officer and senior executives. The FY16 LTI plan was tested on 31 July 2018 with no equity vesting since neither the Relative Total Shareholder Return (RTSR) nor the average ROFE over three years' targets were met. Our STI and LTI outcomes reflect strongly that our senior executives are only rewarded when they deliver sustainable returns over both short and long term aligned with shareholder value creation.

Fixed remuneration increases for executives were determined according to the nature and size of role and within Nufarm's usual benchmarking approach. Any increases are reflective of market pricing for roles that were undertaken.

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

In FY18, the committee broadened its strategic agenda by expanding its focus from remuneration matters to talent, diversity and succession for our senior most roles within the Company.

Further detail is provided within the remuneration report.

Peter Margin
Chair – human resources committee

2018 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 2018 (FY18). The report has been prepared in accordance with section 300A of the Corporations Act 2001 (Corporations Act).

1. Remuneration snapshot

1.1 Key Points

The overall structure and philosophy of Nufarm's approach to remuneration remained consistent throughout FY18. 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 KEY OUTCOMES UNDER OUR INCENTIVE PLANS THIS YEAR WERE:

Short Term Incentive outcomes	The entry hurdle measures required for payment of Short Term Incentive Plan for Executive KMPs were not met. With the exception of Brent Zacharias (Group Executive Nuseed) all KMPs including the chief executive officer did not receive any payment related to the FY18 plan.
Long Term Incentive outcomes	The FY16 LTI plan was tested on 31 July 2018 and did not meet the entry hurdle associated with the plan measures. The outcome was that all KMPs did not receive any equity related to the FY16 plan.

1.2 Changes during FY18

In FY17, the Group executive Nuseed was moved to a plan tailored to ensure the role is measured against and rewarded for Nuseed financial deliverables. In FY18, the plan was further refined to ensure greater emphasis on the Nuseed financial deliverables (with Nuseed measures accounting for 60% of STI, previously set to 50% of STI).

1.3 Key Management Personnel

Nufarm's KMP comprise the directors of the company and selected members of the NLT. The term Executive KMPs 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 FY18
Greg Hunt	Managing director and chief executive officer	1 August 2017 – 31 July 2018
Paul Binfield	Chief financial officer	1 August 2017 – 31 July 2018
Elbert Prado	Group executive supply chain operations	1 August 2017 – 31 July 2018
Brent Zacharias	Group executive Nuseed	1 August 2017 – 31 July 2018
Niels Poerksen	Group executive portfolio solutions	1 August 2017 – 31 July 2018

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.

During 2018, the HRC sought external general market movement data for the 2018 year from Egan Associates Pty Ltd but did not receive 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 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 relative total shareholder return (RTSR) is measured by an independent external advisor.

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.

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

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 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.

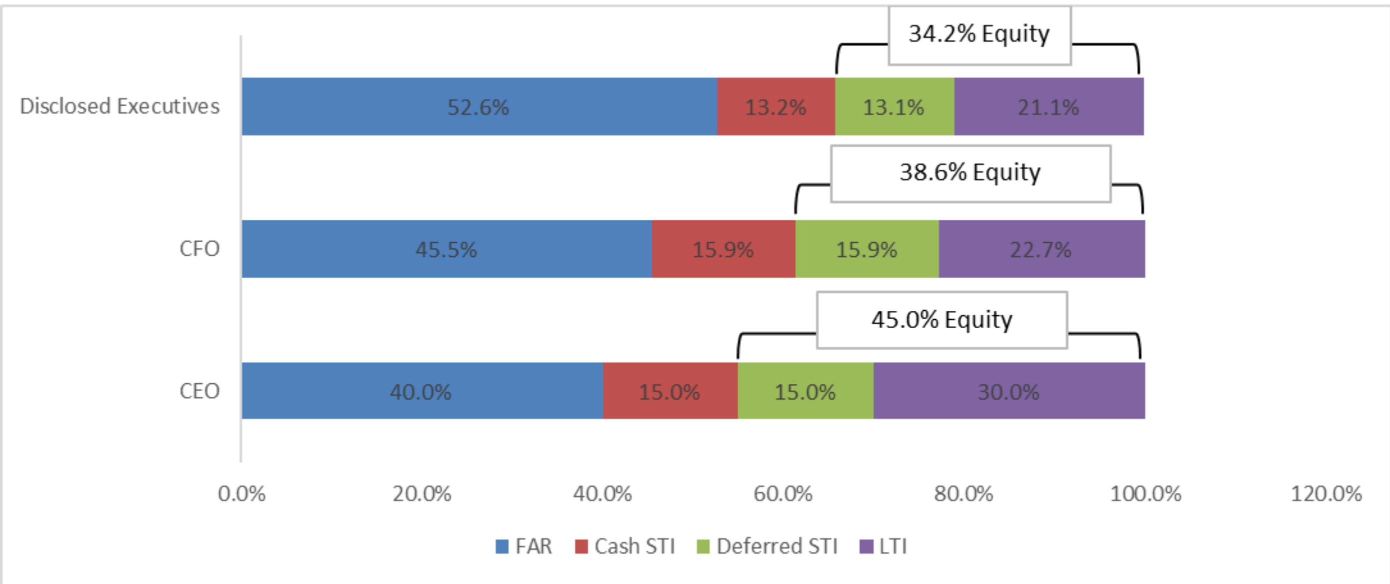
A focus on managing working capital and improving returns on funds employed is fundamental to the way in which Nufarm operates and is therefore a key element of the way performance is measured and assessed at a group and individual level.

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. In FY19, the board intend to undertake a comprehensive review of the LTI plan with a view to ensuring it aligns with the long term strategy and continues to motivate our senior executives.

2.3 Remuneration components

The executive remuneration structure is based on 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.



a) Remuneration structure

FAR	STI		LTI
Attract, motivate and retain highly skilled employees	Reward achievement of financial and personal strategic objectives		Align to long term shareholder value creation
Cash		Equity	
Base Salary plus superannuation Set based on market and internal relativities, performance and experience	50% of STI outcome paid in October after the financial year end STI outcome based on financial and individual performance	50% of the STI outcome is deferred as Restricted Shares for a period of 2 years Subject to clawback and forfeiture in circumstances outlined	Indeterminate Rights subject to three year performance period with 50% subject to RTSR and 50% subject to ROFE Subject to clawback and forfeiture in circumstances outlined

b) FY18 STI plan

Changes to the STI Plan

For FY18, all Executive KMPs participated in the same STI plan with the exception of Group executive Nuseed who participated in a separate plan tailored to ensure the role was measured against and rewarded for Nuseed financial deliverables.

Both plan details are below, with the major differences between the plans outlined where applicable.

<table>
<tr><td>Who participates in the STI?</td><td colspan="2">Plan participants include disclosed executives and senior managers globally.</td></tr>
<tr><td>When are awards made?</td><td colspan="2">Awards under the plan are made at the end of the financial year.</td></tr>
<tr><td rowspan="3">What measures are used in the plan?</td><td colspan="2">The board sets measures at the start of each year focused on profitability and balance sheet management. Noted below are the measures used in 2018.</td></tr>
<tr><td>All Executive KMP roles (except GE Nuseed)
80% of the potential was based on Nufarm group underlying Net Profit after Tax (UNPAT) 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</td><td>Group executive Nuseed
20% of the potential was based on Nufarm group UNPAT and ANWC/Sales

60% of the potential was based on Nuseed UPBT and ANWC/Sales

20% of the potential was based on individual strategic and business improvement objectives aligned to the role and contribution of the executive</td></tr>
<tr><td colspan="2">This structure reflects Nufarm’s strong focus on the use of capital and ensures alignment of reward to business outcomes and shareholder returns.</td></tr>
<tr><td rowspan="3">When and how are the STI payments determined?</td><td colspan="2">Awards are assessed annually at the end of the financial year. Awards are based on the percentage achievement against the budget and strategic measures.</td></tr>
<tr><td colspan="2">All Executive KMP roles (except GE Nuseed)
<table>
<tr><th rowspan="2">Performance</th><th colspan="2">Group UNPAT</th><th colspan="2">Group ANWC</th></tr>
<tr><th>% Budget achieved</th><th>% of Target STI opportunity realised against measure</th><th>% Budget achieved</th><th>% of Target STI opportunity realised against measure</th></tr>
<tr><td>Below Threshold</td><td>< FY17 group UNPAT</td><td>Nil</td><td>< FY17 group ANWC</td><td>Nil</td></tr>
<tr><td>Threshold</td><td>FY17 group UNPAT</td><td>54%</td><td>FY17 group ANWC</td><td>100%</td></tr>
<tr><td>Target</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr>
<tr><td>Stretch</td><td>120%</td><td>150%</td><td>110%</td><td>150%</td></tr>
</table>
Group Executive Nuseed
Additional to group Nufarm measures shown in table immediately above, the following two Nuseed measures also form part of the STI plan
<table>
<tr><th>Performance</th><th colspan="2">Nuseed UPBT</th><th colspan="2">Nuseed ANWC</th></tr>
<tr><th></th><th>% Budget achieved</th><th>% of Target STI opportunity realised against measure</th><th>% Budget achieved</th><th>% of Target STI opportunity realised against measure</th></tr>
<tr><td>Below Threshold</td><td>< 85%</td><td>Nil</td><td>< 85%</td><td>Nil</td></tr>
<tr><td>Threshold</td><td>85%</td><td>25%</td><td>85%</td><td>25%</td></tr>
<tr><td>Target</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr>
<tr><td>Stretch</td><td>120%</td><td>150%</td><td>110%</td><td>150%</td></tr>
</table></td></tr>
<tr><td colspan="2">Straight line vesting between threshold and budget and between budget (target) and stretch. Strategic and business improvement objectives are assessed on a merit basis against stated objectives.</td></tr>
<tr><td>Are payments in cash or shares?</td><td colspan="2">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.</td></tr>
<tr><td>When do the shares vest?</td><td colspan="2">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.</td></tr>
<tr><td>Is there a clawback provision in the plan?</td><td colspan="2">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.</td></tr>
</table>

What happens if the Executive KMP leaves Nufarm?	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 provides the flexibility, in special circumstances (e.g. health or severe personal hardship), to accelerate the vesting. This would result in the shares being released from the trust to the executive.

c) FY18 LTI plan

Changes to the LTI Plan

The Nufarm Executive LTI Plan (Plan) was first introduced in FY12 with no change in plan design since its inception. A comprehensive review of all plan elements (including the peer comparator group) is currently underway with the aim of reinforcing plan effectiveness for both the organisation and the KMPs. All changes, subject to Board approval, will be introduced to LTI plans from FY20 onwards.

<table>
<tr><td>Why have an LTI plan?</td><td colspan="2">This plan aligns executive interests and earnings with the longer term Nufarm strategy and the interests of shareholders.</td></tr>
<tr><td>Who participates in the LTI plan</td><td colspan="2">The current participants in the plan are disclosed executives and other selected senior managers (together, the LTI plan participants).</td></tr>
<tr><td>Are the awards cash or shares?</td><td colspan="2">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.</td></tr>
<tr><td>When are the awards made?</td><td colspan="2">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.</td></tr>
<tr><td>How are the number of rights calculated?</td><td colspan="2">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.</td></tr>
<tr><td>When do the awards vest?</td><td colspan="2">The performance / vesting period for awards is 3 years. Awards will vest in two equal tranches as follows:
- 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
- The remaining 50% of the LTI plan grant will vest subject to the 3 year average of an absolute ROFE target.</td></tr>
<tr><td>Why have ROFE and RTSR been chosen as the hurdles?</td><td colspan="2">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.</td></tr>
<tr><td>What is the comparator group for the assessment of relative TSR?</td><td colspan="2">Based on the results of research and modelling carried out by Ernst and Young, at the inception of the plan the board approved the adoption of the 'S&P ASX 200 excluding those companies in the Financial, Materials and Energy groups' as the 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.</td></tr>
<tr><td>How is RTSR measured?</td><td colspan="2">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</td></tr>
<tr><td rowspan="5">What is the RTSR performance required for vesting?</td><td>TSR of Nufarm relative to the TSR of comparator group companies</td><td>Proportion of RTSR grant vesting</td></tr>
<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>
<tr><td>How is the ROFE target set?</td><td colspan="2">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.</td></tr>
<tr><td>How is ROFE measured?</td><td colspan="2">Return is calculated on the group's earnings before interest and taxation and adjusted for any material items. Funds employed are represented by shareholder's funds plus total interest bearing debt. For the purposes of measuring ROFE performance in the LTI plan, ROFE will be averaged over the life of the plan.</td></tr>
<tr><td rowspan="5">What ROFE result is required for vesting?</td><td>Percentage of ROFE target achieved</td><td>Proportion of ROFE grant vesting</td></tr>
<tr><td>Less than Target</td><td>0%</td></tr>
<tr><td>Target</td><td>50%</td></tr>
<tr><td>Between Target and Stretch</td><td>Straight line vesting between 50% and 100%</td></tr>
<tr><td>Stretch</td><td>100%</td></tr>
</table>

What was the result for the FY18 year?	The FY16 award, which matured in 2018 did not vest into shares as both RTSR and ROFE performance hurdles were not met.
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 3-year performance period and full vesting is not achieved, performance will not be re-tested and the award will lapse. There is no partial vesting of the LTI plan before the 3rd 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?	To be eligible under the LTI plan, the executive must be employed by Nufarm on the 1st 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 1st anniversary and before the 3rd anniversary of the plan the allocation will be pro-rated and the pro-rated allocation will remain 'on foot' in the plan subject to certain overriding discretions set out in the plan. The rules of the plans provide the flexibility, in special circumstances (eg. health or severe personal hardship), to accelerate the vesting. The qualifying allocation will be tested against the hurdles to determine the value (if any) of the allocation.

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		FY18	FY17	FY16	FY15	FY14
Earnings						
Underlying EBIT*	**$m**	**265.1**	**302.3**	**286.7**	**236.9**	**200.6**
Underlying EBITDA	**$m**	**385.7**	**390**	**372**	**317**	**281**
ANWC/Sales***	**%**	**40.3**	**36.8**	**39.9**	**41.9**	**47.7**
Underlying NPAT**	**$m**	**98.4**	**135.8**	**108.9**	**117.1**	**86.4**
ROFE achieved	**%**	**9.4**	**13.6**	**13.2**	**11.0**	**9.1**
Shareholder value						
Closing share price 31 July	**$**	**7.15**	**8.46**	**8.28**	**7.72**	**4.35**
Enterprise value****	**$m**	**3,964.1**	**3,185.4**	**3,074.0**	**2,840.0**	**1,908.8**
TSR	**%**	**(13.9)**	**3.5**	**8.7**	**80.2**	**(1.7)**
Dividends declared	**Cents**	**11.0**	**13.0**	**11.0**	**10.0**	**8.0**

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

***: Average Net Working Capital/Sales is used throughout the business and highlights the management of working capital over the full year.

****: Enterprise value is Nufarm ordinary shares on issue, multiplied by Nufarm's share price, plus net debt and Nufarm Step up securities as at 31 July.

3.2 Short Term Incentive outcomes

Based on an underlying NPAT result of $98.4m, an ANWC/Sales result at 40.3% and performance against individual strategic and business improvement objectives, disclosed executives (except GE Nuseed) employed for the performance period FY18 did not receive any payment under the 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. There was no payment associated with the individual objectives since the entry hurdle for the FY18 plan was not met.

a) FY18 STI plan payment results

Outcomes against targets for disclosed executives are shown below:

Disclosed executive	Financial: Weighting and outcome* Group uNPAT	Group ANWC	Business unit profitability	Business unit ANWC	Personal: Weighting and outcome	Overall award as a % of target potential
Greg Hunt	40% ●	40% ●	-	-	20% ●	0%
Paul Binfield	40% ●	40% ●	-	-	20% ●	0%
Elbert Prado	40% ●	40% ●	-	-	20% ●	0%
Niels Poerksen	40% ●	40% ●	-	-	20% ●	0%
Brent Zacharias	10% ●	10% ●	30% ●	30% ●	20% ●	27.72%

Key: ● : Below threshold ●: Between threshold and target ●: Greater than target

*: Nufarm's objective is to be as transparent as possible, without disclosing commercially sensitive information. Consequently, while STI measures, descriptions, weighting and performance in FY18 for Disclosed executives have been provided above, the specific targets for measures such as NPAT have not.

