Nufarm Limited
ACN 091 323 312

103-105 Pipe Road
Laverton North VIC 3026
Australia

+61 3 9282 1000

nufarm.com

19 November 2020

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

ELECTRONIC LODGEMENT

Dear Sir/Madam

APPENDIX 4E FOR TWO MONTHS ENDED 30 SEPTEMBER 2020 AND ANNUAL REPORT

Attached for release is Nufarm Limited's Appendix 4E for the two months ended 30 September 2020 and the Annual Report for both the financial year ended 31 July 2020 and the two months ended 30 September 2020.

Please note that the additional Appendix 4E disclosure requirements can be found in the Annual Report for the two months ended 30 September 2020 from pages 145 to 224 which contain the Directors' Report and the Financial Statements and accompanying notes for this period.

This announcement has been released simultaneously to New Zealand's Exchange.

Authorised for lodgement by

Fiona Smith
Group General Counsel and Company Secretary
Nufarm Limited

Appendix 4E

Nufarm Limited
ABN 37 091 323 312

PRELIMINARY FINAL REPORT FOR THE 2 MONTHS ENDED 30 SEPTEMBEER 2020

This statement includes the consolidated results for Nufarm Limited group for the 2 months ended 30 September 2020 compared with the 12 months ended 31 July 2020.

1. Results for announcement to the market

Trading results				
	Consolidated			
	2 months to 30 Sep 2020	12 months to 31 Jul 2020	Increase/ (Decrease)	Increase/ (Decrease)
	$000	$000	$000	%
Revenue from ordinary activities	267,320	2,847,375	(2,580,055)	(90.6)%
Profit/(loss) from ordinary activities after tax attributable to members				
- Before material items	(85,934)	(66,955)	(18,979)	(28.3)%
- After material items	(91,345)	(456,079)	364,734	80.0%
Net profit/(loss) attributable to members				
- Before material items	(85,934)	(66,955)	(18,979)	(28.3)%
- After material items	(91,345)	(456,079)	364,734	80.0%

2. Dividends and distributions

Dividends to shareholders		
	2 months to 30 Sep 2020 $	12 months to 31 Jul 2020 $
Final Dividend		
Amount per security	nil	nil
Total value of dividend	nil	nil
Franked amount per security at 30%	nil	nil
Amount per security of foreign source	nil	nil
Dividend		
Date payable	n/a	n/a
Record date for entitlement	n/a	n/a
Interim Dividend		
Amount per security	nil	nil
Franked amount per security at 30%	nil	nil
Amount per security of foreign source	nil	nil
Dividend		
Date paid	n/a	n/a
Total Dividends		
Amount per security	nil	nil
Dividend reinvestment plans	n/a	n/a
Net tangible assets per ordinary share *Net tangible assets includes both right-of-use lease assets and their associated lease liability.*	1.89	2.12
Control gained over entities	No	No
Control lost over entities (refer note 12)	No	Yes

3. Commentary

Additional Appendix 4E disclosure requirements and further information including commentary on significant features of the operating performance, results of segments, trends in performance and other factors affecting the results for the current period are contained in the Annual Report for the 2 month period ended 30 September 2020. The consolidated financial statements contained within the Annual Report for the 2 month period ended 30 September 2020, on which this report is based, have been audited by KPMG.

G A Hunt

Managing Director

19 November 2020

Annual Report 2020

and Annual Report for 2 months ended 30 September 2020

Nufarm

Grow a better tomorrow

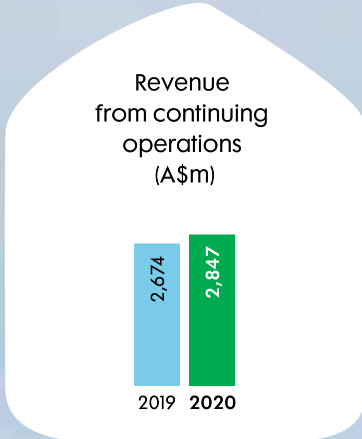
Contents

Financial Year 2020 Overview

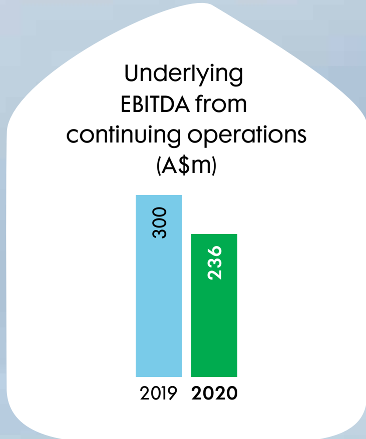
The statutory net loss of $456 million included the impact of discontinued operations and material items

Our teams adapted quickly to the global COVID-19 pandemic and achieved Nufarm's best ever safety performance

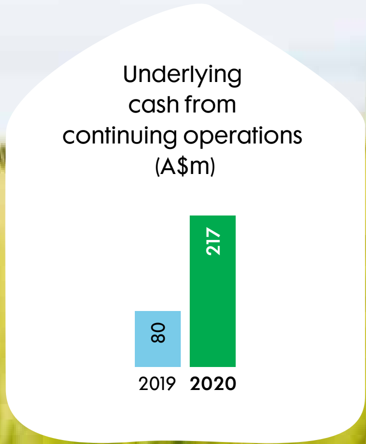
Good sales momentum was generated in most regions in the second half as external headwinds eased