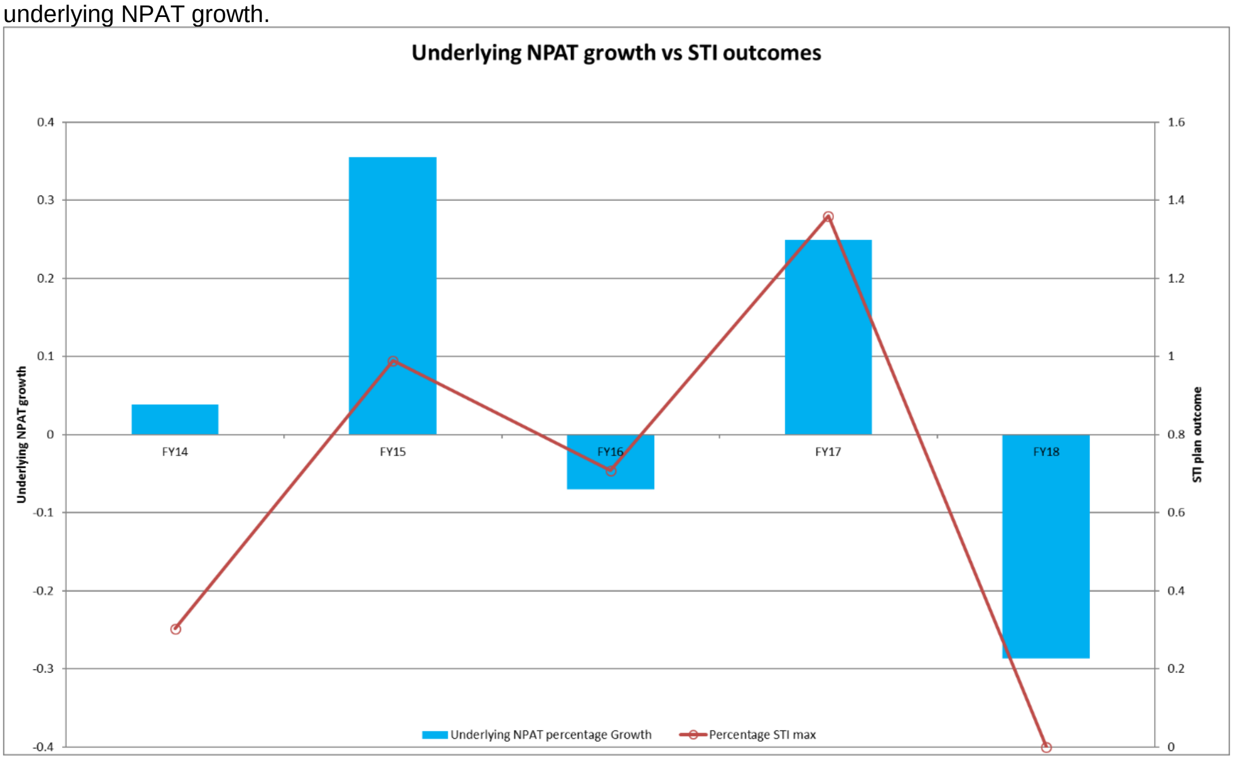
The table below displays FY18 STI payments as a percentage of FAR and also as a percentage of target opportunity

Disclosed executive	2018 STI Potential At target $	At maximum $	Total Award $	FY18 STI Award as a % of target potential	FY18 STI as % of FAR	To be paid in cash in October 2018 $	Retained in shares vesting 2nd anniversary 31.7.20* $
Greg Hunt	965,625	1,448,438	-	0%	0%	-	-
Paul Binfield	578,591	867,887	-	0%	0%	-	-
Elbert Prado	367,710	551,565	-	0%	0%	-	-
Brent Zacharias	234,490	351,735	65,438	28%	14%	32,719	32,719
Niels Poerksen	367,710	551,565	-	0%	0%	-	-
Senior executive average	**502,825**	**754,238**	**13,088**	**3%**	**2%**		

* The portion of FY18 STI payment retained in shares will vest on 31 July 2020, on the second anniversary from effective allocation date.

b) Historical STI plan performance relative to Nufarm's UNPAT results

The following chart compares Nufarm's historical STI plan performance results against underlying NPAT 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 NPAT growth.



3.3 Long Term Incentive outcomes

The performance period for the FY16 LTI plan concluded on 31 July 2018.

The results of Nufarm's RTSR was calculated by an external provider. 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) FY16 LTI plan testing as at 31 July 2018

The vesting table for the FY16 LTI plan is detailed below, reflecting performance up to 31 July 2018 against the two performance measures of RTSR and ROFE.

Performance Measure	% of total plan vested
RTSR (Nil vesting)	0%
ROFE (Nil vesting)	0%
Total	Nil

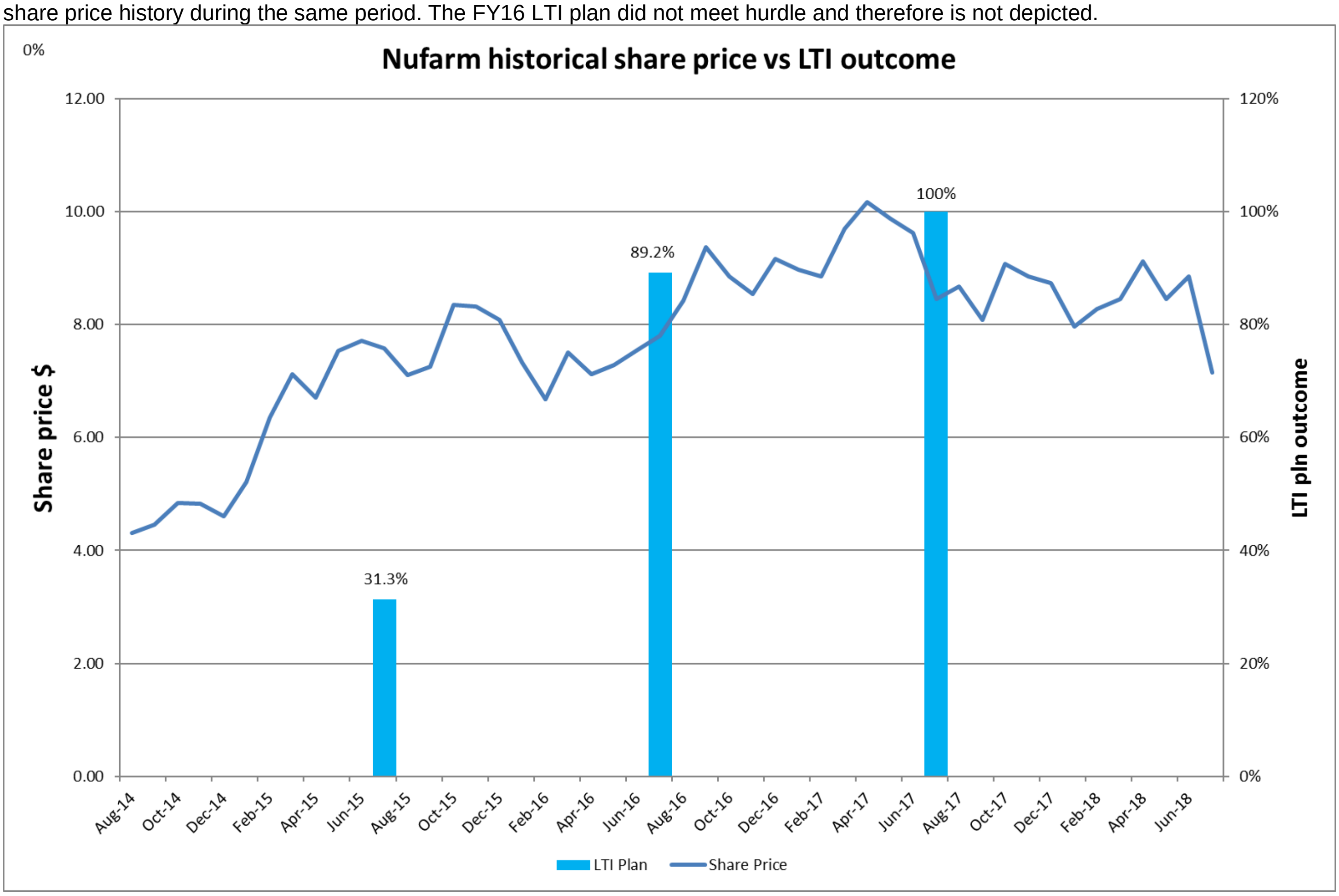
b) FY16 LTI award outcome

The table below details the individual outcome for the FY16 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 $	Total grant date fair value of lapsed awards $
Greg Hunt	74,378	-	0.0%	n/a	-	499,820
Paul Binfield	34,938	-	0.0%	n/a	-	234,783
Elbert Prado	31,238	-	0.0%	n/a	-	209,919
Brent Zacharias	20,082	-	0.0%	n/a	-	134,951
Niels Poerksen	-	-	n/a	n/a	-	-

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

The following chart compares Nufarm's LTI plan vesting results for the past four LTI plans (as a percentage of plan maximum) to the share price history during the same period. The FY16 LTI plan did not meet hurdle and therefore is not depicted.



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 other disclosed executives have been structured to be compliant with the termination benefits cap under the Corporations Act.

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

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

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

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

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 2017 AGM, shareholders approved an aggregate of $2,000,000 per year (including superannuation costs). The total fees for the 2018 year remained within the approved cap.

Board fees are generally reviewed every 18 months with the last review done in August 2016. A review was held in September 2018 and fees will increase by 3.75% effective August 2018. The next review will be held in February 2020. 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.

	Fees applicable from 1 August 2017 to 31 July 2018 ($) per annum
Chairman*	378,378
General board	154,792
Audit committee Chair	31,200
Audit committee Member	15,600
HSE Risk committee Chair	18,200
HSE Risk committee Member	9,100
HR committee Chair	26,000
HR committee Member	13,000
Nominations committee Chair	12,012
Nominations committee Member	1,560 per meeting

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

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				Post-employmen		Share based	Other long term	Total [1]		
In AUD		Salary and Fees	Cash Bonus (Vested)	Non - monetary benefits	Total	Super-annuation	Termination benefits	Equity settled		**Total Re-muneration**	Percentage of remuneration performance based	Value of options as a proportion of total remuneration
		$	$	$	$	$	$	$	$	**$**	%	%
Directors' Non-executive												
AB Brennan	2018	166,720	-	-	166,720	16,672	-	-	-	**183,392**		
	2017	166,719	-	-	166,719	16,672	-	-	-	**183,391**		
GR Davis	2018	183,265	-	-	183,265	18,326	-	-	-	**201,591**		
	2017	183,265	-	-	183,265	18,327	-	-	-	**201,592**		
Dr WB Goodfellow	2018	144,974	-	-	144,974	19,630	-	-	-	**164,604**		
	2017	144,974	-	-	144,974	14,498	-	-	-	**159,472**		
DG McGauchie	2018	343,980	-	-	343,980	34,398	-	-	-	**378,378**		
	2017	343,980	-	-	343,980	34,398	-	-	-	**378,378**		
P. Margin	2018	197,733	-	-	197,733	-	-	-	-	**197,733**		
	2017	186,810	-	-	186,810	18,682	-	-	-	**205,492**		
F. Ford	2018	173,338	-	-	173,338	17,333	-	-	-	**190,671**		
	2017	173,338	-	-	173,338	17,334	-	-	-	**190,672**		
T. Takasaki	20218	148,993	-	-	148,993	14,899	-	-	-	**163,892**		
	2017	148,992	-	-	148,992	14,899	-	-	-	**163,891**		
M. McDonald	2018	167,274	-	-	167,274	16,727	-	-	-	**184,001**		
	2017	51,236	-	-	51,236	5,124	-	-	-	**56,360**		
Sub total non- executive directors remuneration	2018	1,526,277	-	-	1,526,277	137,985	-	-	-	1,664,262		
	2017	1,399,314	-	-	1,399,314	139,934	-	-	-	1,539,248		
Executive Director GA Hunt	2018	1,265,479	-	2,944	1,268,423	25,000	-	557,691		**1,851,114**	30%	16%
	2017	1,215,833	583,123	2,714	1,801,670	37,083	-	761,804	-	**2,600,557**	52%	16%
Total Directors' remuneration	2018	2,791,756	-	2,944	2,794,700	162,985	-	557,691	-	3,515,376		
	2017	2,615,147	583,123	2,714	3,200,984	177,017	-	761,804	-	4,139,805		
Group Executives												
PA Binfield	2018	804,635	-	295	804,930	25,000	-	263,659	-	**1,093,589**	24%	10%
	2017	768,317	320,878	-	1,089,195	37,083	-	442,560	-	**1,568,838**	49%	15%
E. Prado	2018	735,420	-	23,504	758,924	-	-	205,715	-	**964,639**	21%	9%
	2017	714,000	237,914	32,158	984,072	-	-	354,099	-	**1,338,171**	44%	14%
N Poerksen	2018	713,209	-	27,661	740,870	25,449	-	215,533	-	**981,852**	22%	13%
	2017	713,723	207,675	54,501	975,899	23,398	-	136,028	-	**1,135,325**	30%	6%
B Zacharias	2018	461,044	36,564	46,261	543,869	50,601	-	130,170	-	**724,640**	23%	7%
	2017	440,866	146,507	50,070	637,443	48,207	-	186,126	-	**871,776**	38%	13%
Sub total - total executive remuneration	2018	2,714,308	36,564	97,721	2,848,593	101,050	-	815,076	-	3,764,720		
	2017	2,636,906	912,974	136,729	3,686,609	108,688	-	1,118,813	-	4,914,110		
Total directors and executive remuneration	2018	5,506,064	36,564	100,665	5,643,293	264,035	-	1,372,768	-	7,280,096		
	2017	5,252,053	1,496,097	139,443	6,887,593	285,705	-	1,880,617	-	9,053,915		

[1] Represents total remuneration paid in the financial year.

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 Ltd

	Scheme	Balance at 1 August 2017	Granted as remuneration [g]	Exercised	Forfeited or lapsed	Net change other	Balance at 31 July 2018 [c]	Vested during 2018	Vested at 31 July 2018 [a]	Value at date of forfeiture
Directors										
G Hunt	LTI performance	219,826	115,412	(49,778)	(74,378)	-	211,082	-	-	531,803
	STI deferred [b]	23,927	69,695	(23,927)	-	-	69,695	23,927	-	-
Executives *Current KMP*										
P Binfield	LTI performance	125,389	49,398	(55,355)	(34,938)	-	84,494	-	-	249,807
	STI deferred [b]	15,611	38,351	(15,611)	-	-	38,351	15,611	-	-
E Prado	LTI performance	99,949	35,158	(37,485)	(31,238)	-	66,384	-	-	223,352
	STI deferred [b]	13,957	28,435	(13,957)	-	-	28,435	13,957	-	-
B Zacharias	LTI performance	55,866	22,124	(16,508)	(20,082)	-	41,400	-	-	143,586
	STI deferred [b]	6,186	17,724	(6,186)	-	-	17,724	6,186	-	-
N Poerksen	LTI performance	26,008	35,158	-	-	-	61,166	-	-	-
	STI deferred [b]	9,328	29,801	(9,328)	-	-	29,801	9,328	-	-
Total	**LTI performance**	**527,038**	**257,250**	**(159,126)**	**(160,636)**	**-**	**464,526**	**-**	**-**	**1,148,548**
	STI deferred	**69,009**	**184,006**	**(69,009)**	**-**	**-**	**184,006**	**69,009**	**-**	**-**
Non-KMP Officers										
R Heath	LTI performance	36,194	10,600	(15,392)	(10,994)	-	20,408	-	-	78,607
Total		**632,241**	**451,856**	**(243,527)**	**(171,630)**	**-**	**668,940**	**69,009**	**-**	**1,227,155**

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

(b) The grant date fair value of deferred shares granted as remuneration during the year ended 31 July 2018 was $7.20. 100% of STI deferred shares available to vest during the year ended 31 July 2018 vested as the necessary service condition was satisfied. 100% of non-vested STI deferred shares are due to vest during the year ended 31 July 2019. Note those deferred shares granted as remuneration during the year ended 31 July 2018 relate to the year ended 31 July 2017 STI outcomes. Deferred shares granted as remuneration on the back of the current year STI outcomes will be determined and allocated in October 2018.

(c) LTIP performance rights forfeited due to a failure to satisfy service or performance conditions during 2018 are disclosed in column "Forfeited or lapsed". 100% of rights due to vest in 2018 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 2018 of $7.15.

(d) 217,084 of total LTIP performance rights held by KMPs are due to vest in 2019, with the remaining unvested balance due to vest in 2020.

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

(f) The number of LTIP performance rights granted as remuneration during FY18 were determined by dividing the KMP's total LTI grant opportunity by $8.37, being the five-day VWAP post the announcement of the group's 2017 annual results.

5.3 Shares held in Nufarm Ltd

Shares held in Nufarm Ltd

		Balance at 1 August 2017	Granted as remun-eration	On exercise of rights	Net change other	Balance at 31 July 2018
Directors						
DG McGauchie		54,239	-	-	12,054	66,293
G Hunt		187,683	-	73,705	58,339	319,727
AB Brennan		10,000	-	-	2,224	12,224
GR Davis		40,000	-	-	8,889	48,889
FA Ford		20,000	-	-	4,445	24,445
Dr WB Goodfellow	1	1,172,824	-	-	167,063	1,339,887
PM Margin		2,458	-	-	547	3,005
ME McDonald		-	-	-	8,584	8,584
T Takasaki		-	-	-	-	-
Executives						
Current KMP						
P Binfield		184,302	-	70,966	11,233	266,501
E Prado		44,085	-	51,442	(24,056)	71,471
B Zacharias		35,691	-	22,694	(25,736)	32,649
N Poersken		-	-	9,328	8,696	18,024
Total		**1,751,282**	**-**	**228,135**	**232,282**	**2,211,699**

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 (160,713 shares);

(iii) Auckland Medical Research Foundation (26,558 step-up securities). Dr Goodfellow does not have a beneficial interest in these step-up securities.

(iv) Trustees of the Goodfellow Foundation (41,378 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.

(v) Henry Berry Corporation Limited (514,386 shares and 700 step up securities)

Shares issued as a result of the exercise of options

There were 333,078 (2017: 374,220) shares issued as a result of the exercise of options during the year.

Unissued shares under option

There are nil (2016: 349,484) 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 2017 (2016: Nil).

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

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

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms-length basis.

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

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

DG McGauchie AO
Director

GA Hunt
Director

Melbourne
26 September 2018

Nufarm Limited

Income statement

For the year ended 31 July 2018

	Note	Consolidated 2018 $000	Consolidated 2017 $000
Continuing operations			
Revenue		3,307,847	3,111,115
Cost of sales		(2,344,413)	(2,197,865)
Gross profit		963,434	913,250
Other income	7	7,256	13,264
Sales, marketing and distribution expenses		(480,650)	(411,067)
General and administrative expenses		(275,573)	(195,666)
Research and development expenses		(39,046)	(40,415)
Share of net profits/(losses) of equity accounted investees	19	78	(124)
Operating profit		175,499	279,242
Financial income	10	10,978	8,591
Financial expenses excluding foreign exchange gains/(losses)	10	(118,638)	(101,774)
Net foreign exchange gains/(losses)	10	(27,946)	(13,812)
Net financial expenses		(146,584)	(115,586)
Net financing costs		(135,606)	(106,995)
Profit/(loss) before income tax		39,893	172,247
Income tax benefit/(expense)	11	(55,900)	(57,205)
Profit/(loss) for the period from continuing operations		(16,007)	115,042
Attributable to:			
Equity holders of the company		(15,588)	114,467
Non-controlling interests		(419)	575
Profit/(loss) for the period		(16,007)	115,042
Earnings per share			
Basic earnings/(loss) per share	30	(8.5)	38.7
Diluted earnings/(loss) per share	30	(8.5)	38.6

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

Nufarm Limited

Statement of comprehensive income

For the year ended 31 July 2018

	Note	Consolidated 2018 $000	2017 $000
Profit / (loss) for the period		(16,007)	115,042
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences for foreign operations		(24,231)	(29,099)
Effective portion of changes in fair value of cash flow hedges		2,028	2,479
Effective portion of changes in fair value of net investment hedges		8,882	4,019
Net changes in fair value of available-for-sale financial assets		-	1,342
Available-for-sale financial assets - reclassified to profit or loss		-	(894)
Items that will not be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plans		4,980	(2,091)
Income tax on share based payment transactions		(587)	(358)
Other comprehensive profit / (loss) for the period, net of income tax		(8,928)	(24,602)
Total comprehensive profit / (loss) for the period		(24,935)	90,440
Attributable to:			
Equity holders of the company		(24,516)	89,865
Non-controlling interest		(419)	575
Total comprehensive profit / (loss) for the period		(24,935)	90,440

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.

Nufarm Limited

Balance sheet

As at 31 July 2018

	Note	Consolidated 2018 $000	Consolidated 2017 $000
Assets			
Cash and cash equivalents	15	301,700	235,145
Trade and other receivables	16	1,199,617	1,027,516
Inventories	17	1,179,696	763,039
Current tax assets	18	31,609	25,615
Other investments	20	-	-
Total current assets		2,712,622	2,051,315
Non-current assets			
Trade and other receivables	16	108,859	110,701
Investments in equity accounted investees	19	411	334
Other investments	20	442	384
Deferred tax assets	18	201,962	240,248
Property, plant and equipment	22	338,749	350,520
Intangible assets	23	1,688,322	891,386
Total non-current assets		2,338,745	1,593,573
TOTAL ASSETS		5,051,367	3,644,888
Current liabilities			
Bank overdraft	15	7,357	11,384
Trade and other payables	24	1,131,270	826,367
Loans and borrowings	25	519,698	426,026
Employee benefits	26	19,347	18,679
Current tax payable	18	20,930	17,628
Provisions	28	12,398	15,718
Total current liabilities		1,711,000	1,315,802
Non-current liabilities			
Payables	24	10,800	12,796
Loans and borrowings	25	1,148,715	478,028
Deferred tax liabilities	18	113,552	137,644
Employee benefits	26	95,676	97,695
Total non-current liabilities		1,368,743	726,163
TOTAL LIABILITIES		3,079,743	2,041,965
NET ASSETS		1,971,624	1,602,923
Equity			
Share capital		1,537,502	1,090,197
Reserves		(309,126)	(301,741)
Retained earnings		496,316	563,140
Equity attributable to equity holders of the Company		1,724,692	1,351,596
Nufarm step-up securities		246,932	246,932
Non-controlling interest		-	4,395
TOTAL EQUITY		1,971,624	1,602,923

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

Nufarm Limited

Statement of cash flows

For the year ended 31 July 2018

	Note	Consolidated 2018 $000	Consolidated 2017 $000
Cash flows from operating activities			
Profit/(loss) for the period - before tax		39,893	172,247
Adjustments for:			
Depreciation & amortisation	8	120,550	87,731
Asset impairment		70,559	7,081
Inventory write down		15,310	16,849
Share of (profits)/losses of associates net of tax	19	(78)	124
Net finance expense		107,660	93,183
Other		(102)	(651)
Movements in working capital items:			
(Increase)/decrease in receivables		(183,045)	(209,195)
(Increase)/decrease in inventories		(407,253)	(94,055)
Increase/(decrease) in payables		316,514	137,896
Exchange rate change on foreign controlled entities working capital items		(21,425)	(29,947)
Cash generated from operations		58,583	163,326
Interest received		10,978	8,591
Dividends received		12	1,431
Interest paid		(109,630)	(97,996)
Taxes paid		(48,112)	(19,909)
Net operating cash flows	6	(88,169)	55,443
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		6,084	10,583
Payments for plant and equipment	22	(69,539)	(50,595)
Purchase of businesses, net of cash acquired	14	(778,859)	-
Proceeds from sale of business and investments		-	39,905
Payments for acquired intangibles and major product development expenditure	23	(123,260)	(100,651)
Net investing cash flows	6	(965,574)	(100,758)
Cash flows from financing activities			
Share issue proceeds (net of costs)		436,454	-
Debt establishment transaction costs	25	(16,911)	(747)
Proceeds from borrowings	25	2,201,871	1,193,896
Repayment of borrowings	25	(1,458,764)	(1,153,379)
Distribution to Nufarm step-up security holders		(14,640)	(15,369)
Dividends paid		(35,580)	(29,880)
Net financing cash flows	6	1,112,430	(5,479)
Net increase/(decrease) in cash and cash equivalents		58,687	(50,794)
Cash at the beginning of the year		223,761	281,444
Exchange rate fluctuations on foreign cash balances		11,895	(6,889)
Cash and cash equivalents at 31 July [(a)]	15	294,343	223,761

(a) Represented by cash at bank of $301.700 million and bank overdraft of $7.357 million (2017: cash at bank of $235.145 million and bank overdraft of $11.384 million).

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

Nufarm Limited

Statement of changes in equity

For the year ended 31 July 2018

Consolidated	Share capital $000	Translation reserve $000	Capital profit reserve $000	Other reserve $000	Retained earnings $000	Total $000	Nufarm step-up securities $000	Non-controlling interest $000	Total equity $000
Balance at 1 August 2016	1,080,768	(287,307)	33,627	(22,468)	494,055	1,298,675	246,932	4,621	1,550,228
Profit/(loss) for the period	-	-	-	-	114,467	114,467	-	575	115,042
Other comprehensive income									
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	(2,091)	(2,091)	-	-	(2,091)
Foreign exchange translation differences	-	(29,099)	-	-	-	(29,099)	-	-	(29,099)
Gains/(losses) on cash flow hedges taken to equity	-	-	-	2,479	-	2,479	-	-	2,479
Gains/(losses) on net investment hedges taken to equity	-	-	-	4,019	-	4,019	-	-	4,019
Net changes in fair value of available-for-sale financial assets	-	-	-	1,342	-	1,342	-	-	1,342
Available-for-sale financial assets - reclassified to profit or loss	-	-	-	(894)	-	(894)	-	-	(894)
Income tax on share based payment transactions	-	-	-	(358)	-	(358)	-	-	(358)
Total comprehensive income / (loss) for the period	-	(29,099)	-	6,588	112,376	89,865	-	575	90,440
Transactions with owners, recorded directly in equity									
Accrued employee share award entitlement	-	-	-	4,739	-	4,739	-	-	4,739
Issuance of shares under employee share plans	6,738	-	-	(6,738)	-	-	-	-	-
Dividends paid to shareholders	-	-	-	-	(31,996)	(31,996)	-	(801)	(32,797)
Dividend Reinvestment Plan	2,691	-	-	-	-	2,691	-	-	2,691
Distributions to Nufarm Step-up Security holders	-	-	-	-	(11,295)	(11,295)	-	-	(11,295)
Remeasurement of non-controlling interest option	-	-	-	(1,083)	-	(1,083)	-	-	(1,083)
Balance at 31 July 2017	1,090,197	(316,406)	33,627	(18,962)	563,140	1,351,596	246,932	4,395	1,602,923
Balance at 1 August 2017	1,090,197	(316,406)	33,627	(18,962)	563,140	1,351,596	246,932	4,395	1,602,923
Profit/(loss) for the period	-	-	-	-	(15,588)	(15,588)	-	(419)	(16,007)
Other comprehensive income									
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	4,980	4,980	-	-	4,980
Foreign exchange translation differences	-	(24,231)	-	-	-	(24,231)	-	-	(24,231)
Gains/(losses) on cash flow hedges taken to equity	-	-	-	2,028	-	2,028	-	-	2,028
Gains/(losses) on net investment hedges taken to equity	-	-	-	8,882	-	8,882	-	-	8,882
Net changes in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	-	-
Available-for-sale financial assets - reclassified to profit or loss	-	-	-	-	-	-	-	-	-
Income tax on share based payment transactions	-	-	-	(587)	-	(587)	-	-	(587)
Total comprehensive income / (loss) for the period	-	(24,231)	-	10,323	(10,608)	(24,516)	-	(419)	(24,935)
Transactions with owners, recorded directly in equity									
Accrued employee share award entitlement	-	-	-	3,904	-	3,904	-	-	3,904
Issuance of shares under employee share plans	7,473	-	-	(7,889)	-	(416)	-	-	(416)
Dividends paid to shareholders	-	-	-	-	(37,795)	(37,795)	-	(747)	(38,542)
Dividend Reinvestment Plan	2,962	-	-	-	-	2,962	-	-	2,962
Distributions to Nufarm Step-up Security holders	-	-	-	-	(10,763)	(10,763)	-	-	(10,763)
Remeasurement of non-controlling interest option	-	-	-	(379)	-	(379)	-	-	(379)
Acquisition of remaining interest in non-controlling interest	-	1,249	-	9,638	(7,658)	3,229		(3,229)	-
Contributions of equity net of transaction costs	436,870	-	-	-	-	436,870	-	-	436,870
Balance at 31 July 2018	1,537,502	(339,388)	33,627	(3,365)	496,316	1,724,692	246,932	-	1,971,624

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

Notes to the consolidated 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 2018 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 26 September 2018.

(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 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 the group 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, using a value in use (VIU) or a fair value less cost to dispose (FVLCD) methodology to estimate the recoverable amount of cash generating units. VIU is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal.

VIU is determined by applying assumptions specific to the group’s continued use and cannot consider future development. The determination of recoverable value often requires the estimation and discounting of future cash flows which is based on information available at balance date such as expected revenues from products, the return on assets, future costs, growth rates, applicable discount rates and useful lives.

FVLCD is an estimate of the amount that a market participant would pay for an asset or Cash Generating Unit (CGU), less the cost to dispose. Fair value is generally determined using independent market assumptions to calculate the present value of the estimated future cash flows expected to arise from the continued use of the asset, and its eventual sale where a market participant may take a consistent view. Cash flows are discounted using an appropriate discount rate to arrive at a net present value of the asset which is compared against the asset’s carrying value.

2 Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

(ii) Impairment testing

These estimates are subject to risk and uncertainty that may be beyond the control of the group; hence there is a possibility that changes in circumstances will materially alter projections, which may impact the recoverable amount of assets at each reporting date.

Other non-current assets are also assessed for impairment indicators. Refer to note 23 for key assumptions made in determining the recoverable amounts of the CGU's.

(iii) Income taxes

Uncertain tax matters:
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. The group has exercised judgement in the application of tax legislation and its interaction with income tax accounting principles. 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 recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised in the period in which the tax determination is made.

Deferred tax:
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. Judgement is required by the group to determine the likely timing and the level of future taxable income. The group assesses the recoverability of recognised and unrecognised deferred taxes including losses in Australia and overseas using assumptions and projected cashflows.

Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

(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 and requires the exercise of judgement in relation to assumptions for expected future salary levels, long term price inflation and bond rates, 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) Working capital

In the course of normal trading activities, the group uses judgement in establishing the carrying value of various elements of working capital, which is principally inventories and trade receivables. Judgement is required to estimate the provision for obsolete or slow moving inventories and bad and doubtful receivables.
In estimating the provision for obsolete or slow moving inventories the group considers the net realisable value of inventory using estimated market price less cost to sell.
In estimating the provision for bad and doubtful receivables the group considers material change in credit quality considering each geographical location’s specific circumstances.
Actual expenses in future periods may be different from the provisions established and any such differences would impact future earnings of the group.

(vi) Capitalised development costs

Development expenditure is recognised as an intangible asset when the group judges and can 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.
The criteria above are derived from independent valuations and predicated on estimates and judgments including future cash flows, revenue streams and value in use calculations. Estimates and assumptions may change as new information becomes available. If, after having commenced the development activity, a judgement is made that the intangible asset is impaired, the appropriate amount will be written off to the income statement.

2 Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

(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. Changes to estimates related to the useful life of intellectual property are accounted for prospectively and may affect amortisation rates and intangible asset carrying values.

(e) Reclassification

Where applicable comparatives are 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.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 August 2018. The group has not early adopted any amendments, standards or interpretations that have been issued but are not yet mandatory in preparing these consolidated financial statements.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. AASB 15 is effective for the group beginning on 1 August 2018.

The group has completed an assessment of the potential impact of the adoption of AASB 15 on its consolidated financial statements. This has included identifying significant revenue streams and reviewing a representative sample of sales and distribution contract terms to identify potential changes in the amount and timing of revenue recognition between the current standard AASB 118 Revenue and AASB 15. The following is noted:

The Seed technologies segment receives royalty revenue from growers for certain varieties of seed. Under the current standard royalty revenue is estimated and accrued at the point the seed is sold. AASB 15 specifically addresses sales or usage based royalties and revenue is recognised at the later of when the sales or usage occurs and the performance obligation is satisfied, which would be when the harvest occurs and the royalty is paid. This results in a difference in the timing of revenue recognition. The adjustment on transition to derecognise accrued revenue related to the royalties is not material.

The group sells a proportion of its products on Cost and Freight (CFR) or Cost, Insurance and Freight (CIF) terms. These terms mean that the group is responsible for providing the shipping services after the date at which control of the goods passes to the customer. Under the current standard, freight revenue is recognised at the same time as when product revenue is recognised. Under AASB 15, freight and where applicable other services are required to be accounted for as separate performance obligations with revenue recognised over time as the service is provided. The impact of this change is not material at 31 July 2018.

Sales contracts include a range of rebates and sales incentives to customers. AASB 15 introduces the concept of variable consideration with constraint. Specifically variable consideration is only included in the transaction price if, and to the extent that, it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been resolved. The impact of this change is not material at 31 July 2018.

The group performs tolling services for customers under made-to-order product contracts. Under the current standard, tolling revenue is recognised when the process is completed and control of the finished product passes to the customer. Under AASB 15 when the customer controls all the work in progress as the products are being manufactured revenue is recognised over time as the service is rendered. The impact is not material at 31 July 2018.

The group will adopt the cumulative transition approach to implementation where any transitional adjustments are recognised in retained earnings at 1 August 2018 without adjustment of comparatives and the new standard will only be applied to contracts that remain in force at that date.

3 Significant accounting policies (continued)

New standards and interpretations not yet adopted (continued)

AASB 9 Financial Instruments

AASB 9 is effective for the group beginning on 1 August 2018.

As part of the group's transition work plan, the key areas of focus have been:

a) Classification - Financial assets - AASB 9 contains three principle classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing AASB 139 categories of held to maturity, loans and receivables and available for sale.
The group has not identified any material measurement impacts upon transition.

b) Impairment - Financial assets and contract assets - AASB 9 replaces the 'incurred loss' model in AASB 139 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and contract assets.
The group's quantitative impact upon transition is an additional loss allowance required of approximately $13.245 million post tax due to the groups expectations of future economic conditions, which is immaterial to the net assets of the group. This transition adjustment is recognised through opening retained earnings in the year ending 31 July 2019.

c) Hedge accounting - AASB 9 will require the group to ensure that hedge accounting relationships are aligned with the group's risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness. AASB 9 also introduces new requirements regarding rebalancing of hedge relationships and prohibiting voluntary discontinuation of hedge accounting.
The group has not identified any material impacts upon transition.

The group will use the exemption to not restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of AASB 9 generally will be recognised in retained earnings and reserves as at 1 August 2018.

AASB 16 Leases

The standard is effective for the group beginning on 1 August 2019.

AASB 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value.

AASB 16 will therefore result in higher assets and liabilities on the balance sheet. Information on the undiscounted amount of the groups non-cancellable operating lease commitments as defined under AASB 117, the current leasing standard as at 31 July 2018, is disclosed in note 32. The present value of the group's operating lease payments as defined under AASB 16 will be recognised as lease liabilities on the balance sheet. So far, the most significant impact identified is that the group will recognise new assets and liabilities for its operating leases of warehouse and factory facilities in the United Kingdom.

In addition, the nature of expenses related to those leases will now change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. EBITDA, as defined in note 5 operating segments, will increase as the operating lease cost is charged against EBITDA under AASB 117 while under the new standard will be included in depreciation and interest which are excluded from EBITDA.

The group's assessment of the potential impact on its consolidated financial statements is on going and includes the identification and understanding of the provisions of the standard which will most impact the group, establishing the population of lease contracts which will extend beyond 1 August 2019 and establishing a contract review checklist and process.

The group is assessing the transition options available and currently expects to apply the modified retrospective approach with optional practical expedients.

3 Significant accounting policies (continued)

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group. 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.

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.

When the group loses control over a subsidiary it derecognises the assets and liabilities of the subsidiary and any related NCI and other components of equity. Any resulting gain or loss is recognisd in profit and loss. Any interest retained is measured at fair value when control is lost.

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as an equity transaction.

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

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Investments in equity accounted investees

The group's interests in equity-accounted investees comprise interests in associates and 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 and accumulated in translation reserve except to the extent that the translation difference is allocated to NCI. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve 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 translation reserve.

(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.

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

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

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

Available-for-sale financial assets

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

(ii) Non-derivative financial liabilities

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

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

(iii) Share capital

Ordinary shares

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

Hybrid securities

The 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.

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Derivative financial instruments, including hedge accounting

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

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

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

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

Fair value hedge

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

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

Cash flow hedge

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

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

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

Net investment hedge

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.

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Derivatives that do not qualify for hedge accounting

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the group will obtain ownership by the end of the lease term. Land is not depreciated.

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

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

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

(e) Intangible assets

(i) Goodwill

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

3 Significant accounting policies (continued)

(e) Intangible assets (continued)

(ii) Research and development

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

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

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

(iii) Intellectual property

Intellectual property consists of product registrations, product access rights, trademarks, task force seats, product distribution rights and product licences acquired from third parties. 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.

(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, for the current and comparative periods, are as follows:

* capitalised development costs	5 to 30 years
* intellectual property - finite life	over the useful life and not more than 30 years
* computer software	3 to 7 years

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

(f) Leased assets

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

Other leases are operating leases and the leased assets are not recognised in the group's balance sheet.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

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

3 Significant accounting policies (continued)

(h) Impairment

(i) Non-derivative financial assets

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of estimated future cash flows discounted at the original effective interest rate.

An impairment loss on an available-for-sale financial asset is recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit and loss. The cumulative loss that is reclassified from equity to profit and loss is the difference between the acquisition cost and the current fair value less any impairment loss previously recognised in profit and loss. If, in a subsequent period, the fair value of an impaired available-for-sale financial asset increases and the increase relates to an event occurring after the impairment loss was recognised then the impairment loss is reversed, with the amount of the reversal recognised in profit and loss. Impairment losses recognised in profit and loss for equity investments classified as available for sale are not reversed through profit and loss.

(ii) Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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.

Refer to use of estimates and judgements note 2 and intangibles note 23 for further information.

(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.

3 Significant accounting policies (continued)

(i) Assets held for sale (continued)

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

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

(j) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan asset (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in 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 twelve months after the reporting period, then they are discounted to their present value.

3 Significant accounting policies (continued)

(j) Employee benefits (continued)

(v) Short-term benefits

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

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

(vi) Share-based payment transactions

The group has a global share plan for employees whereby matching and loyalty shares are granted to employees. The fair value of matching and loyalty shares granted is recognised as an 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. Peformance rights have been granted to acquire ordinary shares in the company subject to the achievement of global performance hurdles. The expense in relation to the LTIP is recognised over the vesting period of 3 years. Refer 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

Operating leases are not capitalised and payments made 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.

Assets held under lease, which result in the group receiving substantially all the risks and rewards of ownership are capitalised as property, plant and equipment at the lower of the fair value of the asset or the estimated present value of the minimum lease payments, with a corresponding lease liability included within loans and borrowings.

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.

3 Significant accounting policies (continued)

(n) Finance income and finance costs

The group's finance income and finance costs include the following: interest income, interest expense, 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.

Finance costs are expensed as incurred except where they relate to the financing of construction or development of qualifying assets.

(o) Income tax

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

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

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

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

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

(i) Tax consolidation

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

Current tax expense/benefit, 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.

3 Significant accounting policies (continued)

(o) Income tax (continued)

(i) Tax consolidation (continued)

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

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

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

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

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

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

(p) Goods and services tax

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

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

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

(q) Earnings per share

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

(r) Segment reporting

Determination and presentation of operating segments

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

3 Significant accounting policies (continued)

(r) Segment reporting (continued)

Determination and presentation of operating segments (continued)

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

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

4 Determination of fair values

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

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, and willingly. The market value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches quoted market prices for similar items when available and replacement cost when appropriate.

(ii) Intangibles assets

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

(iii) Inventories

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

(iv) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(v) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on Government bonds). The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

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 South America. The North America region includes Canada and USA. The Latin America region (previously known as South 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 defined on following page, 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.

5 Operating segments (continued)

2018 Operating Segments	Crop Protection Australia and New Zealand $000	Crop Protection Asia $000	Crop Protection Europe $000	Crop Protection North America $000	Crop Protection Latin America $000	Crop Protection Total $000	Seed Technologies Global $000	Non-Operating Corporate $000	Group Total $000
Revenue									
Total segment revenue	590,151	170,680	642,571	833,705	885,232	3,122,339	185,508	-	3,307,847
Results									
Underlying EBITDA [(a)]	23,736	25,229	149,873	99,487	97,377	395,702	43,580	(53,629)	385,653
Depreciation & amortisation excluding material items	(14,500)	(3,049)	(63,423)	(22,036)	(6,604)	(109,612)	(9,269)	(1,669)	(120,550)
Underlying EBIT [(a)]	**9,236**	**22,180**	**86,450**	**77,451**	**90,773**	**286,090**	**34,311**	**(55,298)**	**265,103**
Material items included in operating profit (refer note 6)									(89,604)
Material items included in net financing costs (refer note 6)									(17,272)
Total material items (refer note 6)									(106,876)
Net financing costs (excluding material items)									(118,334)
Profit / (loss) before tax									**39,893**
Assets									
Segment assets	703,337	106,143	1,757,588	666,249	866,038	4,099,355	427,712	523,889	5,050,956
Investment in associates	-	-	-	-	-	-	411	-	411
Total assets	703,337	106,143	1,757,588	666,249	866,038	4,099,355	428,123	523,889	5,051,367
Liabilities									
Segment liabilities	239,835	281,043	304,458	203,173	209,598	1,238,107	34,745	1,806,891	3,079,743
Total liabiltiies	239,835	281,043	304,458	203,173	209,598	1,238,107	34,745	1,806,891	3,079,743
Other segment information									
Capital expenditure	55,906	1,296	814,587	12,574	13,128	897,491	43,662	-	941,153

2017 Operating Segments	Crop Protection Australia and New Zealand $000	Crop Protection Asia $000	Crop Protection Europe $000	Crop Protection North America $000	Crop Protection Latin America $000	Crop Protection Total $000	Seed Technologies Global $000	Non-Operating Corporate $000	Group Total $000
Revenue									
Total segment revenue	654,194	165,633	539,803	761,050	821,835	2,942,515	168,600	-	3,111,115
Results									
Underlying EBITDA (a)	64,876	28,315	121,350	89,338	95,608	399,487	45,305	(54,776)	390,016
Depreciation & amortisation excluding material items	(13,247)	(3,886)	(35,523)	(19,073)	(6,193)	(77,922)	(8,906)	(903)	(87,731)
Underlying EBIT (a)	**51,629**	**24,429**	**85,827**	**70,265**	**89,415**	**321,565**	**36,399**	**(55,679)**	**302,285**
Total material items (refer note 6)									(23,043)
Net financing costs (excluding material items)									(106,995)
Profit / (loss) before tax									**172,247**
Assets									
Segment assets	559,936	77,794	756,299	528,935	846,434	2,769,398	373,931	501,225	3,644,554
Investment in associates	-	-	-	-	-	-	334	-	334
Total assets	559,936	77,794	756,299	528,935	846,434	2,769,398	374,265	501,225	3,644,888
Liabilities									
Segment liabilities	184,960	209,181	249,370	115,387	182,086	940,984	33,493	1,067,488	2,041,965
Total liabiltiies	184,960	209,181	249,370	115,387	182,086	940,984	33,493	1,067,488	2,041,965
Other segment information									
Capital expenditure	39,730	2,022	57,130	14,057	5,995	118,934	32,312	-	151,246

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

5 Operating segments (continued)

Geographical information - revenue by location of customer

	Revenue 2018 $000	Revenue 2017 $000
Brazil	799,094	707,266
United States of America	722,452	641,132
Australia	559,540	630,573
Rest of world [(b)]	1,226,761	1,132,144
Total	3,307,847	3,111,115

(b) Other than Australia, United States of America and Brazil, sales to other countries are individually less than 10% of the group's total revenues.

Geographical information - non-current assets by location of asset

	Non-current assets 2018 $000	Non-current assets 2017 $000
Germany	739,688	904
United States of America	353,767	334,601
United Kingdom	301,914	272,065
Brazil	275,002	273,514
Australia	256,585	284,991
Rest of world [(c)]	209,496	187,139
Unallocated [(d)]	202,293	240,359
Total	2,338,745	1,593,573

(c) Other than Germany, Australia, United States of America, Brazil and United Kingdom, non-current assets held in other countries are individually less than 10% of the group's total non-current assets.

(d) Unallocated non-current assets predominately include deferred tax assets.

6 Individually material income and expense items

Individually material items are those items where their nature, including the expected frequency of the events giving rise to them, and/or amount is considered material to the financial statements. Such items included within the group's profit for the year are detailed below.

	Consolidated		Consolidated	
	2018	2018	2017	2017
	$000	$000	$000	$000
	Pre-tax	After-tax	Pre-tax	After-tax
Material items by category:				
Asset rationalisation and restructuring	1,491	1,201	(23,937)	(22,250)
Sale of Excel Crop Care investment	-	-	894	894
ANZ impairment and tax asset write-down	(70,559)	(91,504)	-	-
Business acquisition costs - other	(24,124)	(22,228)	-	-
Business acquisition costs - refinance 2019 notes	(13,684)	(13,684)	-	-
Change in corporate tax rates	-	12,231	-	-
Total	(106,876)	(113,984)	(23,043)	(21,356)

2018 Material Items

Asset rationalisation and restructuring
During the year ended 31 July 2018, the group undertook rationalisation and restructuring activities including the sale of a former manufacturing site located in NZ and the reorganisation of certain back office activities.

ANZ Impairment and tax asset write-down
Prolonged and severe drought conditions across Australia reduced current expectations of future earnings whereby a non-cash impairment of intangibles (refer note 22), property, plant and equipment (refer note 21), and tax assets amounting to $91.504 million was incurred in the year ended 31 July 2018.

Business acquisition costs
During the year the group acquired two separate European businesses consisting of product portfolios based in Europe (refer to note 14 for further details). One-off transaction costs incurred to effect the acquisitions include, but are not limited to, advisor fees, integration costs, hedging costs, and other financing expenses.

Business acquisition costs - refinance of 2019 notes
In response to the 2018 business acquisitions, the group undertook an early refinance of the 2019 senior secured notes to strengthen its capital structure. As a result, break fees and the early recognition of interest costs in relation to interest rate swaps were incurred. The cash impact of the refinance of the 2019 Notes was a cash outflow of $0.300 million due to favourable cashflow outcomes on cash flow hedges offsetting break fees and interest costs on interest rate swaps.

Change in corporate tax rates
Changes in corporate tax rates across the USA, France and Argentina led to the re-measurement of the group's deferred tax position resulting in net income tax credits of $12.231 million.

2017 Material Items

Asset rationalisation and restructure
The asset rationalisation and restructuring program continued throughout 2017 resulting in a further $23.937 million of costs relating primarily to the integration of the Crop Care range under the Nufarm brand, the restructure of back office activities in Europe and the rationalisation of two production facilities in Australia and India. Included in this charge is a non-cash write down of inventory, property, plant and equipment assets and intangible assets (goodwill) of $11.833 million related to the production facilities in Australia and India primarily held in the ANZ and Asia segments.

Sale of Excel Crop Care investment
During October 2016, Nufarm recorded a gain of $0.894 million on the sale of its 14.69 per cent interest in Excel Crop Care.

6 Items of material income and expense (continued)

Material items are classified by function as follows:

Year ended 31 July 2018 $'000s	Cost of sales	Other income	Selling, marketing and distribution expense	General & administrative expense	Research and development expenses	Net financing costs	Total Pre-tax
Asset rationalisation and restructuring	-	-	(509)	2,000	-	-	1,491
ANZ impairment and tax asset write-down	-	-	-	(70,559)	-	-	(70,559)
Business acquisition costs	-	-	-	(20,536)	-	(3,588)	(24,124)
Business acquisition costs - refinance 2019 notes	-	-	-	-	-	(13,684)	(13,684)
Total material items	-	-	(509)	(89,095)	-	(17,272)	(106,876)
Total material items included in operating profit	-	-	(509)	(89,095)	-	-	(89,604)

Year ended 31 July 2017 $'000s	Cost of sales	Other income	Selling, marketing and distribution expense	General & administrative expense	Research and development expenses	Net financing costs	Total Pre-tax
Asset rationalisation and restructuring	(2,515)	-	(419)	(20,909)	(94)	-	(23,937)
Sale of Excel Crop Care investment	-	894	-	-	-	-	894
Total material items	(2,515)	894	(419)	(20,909)	(94)	-	(23,043)
Total material items included in operating profit	(2,515)	894	(419)	(20,909)	(94)	-	(23,043)

Material items impacting cash flows is as follows:

	Consolidated 2018 $000	2017 $000
Net operating cash flows	(88,169)	55,443
Net operating cash (inflows)/outflows arising on material items	31,462	17,937
Net cash from operating activities excluding material items	(56,707)	73,380
Net investing cash flows	(965,574)	(100,758)
Individually material (inflows)/outflows from sale of property, plant and equipment	(5,351)	(9,552)
Individually material (inflows)/outflows form the sale/purchase of businesses and investments	778,859	(39,905)
Net cash from investing activities excluding material items	(192,066)	(150,215)

7 Other income

	Consolidated 2018 $000	2017 $000
Dividend income	-	745
Rental income	271	279
Sundry income	6,985	12,240
Total other income	7,256	13,264

8 Other expenses

The following expenses were included in the period result:

	Consolidated 2018 $000	2017 $000
Depreciation and amortisation	(120,550)	(87,731)
Impairment loss	(70,559)	-
Inventory write down	(15,310)	(19,324)
Minimum lease payments recognised as an operating lease expense	(4,671)	(5,078)

9 Personnel expenses

	Consolidated 2018 $000	2017 $000
Wages and salaries	(303,004)	(284,751)
Other associated personnel expenses	(50,057)	(45,664)
Contributions to defined contribution superannuation funds	(24,045)	(21,507)
(Expense)/gain related to defined benefit superannuation funds	(2,113)	(1,618)
Short-term employee benefits	(10,582)	(9,537)
Other long-term employee benefits	(3,004)	(2,707)
Restructuring	(2,681)	(8,052)
Personnel expenses	(395,486)	(373,836)

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 2018 $000	2017 $000
Other financial income	10,978	8,591
Financial income	10,978	8,591
Interest expense - external	(109,933)	(96,072)
Interest expense - debt establishment transaction costs	(6,719)	(3,777)
Lease amortisation - finance charges	(1,986)	(1,925)
Net foreign exchange gains/(losses)	(27,946)	(13,812)
Financial expenses	(146,584)	(115,586)
Net financing costs	(135,606)	(106,995)

11 Income tax expense

	Consolidated 2018 $000	2017 $000
Recognised in the income statement		
Current tax expense		
Current period	15,191	48,211
Tax free income and non-recognition of tax assets on material items	30,583	3,119
Adjustments for prior periods	(538)	(4,121)
Current tax expense	45,236	47,209
Deferred tax expense		
Origination and reversal of temporary differences and tax losses	(3,326)	1,641
Effect of changes in tax rates - material items	(12,231)	2,730
Initial (recognition)/derecognition of tax assets	5,276	5,625
ANZ tax asset write-down- material items	20,945	-
Deferred tax expense/(benefit)	10,664	9,996
Total income tax expense/(benefit) in income statement	55,900	57,205
Attributable to:		
Continuing operations	55,900	57,205
Total income tax expense/(benefit) in income statement	55,900	57,205

Numerical reconciliation between tax expense and pre-tax net profit

	2018 $000	2017 $000
Profit/(Loss) before tax	39,893	172,247
Income tax using the Australian corporate tax rate of 30%	11,968	51,674
Increase/(decrease) in income tax expense due to:		
Non-deductible expenses	7,085	6,698
Other taxable income	2,428	2,668
Effect of changes in tax rates-material items	(12,231)	2,730
Initial (recognition)/derecognition of tax assets	5,276	5,625
ANZ tax asset write-down-material items	20,945	-
Tax free income and non-recognition of tax assets on material items	30,583	3,119
Effect on tax rate in foreign jurisdictions	(4,109)	(3,115)
Tax exempt income	(242)	(2,002)
Tax incentives not recognised in the income statement	(5,265)	(6,071)
	56,438	61,326
Under/(over) provided in prior years	(538)	(4,121)
Income tax expense/(benefit)	55,900	57,205

	2018 $000	2017 $000
Income tax recognised directly in equity		
Nufarm step-up securities distribution	(3,877)	(4,074)
Income tax recognised directly in equity	(3,877)	(4,074)
Income tax recognised in other comprehensive income		
Relating to actuarial gains/(losses) on defined benefit plans	917	524
Relating to equity based compensation	587	358
Income tax recognised in other comprehensive income	1,504	882

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 - 2018

Century and FMC acquisition

On 24 October 2017, the group announced that it had entered into an agreement with Adama Agricultural Solutions Ltd ("Adama") and Syngenta Crop Protection AG and related group companies ("Syngenta") to purchase a European business comprising of a portfolio of crop protection products registered in European markets ("Century Acquisition"). Subsequently, the group announced an isssuance of 59,551,672 ordinary shares which generated $436.870 million of additional share capital (net of costs). The cash consideration paid was US$490 million, plus inventory of $21.843 million.

On 8 November 2017, the group announced that it had entered into an agreement with FMC Corporation ("FMC") to purchase a European business comprising of a portfolio of herbicide products registered in European markets ("FMC Acquisition"). The cash consideration paid was US$85 million, plus inventory of $2.871 million.

On 1 February 2018 the FMC Acqusition was closed with the successful transfer of registration data and cash consideration in accordance with the transaction agreements. Related derivative contracts were utilised or closed as part of the acquisition completion.

On 16 March 2018, European regulatory approval was obtained in relation to the Century Acquisition. On 16 March 2018 the Century Acquisition was effectively closed with the successful transfer of registration data and cash consideration in accordance with the transaction agreements. Derivative contracts related to the Century Acquisition were utilised or closed as part of the acquisition completion, this included the derivative not designated for hedge accounting, which resulted in a realised loss for the group of $1.807 million in net financing costs.

One-off transaction costs incurred to effect the acquisitions include, but are not limited to, advisor fees, integration costs, hedging costs, and other financing expenses. These one-off costs totalled $22.228 million net of tax (refer to note 6) for the year ended 31 July 2018.

The acquisition of the these businesses increases the group's product portfolio offering within the European region. The business expects to extract revenue synergies from the acquisitions via opening up the existing business to new customers and cross selling opportunities.

Identifiable assets acquired and liabilities assumed (provisional)

On a provisional basis, the following table summarises the assets acquired and liabilities assumed at the date of acquisition.

	FMC Acquisition fair value on acquisition $000	Century Acquisition fair value on acquisition $000	Total fair value on acquisitions $000
Acquiree's net assets at acquisition date			
Inventory	2,871	21,843	24,714
Intangible assets	84,763	530,487	615,250
Net identifiable assets and liabilities	87,634	552,330	639,964
Goodwill on acquisition	26,308	105,283	131,591
Consideration to be transferred	113,942	657,613	771,555

Total goodwill of $131.591 million from business acquisitions is attributable mainly to the synergies expected to be achieved from integrating the respective businesses into the group's existing business.

During the year ended 31 July 2018, the acquired businesses above generated additional revenues of $68.943 million and operating profits of approximately $10.969 million. Revenue and profit from the acquired businesses that would have been earned if the acquisitions had occurred at the commencement of the financial year has not been provided on the basis that the calculation of that information is impracticable. This is because the businesses were fully integrated into the vendor's operations and separate comparable financial information relating to the acquired businesses as stand-alone operations is not available.

Business acquisitions - 2017

There were no acquisitions in the prior period.

14 Acquisition of businesses and acquisition of non-controlling interests (continued)

Acquisition of non-controlling interest 2018

On 29 December 2017 the group acquired an additional 49% of the equity interest in Atlantica Sementes SA ("Atlantica"), a business based in Brazil specialising in the sale and distribution of seed related products, via the exercising of a written put option. As a result, the group's equity interest in Atlantica increased from 51% to 100%. The group recognised a liability for the present value of the exercise price of the put option up to the date of acquisition and exercise of the put option. The carrying amount of Atlantica's net assets in the group's consolidated financial statements on the date of acquisition was $6.590 million. Given the transaction is deemed as a common control transaction the impact has been recognised in equity resulting in a transfer of non-controlling interests to retained earnings.

Acquisition of non-controlling interest 2017

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

15 Cash and cash equivalents

	Consolidated 2018 $000	Consolidated 2017 $000
Bank balances	255,535	217,128
Call deposits	46,165	18,017
	301,700	235,145
Bank overdraft	(7,357)	(11,384)
Total cash and cash equivalents	294,343	223,761

16 Trade and other receivables

	Consolidated 2018 $000	Consolidated 2017 $000
Current		
Trade receivables	1,130,846	974,915
Provision for impairment losses	(36,546)	(26,439)
	1,094,300	948,476
Derivative financial instruments	5,339	5,928
Prepayments	23,882	23,238
Other receivables	76,096	49,874
Current receivables	1,199,617	1,027,516
Non-current		
Derivative financial instruments	-	11,125
Trade receivables	76,452	73,197
Other receivables	32,407	26,379
Non-current receivables	108,859	110,701
Total trade and other receivables	1,308,476	1,138,217

17 Inventories

	Consolidated 2018 $000	Consolidated 2017 $000
Raw materials	313,103	203,698
Work in progress	18,438	15,996
Finished goods	862,360	552,662
	1,193,901	772,356
Provision for obsolescence of finished goods	(14,205)	(9,317)
Total inventories	1,179,696	763,039

18 Tax assets and liabilities

Current tax assets and liabilities

The current tax asset for the group of $31.609 million (2017: $25.615 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 $20.930 million (2017: $17.628 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	
	2018	2017	2018	2017	2018	2017
Consolidated	$000	$000	$000	$000	$000	$000
Property, plant and equipment	16,945	2,480	(8,311)	(11,612)	8,634	(9,132)
Intangible assets	8,928	11,672	(86,770)	(104,285)	(77,842)	(92,613)
Employee benefits	19,556	20,125	-	-	19,556	20,125
Provisions	20,993	20,054	(1,024)	(514)	19,969	19,540
Other items	16,231	29,773	(17,447)	(21,233)	(1,216)	8,540
Tax value of losses carried forward	119,309	156,144	-	-	119,309	156,144
Tax assets/(liabilities)	201,962	240,248	(113,552)	(137,644)	88,410	102,604
Set off of tax	-	-	-	-	-	-
Net tax assets/(liabilities)	201,962	240,248	(113,552)	(137,644)	88,410	102,604

Movement in temporary differences during the year

Consolidated 2018	Balance 2017 $000	Recognised in income $000	Recognised in equity $000	Currency adjustment $000	Other movement $000	Balance 2018 $000
Property, plant and equipment	(9,132)	18,262	-	(496)	-	8,634
Intangibles assets	(92,613)	18,573	-	(3,802)	-	(77,842)
Employee benefits	20,125	(657)	(917)	1,005	-	19,556
Provisions	19,540	1,032	-	(603)	-	19,969
Other items	8,540	(10,379)	(587)	1,210	-	(1,216)
Tax value of losses carried forward	156,144	(37,495)	-	660	-	119,309
	102,604	(10,664)	(1,504)	(2,026)	-	88,410

Consolidated 2017	Balance 2016 $000	Recognised in income $000	Recognised in equity $000	Currency adjustment $000	Other movement $000	Balance 2017 $000
Property, plant and equipment	(10,123)	517	-	474	-	(9,132)
Intangibles assets	(94,216)	(1,482)	-	3,085	-	(92,613)
Employee benefits	23,361	(2,856)	524	(904)	-	20,125
Provisions	21,797	(2,181)	-	(76)	-	19,540
Other items	1,850	6,157	358	175	-	8,540
Tax value of losses carried forward	168,105	(10,151)	-	(1,810)	-	156,144
	110,774	(9,996)	882	944	-	102,604

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

Deferred tax assets and liabilities

Unrecognised deferred tax liability

At 31 July 2018, a deferred tax liability of $26.368 million (2017: $23.527 million) 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 2018, there are unrecognised deferred tax assets in respect of tax losses and timing differences of $90.197 million (2017: $43.716 million).

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 2018	Ownership and voting interest 2017	Carrying amount 2018 $000	Carrying amount 2017 $000	Share of profit/(loss) 2018 $000	Share of profit/(loss) 2017 $000
F&N joint ventures	Joint Ventures (1)	Eastern Europe	31 December	0.00%	0.00%	-	-	-	(84)
Seedtech Pty Ltd	Associate (2)	Australia	31 December	25.00%	25.00%	411	334	78	(40)
						411	334	78	(124)

(1) The F&N joint ventures represented the group's interest in joint ventures with FMC Corporation, which operated in Poland until 31 October 2015, and continued to operate in the Czech Republic and Slovakia until September 2016. The joint ventures sold the group and FMC products within their respective countries. 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 subisidary from that date.

(2) Seedtech is a company that offers services to the seed industry such as cleaning, packaging, distribution and storage of seeds.

20 Other investments

	Consolidated 2018 $000	2017 $000
Investments - available-for-sale		
Balance at the beginning of the year	-	38,564
Additions	-	-
Net change in fair value gains/(losses) transfered to equity	-	1,342
Disposal	-	(39,906)
Balance at the end of the year	-	-
Non-current investments		
Other investments	442	384
Total non-current investments	442	384

Available-for-sale equity securities

On 30 June 2016 the group ceased to equity account for its investment in Excel Crop Care due to the loss of significant influence, and subsequently reclassified its investment as 'available-for-sale'. During the year ended 31 July 2017 Nufarm disposed of its investment in Excel Crop Care.

21 Other non-current assets

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

22 Property, plant and equipment

Consolidated	Land and buildings $000	Plant and machinery $000	Leased plant and machinery $000	Capital work in progress $000	Total $000
2018					
Cost					
Balance at 1 August 2017	200,126	518,170	11,746	43,481	773,523
Additions	872	31,659	512	36,496	69,539
Additions through business combinations	-	-	-	-	-
Impairment loss	-	-	-	-	-
Disposals and write-offs	(2,265)	(7,340)	(81)	(3)	(9,689)
Other transfers	3,008	19,462	-	(23,985)	(1,515)
Foreign exchange adjustment	4,493	19,839	507	953	25,792
Balance at 31 July 2018	206,234	581,790	12,684	56,942	857,650
Accumulated depreciation and impairment losses					
Balance at 1 August 2017	(89,539)	(331,158)	(2,306)	-	(423,003)
Depreciation charge for the year	(6,690)	(31,049)	(453)	-	(38,192)
Additions through business combinations	-	-	-	-	-
Impairment loss	(15,513)	(33,729)	-	-	(49,242)
Disposals and write-offs	1,014	7,180	59	-	8,253
Other transfers	(1)	149	-	-	148
Foreign exchange adjustment	(3,338)	(13,470)	(57)	-	(16,865)
Balance at 31 July 2018	(114,067)	(402,077)	(2,757)	-	(518,901)
Net property, plant and equipment at 31 July 2018	92,167	179,713	9,927	56,942	338,749

22 Property, plant and equipment (continued)

	Land and buildings $000	Plant and machinery $000	Leased plant and machinery $000	Capital work in progress $000	Total $000
	Consolidated				
			2017		
Cost					
Balance at 1 August 2016	201,805	504,451	21,912	27,870	756,038
Additions	981	13,981	305	35,328	50,595
Additions through business combinations	-	-	-	-	-
Disposals and write-offs	(2,642)	(7,857)	(9,445)	(90)	(20,034)
Other transfers	2,164	16,801	(246)	(18,786)	(67)
Foreign exchange adjustment	(2,182)	(9,206)	(780)	(841)	(13,009)
Balance at 31 July 2017	200,126	518,170	11,746	43,481	773,523
Accumulated depreciation and impairment losses					
Balance at 1 August 2016	(86,338)	(311,277)	(5,570)	-	(403,185)
Depreciation charge for the year	(6,371)	(30,695)	(1,572)	-	(38,638)
Additions through business combinations	-	-	-	-	-
Impairment loss	-	-	-	-	-
Disposals and write-offs	2,160	6,452	4,435	-	13,047
Other transfers	-	(138)	205	-	67
Foreign exchange adjustment	1,010	4,500	196	-	5,706
Balance at 31 July 2017	(89,539)	(331,158)	(2,306)	-	(423,003)
Net property, plant and equipment at 31 July 2017	110,587	187,012	9,440	43,481	350,520

Assets pledged as security for finance leases amount to $9.927 million (2017: $9.440 million).

23 Intangible assets

	Goodwill $000	Intellectual Property indefinite life $000	Intellectual Property finite life $000	Capitalised development costs $000	Computer software $000	Total $000
	Consolidated					
				2018		
Cost						
Balance at 1 August 2017	322,497	1,576	526,026	308,619	102,655	1,261,373
Additions	-	-	4,136	69,394	51,243	124,773
Additions through business combinations	131,591	-	615,250	-	-	746,841
Disposals and write-offs	(237)	-	(91)	(6,886)	(5,197)	(12,411)
Other transfers	-	-	(2,518)	3,179	2,132	2,793
Foreign exchange adjustment	2,471	104	19,503	14,438	2,704	39,220
Balance at 31 July 2018	456,322	1,680	1,162,306	388,744	153,537	2,162,589
Accumulated amortisation and impairment losses						
Balance at 1 August 2017	(105,477)	(1,576)	(134,326)	(89,822)	(38,786)	(369,987)
Amortisation charge for the year	-	-	(44,371)	(27,058)	(10,928)	(82,357)
Additions through business combinations	-	-	-	-	-	-
Impairment loss	(3,109)	-	(5,612)	(5,500)	(7,096)	(21,317)
Disposals and write-offs	-	-	76	6,541	1,244	7,861
Other transfers	-	-	644	(644)	-	-
Foreign exchange adjustment	3,646	(104)	(5,537)	(5,376)	(1,096)	(8,467)
Balance at 31 July 2018	(104,940)	(1,680)	(189,126)	(121,859)	(56,662)	(474,267)
Intangibles carrying amount at 31 July 2018	351,382	-	973,180	266,885	96,875	1,688,322

23 Intangible assets (continued)

	Consolidated					
		Intellectual Property		Capitalised		Total
	Goodwill	indefinite life	finite life	development costs	Computer software	
	$000	$000	$000	$000	$000	$000
			2017			
Cost						
Balance at 1 August 2016	335,983	1,563	533,110	272,022	61,945	1,204,623
Additions	-	-	6,725	51,374	42,552	100,651
Additions through business combinations	-	-	-	-	-	-
Disposals and write-offs	(3,546)	-	-	(1,201)	(45)	(4,792)
Other transfers	-	-	547	(2,193)	224	(1,422)
Foreign exchange adjustment	(9,940)	13	(14,356)	(11,383)	(2,021)	(37,687)
Balance at 31 July 2017	322,497	1,576	526,026	308,619	102,655	1,261,373
Accumulated amortisation and impairment losses						
Balance at 1 August 2016	(107,840)	(1,563)	(114,435)	(73,416)	(34,331)	(331,585)
Amortisation charge for the year	-	-	(22,939)	(20,925)	(5,229)	(49,093)
Additions through business combinations	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
Disposals and write-offs	-	-	(103)	127	125	149
Other transfers	-	-	(81)	1,544	(41)	1,422
Foreign exchange adjustment	2,363	(13)	3,232	2,848	690	9,120
Balance at 31 July 2017	(105,477)	(1,576)	(134,326)	(89,822)	(38,786)	(369,987)
Intangibles carrying amount at 31 July 2017	217,020	-	391,700	218,797	63,869	891,386

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 life 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 (2017: $195 million), Brazil $150 million (2017: $175 million), Seed Technologies $305 million (2017: $273 million), Europe $979 million (2017: $195 million) and Australia and New Zealand (ANZ) $25 million (2017: $47 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. Two valuation methods are used by the group.

Valuation method - Value in use

The group uses the value-in-use (VIU) method to estimate the recoverable amount. In assessing VIU, 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 VIU 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.

23 Intangible assets (continued)

Valuation method - Fair value less cost of disposal

Fair value less cost of disposal (FVLCD) is an estimate of the amount that a market participant would pay for an asset or a CGU, less the cost of disposal. The fair value is determined using discounted cash flows. The cash flows are derived from Board approved management expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Cash flows are discounted using an appropriate post-tax market discount rate to arrive at a net present value of the asset which is compared against the asset's carrying value. The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation technique used (see note 31). Values determined are benchmarked against comparable market transactions and company trading multiples.

Valuation assumptions

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

2018	Valuation method	Terminal growth rate	Discount rate	Total goodwill $000
Material crop protection CGU's (North America, Brazil and Europe)	VIU	1.9% to 4.1%	8.0% to 13.1%	268,051
ANZ CGU [(1)]	FVLCD	2.5%	9.9%	-
Seed Technology CGU	VIU	3.1%	12.4%	68,431

2017	Valuation method	Terminal growth rate	Discount rate	Total goodwill $000
Material crop protection CGU's (ANZ, North America, Brazil and Europe) [(1)]	VIU	1.9% to 4.5%	7.8% to 13.5%	136,238
Seed Technology CGU	FVLCD	2.5%	13.8%	67,085

(1) As at 31 July 2017, the total goodwill and indefinite life assets for the ANZ CGU was equal to $3.109 million. The carrying amount of goodwill and indefinite life assets for the ANZ CGU was reduced to nil at 31 July 2018 as a result of impairment.

The terminal growth rate assumed is generally a long term inflation estimate. The discount rate assumed is the company's weighted average cost of capital, adjusted for country risk and asset-specific risk. The margin and volume assumptions generally reflect past experience for existing and enhanced portfolio products, while new products utilise external sources of information reflecting current market pricing in expected end use markets.

With the exception of the ANZ CGU (see below), management has determined that, given the excess of recoverable value over asset carrying value (headroom), there are no reasonably possible changes in assumptions which could occur to cause the carrying amount of the CGU's to exceed their recoverable amount.

ANZ cash generating unit

At 31 July 2018 the group became aware of impairment indicators for the ANZ CGU and commenced using the FVLCD methodology for the CGU. The carrying amount of the ANZ CGU was determined to be higher than its recoverable amount and an impairment loss of $70.559 million was recognised during the year ended 31 July 2018 (31 July 2017: nil). The impairment loss was allocated against goodwill, intangibles assets, and property, plant and equipment, and is included in 'general and administrative expenses' (refer note 6).

Following the impairment loss recognised in the ANZ CGU, the recoverable amount was equal to the carrying amount. Any adverse movement in a key assumption (noted above) or ANZ cash flows would lead to further impairment.

24 Trade and other payables

	2018 $000	2017 $000
Current payables - unsecured		
Trade creditors and accruals - unsecured	1,128,082	812,920
Derivative financial instruments	3,024	6,118
Payables - acquisitions	164	7,329
Current payables	1,131,270	826,367
Non-current payables - unsecured		
Creditors and accruals	10,800	9,981
Derivative financial instruments	-	2,815
Non-current payables	10,800	12,796

25 Interest-bearing loans and borrowings

	Consolidated 2018 $000	2017 $000
Current liabilities		
Bank loans - secured	390,905	303,150
Bank loans - unsecured	130,817	124,391
Deferred debt establishment costs	(3,683)	(3,065)
Other loans - unsecured	1,303	1,231
Finance lease liabilities - secured	356	319
Loans and borrowings - current	519,698	426,026
Non-current liabilities		
Bank loans - secured	404,842	22,861
Bank loans - unsecured	30,878	40,021
Brazil unsecured notes	71,610	-
Senior unsecured notes	638,613	403,537
Deferred debt establishment costs	(11,721)	(2,147)
Other loans - unsecured	2,256	2,264
Finance lease liabilities - secured	12,237	11,492
Loans and borrowings - non-current	1,148,715	478,028
Net cash and cash equivalents	(294,343)	(223,761)
Net debt	1,374,070	680,293

Financing facilities

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

25 Interest-bearing loans and borrowings (continued)

	Accessible $000	Utilised $000
2018		
Bank loan facilities and senior unsecured notes	2,185,377	1,667,665
Other facilities	3,559	3,559
Total financing facilities	2,188,936	1,671,224
2017		
Bank loan facilities and senior unsecured notes	1,736,331	893,960
Other facilities	3,495	3,495
Total financing facilities	1,739,826	897,455

Reconciliation of liabilities arising from financing activities

	Loans and borrowings - current $000	Loans and borrowings - non-current $000	Debt related derivatives (included in assets / liabilities) (1) $000	Total debt related financial instruments $000
Balance at 31 July 2017	426,026	478,028	(30,056)	873,998
Cash changes				
Proceeds from borrowings (net of costs)	919,997	1,257,668	24,206	2,201,871
Repayment of borrowings	(853,662)	(605,102)	-	(1,458,764)
Debt establishment transaction costs	-	(16,911)	-	(16,911)
Total cash flows	66,335	635,655	24,206	726,196
Non-cash changes				
Foreign exchange movements	(13,723)	69,373	2,297	57,947
Transfer	34,341	(34,341)	-	-
Amortisation of debt establishment transaction costs	6,719	-	-	6,719
Total non-cash changes	27,337	35,032	2,297	64,666
Balance at 31 July 2018	519,698	1,148,715	(3,553)	1,664,860

(1) Total derivatives balance at 31 July 2018 is a net asset of $2.315 million (31 July 2017: $8.120 million net asset). The difference in carrying value to the table above relates to interest rate swap contracts, cross-currency interest rate swap contracts, and forward exchange contracts which are excluded from the balances above.

Financing arrangements

Repayment of borrowings (excluding finance leases)	Consolidated 2018 $000	2017 $000
Period ending 31 July, 2018	-	428,772
Period ending 31 July, 2019	523,025	60,947
Period ending 31 July, 2020	30,648	407,736
Period ending 31 July, 2021 or later	1,117,551	-

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:

	Consolidated 2018 $000	2017 $000
Not later than one year	1,640	1,528
Later than one year but not later than two years	1,664	1,571
Later than two years but not later than five years	5,551	5,019
Later than five years	85,629	81,873
	94,484	89,991
Less future finance charges	(81,890)	(78,180)
Finance lease liabilities	12,594	11,811

Finance lease liabilities are secured over the relevant leased plant.

Average interest rates	Consolidated 2018 %	2017 %
Nufarm step-up securities	6.08	5.87
Syndicated bank facility	1.84	n/a
Group securitisation program facility	2.89	2.49
Other bank loans	5.70	10.54
Finance lease liabilities - secured	13.33	13.12
Brazil unsecured notes	9.69	n/a
Senior unsecured notes	5.75	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 2018. At 31 July 2017 the syndicated bank facility was undrawn.

26 Employee benefits

	Consolidated 2018 $000	2017 $000
Current		
Liability for short-term employee benefits	17,377	16,068
Liability for current portion of other long-term employee benefits	1,970	2,611
Current employee benefits	19,347	18,679
Non-current		
Defined benefit fund obligations		
Present value of unfunded obligations	7,505	7,667
Present value of funded obligations	173,171	166,916
Fair value of fund assets - funded	(100,115)	(90,485)
Recognised liability for defined benefit fund obligations	80,561	84,098
Liability for non-current portion of other long-term employee benefits	15,115	13,597
Non-current employee benefits	95,676	97,695
Total employee benefits	115,023	116,374

During the year ended 31 July 2018 the group made contributions to defined benefit pension funds in the United Kingdom, France and Indonesia that provide defined benefit amounts for employees upon retirement.

26 Employee benefits (continued)

Changes in the present value of the defined benefit obligation are as follows:	Consolidated 2018 $000	2017 $000
Opening defined benefit obligation	174,583	224,904
Service cost	607	666
Interest cost	4,908	4,563
Actuarial losses/(gains)	(3,604)	31
Past service cost	(908)	-
Losses/(gains) on curtailment	59	(1,236)
Liabilities extinguished on settlement	-	(38,781)
Contributions	-	-
Benefits paid	(6,579)	(5,582)
Exchange adjustment	11,610	(9,982)
Closing defined benefit obligation	180,676	174,583

Changes in the fair value of fund assets are as follows:		
Opening fair value of fund assets	90,485	136,292
Interest income	2,553	2,375
Actuarial gains/(losses) - return on plan assets excluding interest income	2,293	(1,536)
Surplus taken to retained earnings	-	-
Assets distributed on settlement	-	(38,781)
Contributions by employer	4,933	3,254
Distributions	(6,376)	(5,397)
Exchange adjustment	6,227	(5,722)
Closing fair value of fund assets	100,115	90,485

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

Expense/(gain) recognised in profit or loss	Consolidated 2018 $000	2017 $000
Current service costs	607	666
Interest on obligation	4,908	4,563
Interest income	(2,553)	(2,375)
Losses/(gains) on curtailment	59	(1,236)
Past service cost/(gain)	(908)	-
Expense recognised in profit or loss	2,113	1,618
The expense is recognised in the following line items in the income statement:		
Cost of sales	1,287	1,441
Sales, marketing and distribution expenses	546	865
General and administrative expenses	231	(842)
Research and development expenses	49	154
Expense recognised in profit or loss	2,113	1,618

26 Employee benefits (continued)

	2018	2017
	$000	$000
Actuarial gains / (losses) recognised in other comprehensive income (net of tax)		
Cumulative amount at 1 August	(74,047)	(71,956)
Recognised during the period	4,980	(2,091)
Cumulative amount at 31 July	(69,067)	(74,047)

	Consolidated	
The major categories of fund assets as a percentage of total fund assets are	2018	2017
as follows:	%	%
Equities	62.2%	59.6%
Bonds	31.7%	32.9%
Property	1.3%	1.0%
Cash	4.8%	6.4%
Principal actuarial assumptions at the reporting date (expressed as weighted averages):		
Discount rate at 31 July	2.8%	2.7%
Future salary increases	0.3%	0.3%
Future pension increases	2.8%	2.8%

The group expects to pay $5.116 million in contributions to defined benefit plans in 2019. (2017: $4.791 million)

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 ten years without board approval. An independent trustee holds the shares and options on behalf of the executives. At 31 July 2018 there were 14 participants (2017: 19 participants) in the scheme and 77,916 shares (2017: 125,347) 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 pre-determined percentage of the STI is paid in cash at the time of performance testing and the balance is deferred into shares in the company for nil consideration. The number of shares granted is based on the volume weighted average price (VWAP) of Nufarm Limited shares in the 5 days subsequent to the results announcement. Vesting will occur after a two year period.

27 Share-based payments (continued)

Nufarm Executive Long Term Incentive Plan (LTIP)

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

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

Global Share Plan (2001)

The Global Share Plan commenced in 2001, and is available to all permanent employees. Participants contribute a proportion of their salary to purchase shares. The company will contribute an amount equal to 10% of the number of ordinary shares acquired with a participant's contribution in the form of additional ordinary shares. Amounts over 10% of the participant's salary can be contributed but will not be matched. For each year the shares are held, up to a maximum of five years, the company contributes a further 10% of the value of the shares acquired with the participant's contribution. An independent trustee holds the shares on behalf of the participants. At 31 July 2018 there were 512 participants (2017: 573 participants) in the scheme and 1,624,341 shares (2017: 1,664,626) 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.

	2018	2017
Employee expenses	$000	$000
Total expense arising from share-based payment transactions	3,904	4,739

Measurement of fair values

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

Plan	Nufarm STI 2018 Deferred shares	Nufarm LTI 2018 Performance rights Nov 2017	Nufarm STI 2017 Deferred shares	Nufarm LTI 2017 Performance rights Nov 2016	Nufarm LTI 2017 Performance rights Dec 2016
Weighted average fair value at grant date	$8.37	$6.60	$9.15	$7.17	$7.63
Share price at grant date	$8.37	$8.99	$9.15	$8.59	$9.03
Grant date	28 Sep 2017	1 Nov 2017	28 Sep 2016	3 Nov 2016	1 Dec 2016
Earliest vesting date	31 Jul 2019	31 Jul 2020	31 Jul 2018	31 Jul 2019	31 Jul 2019
Exercise price	-	-	-	-	-
Expected life	1 year	2.8 years	1 year	2.7 years	2.7 years
Volatility	n/a	28%	n/a	31%	31%
Risk free interest rate	n/a	2.0%	n/a	1.7%	1.9%
Dividend yield	n/a	1.7%	n/a	1.7%	1.7%

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

27 Share-based payments (continued)

Reconciliation of outstanding share awards	Nufarm LTI number of performance rights 2018	Nufarm STI number of deferred shares 2018	Nufarm LTI number of performance rights 2017	Nufarm STI number of deferred shares 2017
Outstanding at 1 August	887,364	269,506	977,401	430,290
Forfeited during the year	(276,863)	(14,272)	(44,248)	(2,639)
Exercised during the year	(333,078)	(268,840)	(374,220)	(428,499)
Expired during the year	-	-	-	-
Granted during the year	395,260	543,178	328,431	270,354
Outstanding at 31 July	672,683	529,572	887,364	269,506
Exercisable at 31 July	-	-	349,484	-

The performance rights outstanding at 31 July 2018 have a $nil exercise price (2017: $nil) and a weighted average contractual life of 3 years (2017: 3 years). All performance rights granted to date have a $nil exercise price.

28 Provisions

	Consolidated 2018 $000	2017 $000
Current		
Restructuring	11,161	14,533
Other	1,237	1,185
Current provisions	12,398	15,718

Movement in provisions	Consolidated		
	Restructuring $000	Other provisions $000	Total $000
Balance at 1 August 2017	14,533	1,185	15,718
Provisions made during the year	3,557	-	3,557
Provisions reversed during the year	(558)	-	(558)
Provisions used during the year	(6,655)	-	(6,655)
Exchange adjustment	284	52	336
Balance at 31 July 2018	11,161	1,237	12,398

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

29 Capital and reserves

Share capital	Parent Company Number of ordinary shares 2018	Number of ordinary shares 2017
Balance at 1 August	266,928,840	265,899,295
Issue of shares	60,776,135	1,029,545
Balance at 31 July	327,704,975	266,928,840

The company does not have authorised capital or par value in respect of its issued shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

In October 2017, the directors of the group agreed to issue 59,551,672 new shares to fund the acquisition of two European businesses (note 14) pursuant to the terms of an underwritten accelerated renounceable entitlement offer. Following the announcement in October 2017, on 6 November 2017, 44,777,979 shares at $7.5000 were issued under the institutional entitlement offer and on 24 November 2017, 14,773,693 shares at $7.5000 were issued under the retail entitlement offer.

On 6 October 2017, 756,172 shares at $8.3667 were issued under the Nufarm short term incentive plan and Nufarm executive long term incentive plan. On 10 November 2017, 228,101 shares at $8.9479 were issued under the dividend reinvestment program. On 11 December 2017, 69,695 shares at $8.3667 were issued under the Nufarm short term incentive plan. On 5 January 2018, 64,104 shares at $8.7800 were issued under the global share plan. On 4 May 2018, 106,391 shares at $8.6513 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.

29 Capital and reserves (continued)

Nufarm Step-up Securities (continued)

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% (2017: 3.9%). On 23 September 2011, Nufarm announced that it would 'step-up' the NSS. This resulted in the interest margin attached to the NSS being stepped up by 2.0 per cent, with the new interest margin being set at 3.9 per cent as at 24 November 2011. No other terms were adjusted and there are no further step-up dates. Nufarm retains the right to redeem or exchange the NSS on future distribution dates.

Translation reserve

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

Capital profit reserve

This reserve is used to accumulate realised capital profits.

Other reserve

This reserve represents the accrued employee entitlements to share awards that have been charged to the income statement and have not yet been exercised. Until December 2017, this reserve held the debit balance related to a written put option of a 49% interest held by the non-controlling shareholders of Altantica Sementes Ltda (Atlantica). As the non-controlling shareholders had the present access to the economic benefits with their underlying ownership interest, their non controlling interest was recognised. In December 2017, the written put option was exercised, and the debit reserve was utilised to complete the transaction. This reserve also holds the balances related to hedging.

Dividends

An interim dividend of 5 cents per share, totalling $16,379,929 was declared on 21 March 2018, and was paid (net of dividend re-investment program) on 4 May 2018 (2017: 5 cents per share, totalling $13,339,938).

A final dividend of six cents per share, totalling $19,662,299 was declared on 26 September 2018, and will be paid on 2 November 2018 (2017: eight cents per share, totalling $21,414,801).

Distributions

Distributions recognised in the current year by Nufarm Finance (NZ) Ltd on the Nufarm Step-up Securities* are:	Distribution rate	Consolidated Total amount $000	Payment date
2018			
Distribution	5.80%	7,259	16-Apr-18
Distribution	5.87%	7,381	16-Oct-17
		14,640	
2017			
Distribution	5.89%	7,372	18-Apr-17
Distribution	6.36%	7,997	15-Oct-16
		15,369	

* 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 $10.763 million (2017: $11.295 million).

Franking credit / (debit) balance	2018	2017
The amount of franking credits available for the subsequent financial year are:	$000	$000
Franking account balance as at the end of the year at 30% (2017: 30%)	-	-
Franking credits/(debits) that will arise from the payment of income tax payable/(refund) as at the end of the year	-	-
Credit/(debit) balance at 31 July	-	-

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 $nil (2017: $nil)) franking credits/(debits).

30 Earnings per share

	Consolidated 2018 $000	2017 $000
Net profit/(loss) for the year	(16,007)	115,042
Net profit/(loss) attributable to non-controlling interest	419	(575)
Net profit/(loss) attributable to equity holders of the parent	(15,588)	114,467
Nufarm Step-up Securities distribution	(10,763)	(11,295)
Earnings/(loss) used in the calculations of basic and diluted earnings per share	(26,351)	103,172
Earnings/(loss) from continuing operations	(26,351)	103,172
Subtract/(add back) items of material income/(expense) (refer note 6)	(113,984)	(21,356)
Earnings/(loss) excluding items of material income/(expense) used in the calculation of earnings per share excluding material items	87,633	124,528

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 2018	2017
Weighted average number of ordinary shares used in calculation of basic earnings per share	310,650,760	266,635,627
Weighted average number of ordinary shares used in calculation of diluted earnings per share	311,631,734	267,613,174

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

Earnings per share for continuing and discontinued operations	Cents per share 2018	2017
Basic earnings per share		
From continuing operations	(8.5)	38.7
	(8.5)	38.7
Diluted earnings per share		
From continuing operations	(8.5)	38.6
	(8.5)	38.6
Earnings per share (excluding items of material income/expense - see note 6)		
Basic earnings per share	28.2	46.7
Diluted earnings per share	28.1	46.5

31 Financial risk management and financial instruments

The group has exposure to the following financial risks:
- credit risk;
- liquidity risk; and
- market risk.

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

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

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

31 Financial risk management and financial instruments (continued)

Credit risk

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

Exposure to credit risk

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

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

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

	Consolidated	
Carrying amount	2018	2017
	$000	$000
Trade and other receivables	1,303,137	1,121,164
Cash and cash equivalent assets	301,700	235,145
Derivative contracts:		
Assets	5,339	17,053
	1,610,176	1,373,362

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

	Consolidated	
Carrying amount	2018	2017
	$000	$000
Australia/New Zealand	210,913	187,717
Asia	30,557	26,182
Europe	430,792	273,188
North America	125,685	96,140
South America	505,189	537,937
Trade and other receivables	1,303,136	1,121,164

The group's top five customers account for $186.729 million of the trade receivables carrying amount at 31 July 2018 (2017: $127.732 million). These top five customers represent 15 per cent (2017: 12 per cent) of the total receivables.

31 Financial risk management and financial instruments (continued)

Credit risk (continued)

Impairment losses

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

Consolidated	**Consolidated**	
Receivables ageing	2018	2017
	$000	$000
Current	1,017,819	894,074
Past due - 0 to 90 days	109,279	69,431
Past due - 90 to 180 days	10,987	9,210
Past due - 180 to 360 days	9,884	10,846
Past due - more than one year	59,329	64,551
	1,207,298	1,048,112
Provision for impairment	(36,546)	(26,439)
Trade receivables	1,170,752	1,021,673

Some receivables are secured by collateral from customers such as guarantees and charges on assets. In some countries credit insurance is undertaken to reduce credit risk. The past due receivables not impaired are considered recoverable.

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	
	2018	2017
	$000	$000
Balance at 1 August	26,439	36,127
Provisions made during the year	13,915	7,372
Provisions used during the year	(1,772)	(16,969)
Provisions acquired through business combinations	-	-
Exchange adjustment	(2,036)	(91)
Balance at 31 July	36,546	26,439

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.

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.

Sales and operating profit are seasonal and are weighted towards the first half of the calendar year in Australia/New Zealand, North America and Europe, reflecting the planting and growing cycle in these regions while in Latin America the sales and operating profit is weighted towards the second half of the calendar year. This seasonal operating activity results in seasonal working capital requirements.

Pricipally, the group sources liquidity from cash generated from operations, and where required, external bank facilities. Working capital fluctuations due to seasonality of the business are supported by the short-term funding available from the group's trade receivable securitisation facility.

31 Financial risk management and financial instruments (continued)

Liquidity risk (continued)

Debt facilities

As at 31 July 2018, the key group facilities include a group trade receivables securitisation facility, a US$475 million senior unsecured notes offering due in April 2026 (31 July 2017: US$325 million), and a senior secured bank facility of $645 million (31 July 2017: $505 million).

During the year ended 31 July 2018, the group completed the refinancing of the US$325m senior unsecured notes due in October 2019. The 2019 notes were redeemed from investors in May 2018 through the issuance of US$475m senior unsecured notes due in April 2026 with a fixed coupon component of 5.75% ("2026 notes"). The 2026 notes were issued under a dual tranche structure by Nufarm Australia Ltd (US$266 million) and Nufarm Americas Inc (US$209 million).

On 27 July 2018 the group closed an unsecured and non-convertible BRL 200 million debenture. Issued by Nufarm Industria Quimica e Farma (Nufarm Brazil), the floating rate debenture matures in July 2021 and is governed by two group covenants that are measured and reported at 31 July each year. The proceeds have been used to repay existing bank debt and extend Brazil's weighted average debt maturity profile.

On 24 January 2018 the group upsized its senior secured bank facility (SFA) to $665 million. In April 2018 the group elected to reduce this by $20 million. At 31 July 2018 the facility size was $645 million (31 July 2017: $505 million). Of this, $645 million is due in January 2021 (31 July 2017: $30 million is due in January 2018, $435 million is due in January 2019, and $40 million is due in January 2021). The SFA includes covenants of a type normally associated with facilities of this kind, and the group was in compliance with these covenants. The facility is drawn to $404.843 million at 31 July 2018 (31 July 2017: undrawn).

On 23 August 2011, Nufarm executed a group trade receivables securitisation facility. The facility provides funding that aligns with the working capital cycle of the company. The facility limit varies on a monthly basis to reflect the cyclical nature of the trade receivables being used to secure funding under the program. The monthly facility limit is set at $375 million for five months of the financial year, $300 million for three months of the financial year, $275 million for one month of the financial year and $175 million for three months of the financial year (31 July 2017: 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).

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 Latin America and Europe, which at 31 July 2018 totalled $601.765 million (2017: $527.793 million).

At 31 July 2018, the group had access to debt of $2,185 million (2017: $1,740 million) under the notes, SFA, group trade receivables securitisation facility and with other lenders.

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

Trade finance

The liquidity of the group is influenced by the terms suppliers extend in respect of purchases of goods and services. The determination of terms provided by suppliers is influenced by a variety of factors including supplier's liquidity. Suppliers may engage financial institutions to facilitate the receipt of payments for goods and services from the group, which are often referred to as supplier financing arrangements. The group is aware that trade payables of $327.123 million at 31 July 2018 (2017: $255.838 million) are to be settled via such arrangements in future periods. In the event suppliers or financial institutions cease such arrangements the liquidity of the group's suppliers may be affected. If suppliers subsequently seek to reduce terms on group's purchases of goods and services in the future, the group's liquidity will be affected. Details of the group's trade and other payables are disclosed in note 24.

To support the liquidity of the group and reduce the credit risk relating to specific customers, trade receivables held by the group are sold to third parties. The sales (or factoring) of receivables to third parties is primarily done on a non-recourse basis, and the group incurs a financing expense at the time of the sale. The group derecognises trade receivables where the terms of the sale allows for derecognition. At 31 July 2018 the group estimates $74.644 million (2017: $49.312 million) of derecognised trade receivables were being held by third parties. For clarity, the group trade receivables securitisation facility, noted above, has terms which does not allow the group to derecognise these trade receivables.

31 Financial risk management and financial instruments (continued)

Liquidity risk (continued)

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

Consolidated	Carrying amount $000	Contractual cash flows $000	Less than 1 year $000	1-2 years $000	More than 2 years $000
			2018		
Non-derivative financial liabilities					
Bank overdrafts	7,357	7,357	7,357	-	-
Trade and other payables	1,139,046	1,139,046	1,128,246	14	10,786
Bank loans - secured	795,747	825,915	410,035	7,433	408,447
Bank loans - unsecured	161,695	174,911	142,212	29,933	2,766
Brazil unsecured notes	71,610	92,351	6,939	6,939	78,473
Senior unsecured notes	638,613	933,088	37,434	36,720	858,934
Other loans - unsecured	3,559	3,559	1,303	2,256	-
Finance lease liabilities - secured	12,593	94,484	1,640	1,664	91,180
Derivative financial liabilities					
Derivatives used for hedging:					
Outflow	-	-	-	-	-
Inflow	-	-	-	-	-
Other derivative contracts:					
Outflow	3,024	523,446	523,446	-	-
Inflow	-	(517,878)	(517,878)	-	-
Derivative financial assets					
Derivatives used for hedging:					
Outflow	-	-	-	-	-
Inflow	-	-	-	-	-
Other derivative contracts:					
Outflow	-	843,835	843,835	-	-
Inflow	(5,339)	(852,737)	(852,737)	-	-
	2,827,905	3,267,377	1,731,832	84,959	1,450,586
			2017		
Non-derivative financial liabilities					
Bank overdrafts	11,384	11,384	11,384	-	-
Trade and other payables	830,230	830,230	820,249	17	9,964
Bank loans - secured	326,011	342,082	318,101	19,551	4,430
Bank loans - unsecured	164,412	181,624	140,844	40,780	-
Unsecured note issues	403,537	468,389	25,941	25,941	416,507
Other loans - unsecured	3,495	3,495	1,231	2,264	-
Finance lease liabilities - secured	11,811	89,991	1,528	1,571	86,892
Derivative financial liabilities					
Derivatives used for hedging:					
Outflow	2,815	924	418	418	88
Inflow	-	-	-	-	-
Other derivative contracts:					
Outflow	6,118	215,422	215,422	-	-
Inflow	-	(210,956)	(210,956)	-	-
Derivative financial assets					
Derivatives used for hedging:					
Outflow	-	145,167	7,539	7,539	130,089
Inflow	(11,125)	(162,984)	(9,107)	(9,107)	(144,770)
Other derivative contracts:					
Outflow	-	383,789	383,789	-	-
Inflow	(5,928)	(388,536)	(388,536)	-	-
	1,742,760	1,910,021	1,317,847	88,974	503,200

31 Financial risk management and financial instruments (continued)

Liquidity risk (continued)

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

Market risk

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

Currency risk

The group uses 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. Financial instruments used by the group to manage currency risks include derivative instruments such as foreign exchange contracts, cross currency interest rate swaps and options, and non-derivative instruments such as foreign currency debt instruments. The group designates select financial instruments for hedge accounting where it is deemed appropriate to do so.

The group completed the refinancing of the existing US$325m senior unsecured notes due in October 2019 during April. The 2019 notes were redeemed through the issuance of US$475m senior unsecured notes due in April 2026 as a dual tranche issuance by Nufarm Australia Ltd and Nufarm Americas Inc. Currency risk related to the notes is managed using foreign exchange contracts.

The group uses financial instruments to manage foreign currency translation risk arising from the group's net investments in foreign currency subsidiary entities. These financial instruments 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, the group has not designated any other derivative financial instruments in hedge relationships and all movements in fair value are recognised in profit or loss during the period. The net fair value of derivative financial instruments in the group, not designated as being in a hedge relationship, used as economic hedges of forecast transactions at 31 July 2018 was a $2.315 million asset (2017: $0.190 million liability) comprising assets of $5.339 million (2017: $5.928 million) and liabilities of $3.024 million (2017: $6.118 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			
Consolidated	AUD	USD	Euro	GBP
2018	$000	$000	$000	$000
Functional currency of group operation				
Australian dollars	-	37,906	21,682	(1,392)
US dollars	2,447	-	(3)	-
Euro	97	25,836	-	4,625
British pound	(268)	10,533	(6,569)	-
Brazilian real	-	(7,056)	-	-
	2,276	67,219	15,110	3,233

	Net financial assets/(liabilities) - by currency of denomination			
Consolidated	AUD	USD	Euro	GBP
2017	$000	$000	$000	$000
Functional currency of group operation				
Australian dollars	-	322	2,921	(3,410)
US dollars	12,688	-	-	-
Euro	2,408	20,033	-	908
British pound	(268)	(4,827)	23,382	-
Brazilian real	-	15,001	-	-
	14,828	30,529	26,303	(2,502)

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 2018, a 1 percent strengthening or weakening of the following currencies at 31 July 2018 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 2017.

	Strengthening	Weakening	Strengthening	Weakening
	Profit or (loss) after tax 2018	Profit or (loss) after tax 2018	Profit or (loss) after tax 2017	Profit or (loss) after tax 2017
Currency movement	$000	$000	$000	$000
1% change in the Australian dollar exchange rate	(388)	391	104	(105)
1% change in the US dollar exchange rate	503	(498)	20	(20)
1% change in the Euro exchange rate	(108)	107	21	(20)
1% change in the GBP exchange rate	(3)	3	(146)	144
1% change in the BRL exchange rate	49	(49)	(105)	104

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:

	Average rate		Reporting date	
AUD	2018	2017	2018	2017
US Dollar	0.774	0.754	0.744	0.799
Euro	0.648	0.690	0.635	0.675
GBP	0.574	0.593	0.567	0.605
BRL	2.583	2.433	2.793	2.501

Interest rate risk

The group's exposure to the risk of changes in market interest rates primarily relates to the group's debt obligations that have floating interest rates. This risk is mitigated by maintaining a level of fixed and floating rate borrowings, as well as the the ability to use derivative financial instruments when deemed appropriate to do so.

The majority of the group's debt is raised under central borrowing programs. The A$645 million syndicated bank facility and the group trade receivables securitisation facility are considered floating rate facilities. The group completed the refinancing of the existing US$325m senior unsecured notes due in October 2019 during April 2018. The former notes were refinanced through the issuance of US$475m senior unsecured notes due in April 2026 with a fixed coupon component.

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% (2017: 3.90%).

Profile

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

	Consolidated Carrying amount 2018 $000	Consolidated Carrying amount 2017 $000
Variable rate instruments		
Financial assets	46,165	18,017
Financial liabilities	(969,870)	(787,729)
	(923,705)	(769,712)
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(642,337)	(121,537)
	(642,337)	(121,537)

31 Financial risk management and financial instruments (continued)

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The sensitivity is calculated on the debt at 31 July 2018. Due to the seasonality of the crop protection business, debt levels can vary during the year. The analysis is performed on the same basis for 31 July 2017.

	Profit or loss	
	100bp increase	100bp decrease
2018	$000	$000
Variable rate instruments	(9,237)	9,237
Total sensitivity	(9,237)	9,237
2017		
Variable rate instruments	(7,697)	7,697
Total sensitivity	(7,697)	7,697

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 $642.337 million (2017: $125.257 million), the fair value at 31 July 2018 is $618.389 million (2017: $130.324 million).

Consolidated

2018	Note	Available for sale $000	Carried at fair value through profit or loss $000	Derivatives used for hedging $000	Financial assets / liabilities at amortised cost $000	Total $000
Cash and cash equivalents	15	-	-	-	301,700	301,700
Trade and other receivables excluding derivatives	16	-	-	-	1,303,137	1,303,137
Equity securities - available-for-sale	20	-	-	-	-	-
Forward exchange contracts:						
Assets	16	-	2,500	-	-	2,500
Liabilities	24	-	(3,024)	-	-	(3,024)
Interest Rate Swaps:						
Assets	16	-	2,839	-	-	2,839
Liabilities	24	-	-	-	-	-
Trade and other payables excluding derivatives	24	-	-	-	(1,139,046)	(1,139,046)
Bank overdraft	15	-	-	-	(7,357)	(7,357)
Secured bank loans	25	-	-	-	(795,747)	(795,747)
Unsecured bank loans	25	-	-	-	(161,695)	(161,695)
Brazil unsecured notes	25	-	-	-	(71,610)	(71,610)
Senior unsecured notes	25	-	-	-	(638,613)	(638,613)
Other loans	25	-	-	-	(3,559)	(3,559)
Finance leases	25	-	-	-	(12,593)	(12,593)
		-	2,315	-	(1,225,383)	(1,223,068)

Consolidated

2017	Note	Available for sale $000	Carried at fair value through profit or loss $000	Derivatives used for hedging $000	Financial assets / liabilities at amortised cost $000	Total $000
Cash and cash equivalents	15	-	-	-	235,145	235,145
Trade and other receivables excluding derivatives	16	-	-	-	1,121,164	1,121,164
Equity securities - available-for-sale	20	-	-	-	-	-
Forward exchange contracts:						
Assets	16	-	5,928	-	-	5,928
Liabilities	24	-	(5,454)	-	-	(5,454)
Interest Rate Swaps:						
Assets	16	-	-	11,125	-	11,125
Liabilities	24	-	(664)	(2,815)	-	(3,479)
Trade and other payables excluding derivatives	24	-	-	-	(830,230)	(830,230)
Bank overdraft	15	-	-	-	(11,384)	(11,384)
Secured bank loans	25	-	-	-	(326,011)	(326,011)
Unsecured bank loans	25	-	-	-	(164,412)	(164,412)
Senior unsecured notes [a]	25	-	-	-	(403,537)	(403,537)
Other loans	25	-	-	-	(3,495)	(3,495)
Finance leases	25	-	-	-	(11,811)	(11,811)
		-	(190)	8,310	(394,571)	(386,451)

(a) Includes $278.281 million of centrally managed fixed rate debt swapped to floating rate under fair value hedges, and is consequently fair valued for interest rate risk.

31 Financial risk management and financial instruments (continued)

Fair value hierarchy

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

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

	Consolidated			
2018	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Derivative financial assets	-	5,339	-	5,339
	-	5,339	-	5,339
Derivative financial liabilities	-	(3,024)	-	(3,024)
	-	(3,024)	-	(3,024)

	Consolidated			
2017	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Derivative financial assets	-	17,053	-	17,053
	-	17,053	-	17,053
Derivative financial liabilities	-	(8,933)	-	(8,933)
	-	(8,933)	-	(8,933)

There have been no transfers between levels in either 2018 or 2017.

Valuation techniques used to derive fair values

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

Specific valuation techniques used to value financial instruments include:

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

Capital management

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

The Board believes ROFE is an appropriate performance condition as it ensures management is focused on the efficient use of capital and the measure remains effective regardless of the mix of equity and debt, which may change from time to time. ROFE objectives are set by the Board at the beginning of each year. There is a target and a stretch hurdle. These numbers will based on the budget and growth strategy. The ROFE return for the year ended 31 July 2018 was 9.4 per cent (2017: 13.6 per cent).

The reduction in ROFE in the year ended 31 July 2018 results from:

- A lower level of profitability; and
- the group undertook two significant acquisitions during the year (refer note 14) and the financial statements only reflect earnings since the acquisition date.

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 2018 $000	2017 $000
Not later than one year	13,036	10,778
Later than one year but not later than two years	10,583	8,927
Later than two years but not later than five years	19,000	18,682
Later than five years	139,440	124,012
	182,059	162,399

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 $5.394 million at 31 July 2018 (2017: $7.373 million).

34 Contingencies

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

	Consolidated 2018 $000	2017 $000
Environmental guarantee given to the purchaser of land and buildings at Genneviliers for EUR 8.5 million.	13,386	12,593
Insurance bond for EUR 2.789 million established to make certain capital expenditures at Gaillon plant in France.	4,393	4,132
Brazilian taxation proceedings	31,554	20,559
Brazilian taxation proceedings - hedge costs deductibility	8,874	5,400
Brazilian taxation proceedings - goodwill deductibility	29,739	16,200
Other bank guarantees	219	316
Contingent liabilities	88,165	59,200

Brazilian taxation proceedings

As at 31 July 2018, the total contingent liability relating to future potential tax liabilities (excluding the goodwill and hedge cases) in Brazil is $31.554 million (2017: $20.559 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 taxation proceedings - goodwill deductibility

The Brazilian tax authorities are challenging the validity of goodwill deductions, in respect of certain years, arising from Nufarm's acquisition of Agripec (now known as Nufarm Brazil).

There are six levels of Brazilian courts (3 levels of administrative court and 3 levels of judicial court), and Brazilian tax disputes can take 10-15 years to be settled. This dispute has been ongoing since 2013, during which period the following events have occurred:
- 2014 unfavourable decision at first level of administrative court
- 2017 favourable decision at second level of administrative court
- 2018 unfavourable decision at third level of administrative court

The contingent liability has been estimated based on assessments received. Nufarm considers that it is not probable that a liability will arise in respect of these assessments. It is possible that further assessments could be received in future periods.

Brazilian taxation proceedings - hedge costs deductibility

The Brazilian tax authorities are challenging the deductibility of hedge costs incurred in 2008. Nufarm received unfavourable decisions at the first and second levels of administrative court, but considers that it is not probable that a liability will arise in respect of this matter. The contingent liability has been estimated based on an assessment received.

In the event any of the contingent Brazilian tax obligations crystallise, it will result in a tax asset write-off and the tax liability will be settled using a combination of remaining recognised and unrecognised tax assets (refer note 18) and/or cash.

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.

35 Group entities

	Notes	Place of incorporation	Percentage of shares held 2018	Percentage of shares held 2017
Parent entity				
Nufarm Limited - ultimate controlling entity				
Subsidiaries				
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	100	51
Australis Services Pty Ltd	(a)	Australia	100	100
Bestbeech Pty Ltd	(a)	Australia	100	100
Chemicca Limited	(a)	Australia	100	100
CNG Holdings BV		Netherlands	100	100
Crop Care Australasia Pty Ltd	(a)	Australia	100	100
Crop Care Holdings Limited		New Zealand	100	100
Croplands Equipment Limited		New Zealand	100	100
Croplands Equipment Pty Ltd	(a)	Australia	100	100
Danestoke Pty Ltd	(a)	Australia	100	100
Edgehill Investments Pty Ltd	(a)	Australia	100	100
Fchem (Aust) Limited	(a)	Australia	100	100
Fernz Canada Limited		Canada	100	100
Fidene Limited		New Zealand	100	100
First Classic Pty Ltd	(a)	Australia	100	100
Framchem SA		Egypt	100	100
Frost Technology Corporation		USA	100	100
Greenfarm Hellas Trade of Chemical Products SA		Greece	100	100
Growell Limited		United Kingdom	100	100
Grupo Corporativo Nufarm SA		Guatemala	100	100
Laboratoire European de Biotechnologie s.a.s		France	100	100
Le Moulin des Ecluses s.a		France	100	100
Lefroy Seeds Pty Ltd	(a)	Australia	100	100
Manaus Holdings Sdn Bhd		Malaysia	100	100
Marman (Nufarm) Inc		USA	100	100
Marman de Guatemala Sociedad Anomima		Guatemala	100	100
Marman de Mexico Sociedad Anomima De Capital Variable		Mexico	100	100
Marman Holdings LLC		USA	100	100
Masmart Pty Ltd	(a)	Australia	100	100
Mastra Corporation Pty Ltd	(a)	Australia	100	100
Mastra Corporation Sdn Bhd		Malaysia	100	100
Mastra Corporation USA Pty Ltd	(a)	Australia	100	100
Mastra Holdings Sdn Bhd		Malaysia	100	100
Mastra Industries Sdn Bhd		Malaysia	100	100
Medisup Securities Limited	(a)	Australia	100	100
Midstates Agri Services Inc		USA	100	100

35 Group entities (continued)

	Notes	Place of incorporation	Percentage of shares held 2018	2017
NF Agriculture Inc		USA	100	100
Nufarm Africa SARL AU		Morocco	100	100
Nufarm Agriculture (Pty) Ltd		South Africa	100	100
Nufarm Agriculture Inc		Canada	100	100
Nufarm Agriculture Zimbabwe (Pvt) Ltd		Zimbabwe	100	100
Nufarm Americas Holding Company		USA	100	100
Nufarm Americas Inc		USA	100	100
Nufarm Asia Sdn Bhd		Malaysia	100	100
Nufarm Australia Limited	(a)	Australia	100	100
Nufarm Bulgaria		Bulgaria	100	100
Nufarm BV		Netherlands	100	100
Nufarm Canada Receivables Partnership		Canada	100	100
Nufarm Chemical (Shanghai) Co Ltd		China	100	100
Nufarm Chile Limitada		Chile	100	100
Nufarm Colombia S.A.		Colombia	100	100
Nufarm Crop Products UK Limited		United Kingdom	100	100
Nufarm Cropcare Private Limited		India	100	100
Nufarm Costa Rica Inc. SA		Costa Rica	100	100
Nufarm de Guatemala SA		Guatemala	100	100
Nufarm de Mexico Sa de CV		Mexico	100	100
Nufarm de Panama SA		Panama	100	100
Nufarm de Venezuela SA		Venezuela	100	100
Nufarm del Ecuador SA		Ecuador	100	100
Nufarm Deutschland GmbH		Germany	100	100
Nufarm do Brazil Ltda		Brazil	100	100
Nufarm Espana SA		Spain	100	100
Nufarm Europe GmbH		Germany	100	100
Nufarm Finance BV		Netherlands	-	-
Nufarm Finance (NZ) Limited		New Zealand	100	100
Nufarm GmbH		Austria	100	100
Nufarm GmbH & Co KG		Austria	100	100
Nufarm Grupo Mexico S DE RL DE CV		Mexico	100	100
Nufarm Holdings (NZ) Limited		New Zealand	100	100
Nufarm Holdings BV		Netherlands	100	100
Nufarm Holdings s.a.s		France	100	100
Nufarm Hong Kong Investments Ltd		Hong Kong	100	100
Nufarm Hungaria Kft		Hungary	100	100
Nufarm Inc		USA	100	100
Nufarm Industria Quimica e Farmaceutica SA		Brazil	100	100
Nufarm Insurance Pte Ltd		Singapore	100	100
Nufarm Investments Cooperatie WA		Netherlands	100	100
Nufarm Italia srl		Italy	100	100
Nufarm KK		Japan	100	100
Nufarm Korea Ltd		Korea	100	100
Nufarm Labuan Pte Ltd		Malaysia	100	100
Nufarm Limited		United Kingdom	100	100
Nufarm Malaysia Sdn Bhd		Malaysia	100	100
Nufarm Materials Limited	(a)	Australia	100	100
Nufarm NZ Limited		New Zealand	100	100
Nufarm Pensions General Partner Ltd		United Kingdom	100	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 SP.Z O.O	(b)	Poland	100	100
Nufarm Portugal LDA		Portugal	100	100
Nufarm Romania SRL		Romania	100	100
Nufarm s.a.s		France	100	100
Nufarm SA		Argentina	100	100
Nufarm Services (Singapore) Pte Ltd		Singapore	100	100
Nufarm Services Sdn Bhd		Malaysia	100	100
Nufarm Suisse Sarl		Switzerland	100	100
Nufarm Technologies (M) Sdn Bhd		Malaysia	100	100
Nufarm Technologies USA		New Zealand	100	100
Nufarm Technologies USA Pty Ltd	(a)	Australia	100	100
Nufarm Treasury Pty Ltd	(a)	Australia	100	100
Nufarm Turkey Import & Trade of Chemical Products LLP		United Kingdom	100	100

35 Group entities (continued)

	Notes	Place of incorporation	Percentage of shares held 2018	2017
Nufarm UK Limited		United Kingdom	100	100
Nufarm Ukraine LLC		Ukraine	100	100
Nufarm Uruguay SA		Uruguay	100	100
Nufarm USA Inc		USA	100	100
Nugrain Pty Ltd	(a)	Australia	100	100
Nuseed Americas Inc		USA	100	100
Nuseed Canada Inc		Canada	100	-
Nuseed Europe Holding Company Ltd		United Kingdom	100	100
Nuseed Europe Ltd		United Kingdom	100	100
Nuseed Global Holdings Pty Ltd		Australia	100	-
Nuseed Global Innovation		United Kingdom	100	100
Nuseed Holding Company		USA	100	100
Nuseed International Holdings Pty Ltd		Australia	100	-
Nuseed Mexico SA De CV		Mexico	100	100
Nuseed Omega Holdings Pty Ltd		Australia	100	-
Nuseed Pty Ltd	(a)	Australia	100	100
Nuseed Russia LLC		Russia	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	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.

36 Deed of cross guarantee

Under ASIC Corporations (Wholly owned Companies) Instrument 2016/785, 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 2018 is set out as follows:

36 Deed of cross guarantee (continued)

	Consolidated 2018 $000	2017 $000
Summarised income statement and retained profits		
Profit/(loss) before income tax expense	(111,228)	90,088
Income tax expense	(15,580)	(3,921)
Net profit attributable to members of the closed group	(126,808)	86,167
Retained profits at the beginning of the period	104,527	50,356
Dividends paid	(37,795)	(31,996)
Retained profits at the end of the period	(60,076)	104,527
Balance sheet		
Current assets		
Cash and cash equivalents	58,242	38,937
Trade and other receivables	1,054,010	612,104
Inventories	362,117	201,272
Current tax assets	5,272	4,716
Other Investments	-	-
Total current assets	1,479,641	857,029
Non-current assets		
Trade and other receivables	-	11,212
Investments in equity accounted investees	411	334
Other investments	1,520,249	1,223,734
Deferred tax assets	43,359	68,318
Property, plant and equipment	108,367	130,312
Intangible assets	149,575	145,596
Total non-current assets	1,821,961	1,579,506
TOTAL ASSETS	3,301,602	2,436,535
Current liabilities		
Trade and other payables	982,143	630,355
Loans and borrowings	(3,182)	133
Employee benefits	7,689	8,294
Current tax payable	1,861	2,242
Provision	6,542	7,848
Total current liabilities	995,053	648,872
Non-current liabilities		
Payables	-	2,815
Loans and borrowings	662,266	401,391
Deferred tax liabilities	12,066	17,674
Employee benefits	9,489	8,787
Total non-current liabilities	683,821	430,667
TOTAL LIABILITIES	1,678,874	1,079,539
NET ASSETS	1,622,728	1,356,996
Equity		
Share capital	1,603,992	1,156,688
Reserves	78,812	95,781
Retained earnings	(60,076)	104,527
TOTAL EQUITY	1,622,728	1,356,996

37 Parent entity disclosures

	Company 2018 $000	Company 2017 $000
Result of the parent entity		
Profit/(loss) for the period	84,758	7,554
Other comprehensive income	468	375
Total comprehensive profit/(loss) for the period	85,226	7,929
Financial position of the parent entity at year end		
Current assets	1,529,926	1,037,191
Total assets	1,880,129	1,389,289
Current liabilities	171,985	171,450
Total liabilities	171,301	170,275
Total equity of the parent entity comprising of:		
Share capital	1,537,502	1,090,197
Reserves	36,611	41,065
Accumulated losses	(31,536)	(31,536)
Retained Earnings [(a)]	166,251	119,288
Total equity	1,708,828	1,219,014

(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 $37.795 million (2017: $31.996 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 2018 or 2017.

38 Related parties

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

The parent entity entered into the following transactions during the year with subsidiaries of the group:
- loans were advanced and repayments received on short term intercompany accounts; and
- management fees were received from several wholly-owned controlled entities.

These transactions were undertaken on commercial terms and conditions.

b) Transactions with associated parties

		Consolidated 2018 $000	2017 $000
Excel Crop Care Ltd (1)	purchases from	-	-
	trade payable	-	-
F&N joint ventures (1)	sales to	-	-
	trade payable	-	-
	trade receivable	-	-
Sumitomo Chemical Company Ltd	sales to	44,176	55,603
	purchases from	177,841	207,310
	trade receivable	27,574	16,938
	trade payable	68,926	42,852

(1) Excel Crop Care Ltd and F&N joint ventures ceased to be associated parties during the year ended 31 July 2017.

These transactions were undertaken on commercial terms and conditions.

c) Key management personnel compensation

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

	Consolidated 2018 $	2017 $
Short term employee benefits	5,643,293	6,887,593
Post employment benefits	264,035	285,705
Equity compensation benefits	1,372,768	1,880,617
Termination benefits	-	-
Other long term benefits	-	-
	7,280,096	9,053,915

Individual directors and executives compensation disclosures

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

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

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

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms-length basis.

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

e) Loans to key management personnel and their related parties

There were no loans to key management personnel at 31 July 2018 (2017: nil).

39 Auditors' remuneration

	Consolidated 2018 $	2017 $
Audit services		
KPMG Australia		
Audit and review of group financial report	564,000	538,000
Overseas KPMG firms		
Audit and review of group and local financial reports	1,608,548	1,539,239
	2,172,548	2,077,239
Other auditors		
Audit and review of financial reports	177,834	136,248
Audit services remuneration	2,350,382	2,213,487
Other services		
KPMG Australia		
Other assurance services	591,650	280,641
Other advisory services	834,477	-
Overseas KPMG firms		
Other assurance services	278,533	-
Other advisory services	180,869	76,941
Other firms		
Other assurance services	-	-
Other advisory services	99,030	-
Other services remuneration	1,984,559	357,582

40 Subsequent events

On 26 September 2018 the company announced it was undertaking a pro rata entitlement offer to raise approximately $300.000 million of share capital. In raising the share capital, the company estimates $6.400 million of transaction costs will be incurred. Net of transaction costs, the company expects to use the estimated $293.600 million to repay existing debt facilities.

A final dividend of six cents per share, totalling $19,662,299 was declared on 26 September 2018, and will be paid on 2 November 2018 (2017: eight cents per share, totalling $21,354,307).

Other than the matters outlined above, or elsewhere in the financial information, no matters or circumstances have arisen since the end of the financial year, that have or may significantly affect the operations, results or state of affairs of the group in subsequent accounting periods.

Directors' declaration

1 In the opinion of the directors of Nufarm Limited (the company):

(a) the consolidated financial statements and notes 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 2018 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 35 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 Corporations (Wholly owned Companies) Instrument 2016/785.

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 2018.

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 26th day of September 2018

DG McGauchie AO
Director

GA Hunt
Director

KPMG

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 of Nufarm Limited for the financial year ended 31 July 2018 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

Gordon Sangster

Partner
Melbourne
26 September 2018

KPMG

Independent Auditor's Report

To the shareholders of Nufarm Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of the Nufarm Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 July 2018 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises the:

- Consolidated balance sheet as at 31 July 2018
- Consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year end and from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Recoverability of non-current assets, including property, plant and equipment and intangible assets
- Recognition of deferred tax assets in relation to prior period losses
- Recoverability of trade receivables
- Acquisition accounting

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of non-current assets, including property, plant and equipment ($338.7m) and intangible assets ($1,688.3m)

Refer to the following notes to the financial report: Note 2 (d) (ii) Basis of preparation – Use of estimates and judgments – impairment testing, Note 3 (h) Significant accounting policies – Impairment, and Note 23 Intangible assets.

The key audit matter	How the matter was addressed in our audit
Recoverability of non-current assets including property, plant and equipment, and intangible assets is a key audit matter due to the following: • inherent complexity in determination of the Group's cash generating units ('CGU's); • the diverse nature of regional agricultural markets in which the Group operates. This includes different economic, regulatory and climatic conditions of a large number of geographies. The Group prepares individual discounted cash flow models incorporating these variations for each CGU. This volume and variety of data necessitates additional audit effort, and we involve KPMG audit teams located in significant jurisdictions who have knowledge of the local conditions. • each geographic and product market segment experiences the following, which are subject to inherent uncertainty leading to a range of possible forecast outcomes: - fluctuating demand depending on economic and climatic conditions; - significant regulatory activity and oversight, which can lead to approval and cessation of new and existing products; and - technology advancements by the Group	Our procedures included: • testing the key controls over the cash flow models, including Board review and approval of key assumptions and business unit budgets which form the basis of the cash flow forecasts • using our understanding of the nature of the Group's business, we analysed: - the internal reporting of the Group to assess how results are monitored and reported; and - the implications to CGU identification in accordance with accounting standards. • assessing the Group's discounted cash flow models and key assumptions by: - comparing cash flows to historical trends and performance, by CGU, to inform our evaluation of current forecasts incorporated into the models; - comparing the relevant cash flow forecasts to the board approved budgets and FY20-FY21 business plans; - involving our valuation specialists to assess the discount rates against comparable market information and the economic assumptions relating to cost of debt and cost of equity; and

The key audit matter	How the matter was addressed in our audit
and competitors, which can lead to shifts in market demand for products. Given the unique, non-homogenous, nature of these factors, specific auditor attention is applied to each element, increasing the audit effort. We focus on the authority and knowledge of the sources of judgements to the models, evidence of bias, and consistency of application of judgements. The above factors increase the complexity in auditing the intangible asset useful lives and the forward-looking assumptions contained in the Group's discounted cash flow models for each CGU. Additional key assumptions we focused on included short term and terminal value growth rates and discount rates. These same conditions impact our audit effort applied for the value associated with new products in development phases. Products in early stages of development, compared to those closer to product launch, are prone to wider ranging forecasting outcomes and highly judgemental assumptions. The Group engaged an external valuation expert to assist them. We focused on the authority and knowledge of the sources of judgements to the valuation, common market practices, and consistency of judgements. In addition to the above, the Group recorded an impairment charge of $70.6m against goodwill, intangible assets and property, plant and equipment in the ANZ Crop Protection CGU. The results of this CGU were below expectations, increasing the sensitivity of the model to small changes in forecast cash flows. This further increased our audit effort in this key audit area.	- using our industry knowledge, information published by regulatory and other bodies, and through inquiries with the Group, to assess the assumptions. These included intangible asset useful lives and the impact of technology, market and regulatory changes on those assumptions. We looked for evidence of sensitivity and bias within and across models, and consistency of application, investigating significant differences. • evaluating the Group's sensitivity analysis in respect of the key assumptions in the models, including the identification of areas of estimation uncertainty and reasonably possible changes in key assumptions. We assessed the related disclosures against accounting standard requirements; • comparing carrying values of CGUs to available market data, such as implied earnings multiples of comparable entities; • assessing the Group's valuation of the ANZ Crop Protection CGU and products in development phase by additionally: - assessing the competency, scope of work and objectivity of experts engaged by the Group; and - involving our valuation specialists to assess the valuation methodology against industry practice and the requirements of the accounting standards. • Recalculated the impairment charge against the recorded amount disclosed.

Recoverability of deferred tax assets in relation to prior period tax losses ($119.3m)

Refer to the following notes to the financial report: Note 2 (d) (iii) Basis of preparation - Use of estimates and judgements - income tax, Note 3(o) Significant accounting policies – Income tax, Note 11 Income tax expense and Note 18 Tax assets and liabilities.

The key audit matter	How the matter was addressed in our audit
Recoverability of deferred tax assets in relation to prior period tax losses is a key audit matter due to the:	Our procedures included: • testing key controls over the taxable profit forecasts underpinning the tax loss utilisation

• complexity in auditing the forward-looking assumptions applied to the Group's tax loss utilisation models for each tax jurisdiction given the significant Group assumptions involved. Further details on the significant forward-looking assumptions and implications for the audit are contained in the recoverability of non-current assets, including property, plant and equipment and intangible assets key audit matter. Additional auditor attention is focused on the reconciliation of forecast cash flows to taxable profits. • age of the tax losses, and the relevance of recent taxable profits to forecasts. • the large number of jurisdictions and our need to consider their varying and complex rules on tax loss utilisation. The Group recorded a write-off of carry-forward Australian tax losses of $20.9m. As noted above, the results of the Australian region were below expectations, which impacted forward-looking earnings assumptions. This further increased our audit effort in this key audit area.	models, including Board review and approval of key assumptions and business unit budgets which form the basis of these forecasts. • comparing the key assumptions and business unit budgets for consistency with those tested by us, as set out in the recoverability of non-current assets, including property plant and equipment and intangible assets key audit matter, and taxable profit concepts. • assessing the Group's tax loss utilisation models and key assumptions, by significant jurisdiction, by: - comparing taxable profit to historical trends and performance to inform our evaluation of the current taxable profit forecasts; - comparing the taxable profit forecasts to the board approved budgets; - evaluating the Group's aged utilisation sensitivity analysis in respect of the key assumptions, including the identification of areas of estimation uncertainty to focus our further procedures; - understanding the timing of future taxable profits and considering the consistency of the timeframes of expected recovery to our knowledge of the business and its plans; and - involving our tax specialists and teams from the relevant jurisdictions to assess the tax loss utilisation expiry dates and annual utilisation allowances for consistency with local practice, regulatory parameters and legislation. • Recalculated the amount of previously recognised tax losses written off against the recorded amount disclosed.

Recoverability of trade receivables ($1,207.3m)	
Refer to the following notes to the financial report: Note 2 (d) (v) Significant accounting policies – Use of estimates and judgements – working capital, Note 3 (c) (i) Significant accounting policies – financial instruments – Non-derivative financial assets, Note 3 (h) (i) Significant accounting policies – Impairment – Non–derivative financial assets, Note 16 Trade and other receivables and Note 31 Financial risk management and financial instruments.	
The key audit matter	**How the matter was addressed in our audit**

Recoverability of trade receivables is a key audit matter due to the scale of audit effort applied to gathering evidence. The Group operates in a large number of different geographical locations with wide ranging characteristics of agriculture markets and individual customers within these locations. Specifically, certain geographies have extended credit terms coupled with detailed security arrangements attached to these terms which result in differing credit risk characteristics.
 	
The Group make judgements in relation to credit risk exposures, based on historical patterns in conjunction with collateral, guarantees or insurance to determine the recoverability of trade receivables. We involve KPMG audit teams located in significant jurisdictions who have knowledge of the local conditions.
	Our procedures included:
	• Testing key controls within the credit control and approval process;
	• Assessing, on a sample basis, the recoverability of trade receivables by comparing;
	  - the Group's views of recoverability of the amounts outstanding to historical patterns of receipts; and
	  - assessing collateral guarantees or insurance and cash received subsequent to year end in relation to these receivables.
	• We use our local knowledge of the jurisdiction to evaluate the impact of local conditions such as the industry practice of extending credit terms and the use of guarantees to assess the trade receivables' recoverability.
	• Assessing the Group's disclosures in respect to credit risk against the requirements of the accounting standards.

Acquisition accounting

Refer to the following note to the financial report: Note 14 Acquisitions of businesses and acquisition of non-controlling interests.

The key audit matter	How the matter was addressed in our audit
During the year the Group completed the acquisition of a portfolio of crop protection products ('Century Acquisition') and a portfolio of herbicide products ('FMC Acquisition') registered in the European markets. This was a key audit matter due to: • the size of the acquisitions (purchase consideration of $771.6m) having a pervasive impact on the financial statements; • complexity of the Purchase Agreements and other associated agreements. We focused on the consideration paid and transaction costs incurred and assessed them in line with accounting standards; • the extent of judgement and complexity involved in assessing the acquired portfolio as a business or group of assets in accordance with accounting standards; and • the judgement and complexity in establishing the fair value of the assets and	Our procedures included: • reading the transaction documents to understand the structure and key terms and conditions of the acquisitions; • evaluating the accounting treatment of the acquisitions, transaction costs and future business expenses against the accounting standards criteria; • evaluating the substance of the acquisitions, using the terms and conditions of the Purchase Agreements, against the criteria for business combinations in the accounting standards; • evaluating the methodology used to fair value assets and liabilities acquired. This included consideration of the expertise and independence of the valuation specialist engaged by the Group, and comparing methodologies with accepted market valuation practices. Working with our valuation specialist we challenged these assumptions via:

liabilities acquired. The Group engaged an independent expert to advise on the identification and measurement of intangible assets as part of the purchase price accounting process.	- comparing the inputs used by the independent expert to underlying documentation; and - assessing the useful life allocated to identifiable assets. • Assessing the adequacy of the Group's disclosure in respect of the acquisitions in accordance with accounting standards.

Other Information

Other Information is financial and non-financial information in Nufarm Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Nufarm Limited for the year ended 31 July 2018, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 31 July 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Gordon Sangster
Partner
Melbourne
26 September 2018