Earnings growth in Asia Pacific was offset by lower earnings in other regions



Underlying cash generation was improved through disciplined working capital management



Our financial position was strengthened with proceeds from the sale of the South American businesses

Chairman's message

While 2020 will be remembered globally for an extraordinary succession of events, the external headwinds that have impacted Nufarm's performance over the past two years showed signs of easing toward the end of the year. Drought breaking rain on the east coast of Australia and improved conditions in Asia and North America generated good earnings momentum in the second half of the year. This partially offset the impact of a weaker first half in North America and lower earnings from the European and Seed Technologies businesses, however earnings for the full year declined on the prior year.

Nufarm's operations have shown good resilience to the impact and disruption of COVID-19. While there has been some demand reduction in smaller niche markets to which the company is exposed, demand for crop protection products has largely continued to be driven by seasonal conditions and fundamental drivers such as food commodity prices and farm incomes. With governments around the world recognising that the supply of farm inputs such as crop protection is an essential service, our manufacturing and logistics supply chains have continued to operate and supply to customers has been maintained with minimal disruption.

Our strategy of focusing on core crops in key agricultural regions has provided diversification to mitigate the impact of seasonal volatility. In April 2020 we completed the sale of our South American businesses to Sumitomo Chemical Company. This delivered up-front value for shareholders and we have retained a strong, geographically diverse portfolio focused on businesses and agricultural regions with higher margins and stronger cash flow.

The sale proceeds also strengthened the company's balance sheet, allowing us to better manage inherent industry volatility and continue to make prudent reinvestment into the business. Cash generation from the underlying performance of the continuing businesses also improved despite the decline in earnings. While this reinforces the Board's confidence in the continued strength of the balance sheet, we have considered it prudent to continue the suspension of dividends for the current year.

Improving margins and cash generation remain key priorities for the management team. By focusing on building strong relationships with channel partners and investing in our product portfolio we are continuing to build scale in our chosen markets. During the year a review of our manufacturing footprint and cost structures identified opportunities to improve the competitiveness of our supply chain and cost base. When combined with a refocused portfolio and the continued support of our channel partners, these measures are expected to contribute to improved returns in the coming year and years.

Most importantly, ongoing work to strengthen the company's safety culture is generating good results. In 2020 we achieved our best ever safety performance. Ensuring that our colleagues return home safely every day remains the most important priority of the Board, the Executive Team, and every Nufarm employee.

In financial year 2021, Nufarm will change its financial year end from 31 July to 30 September. The company's earnings are currently weighted toward the second half of the financial year and this is expected to become more pronounced following the divestment of the South American businesses. The change will better align the reporting periods with Nufarm's key sales periods and enable improved comparison with industry peers.

A program of Board renewal was also commenced this year. After nine years on the Board, Anne Brennan will retire after this year's Annual General Meeting of shareholders. Anne has made an outstanding contribution to the Board and on your behalf, I thank Anne and wish her well for the future.

John Gillam was appointed as a non-executive Director and will succeed me as Chairman. John's background and experience will be invaluable to the Board and I believe he will be an excellent Chairman. It has been a privilege to serve as your Chairman and I thank you for your support over the 17 years I have been on the Board and during my 10 years as Chairman.

Donald McGauchie
Chairman

Managing Director's message

The 2020 financial year saw a continuation of external headwinds for Nufarm as the agricultural markets in which we operate endured mixed seasonal conditions, industry-related supply issues and the tragedy and disruption of COVID-19.

Against this backdrop, we maintained our commitment to the safety of our people, recording our best ever safety performance, and continued to meet the needs of our customers with minimal disruption.

We have taken decisive steps to strengthen our business to deliver improved returns. We have refocused our portfolio, strengthened our balance sheet and progressed key priorities to drive better performance from our continuing businesses.

Our earnings performance in 2020 was disappointing. While constant currency revenues were in line with the prior year and good earnings momentum was generated in most regions in the second half of the year, underlying EBITDA from continuing operations declined by 21%.

I was pleased with the rebound in earnings in ANZ, North America and Asia in the second half of the year and our primary focus is on driving improved performance from of our European business. Over the past few years, higher raw material and manufacturing costs and increased competition have eroded earnings in the base product portfolio in this region. While our recent investment in new product portfolios has helped offset this trend, we recognised a pre-tax impairment to the carrying value of the European assets of $188m in the reporting period.

We have a comprehensive program underway in Europe to grow revenues, reduce costs and lift margins. We expect this program, combined with an anticipated easing in raw material costs and improved weather conditions would be the major drivers of improved profitability in the European business in financial year 2021 and beyond.

Our Nuseed business achieved a number of important commercial milestones during the year. A new Value Beyond Yield® technology platform was added to our portfolio with the acquisition of key assets relating to the oilseed crop, carinata. This crop has been developed as a feedstock for renewable fuels and high protein meal for livestock feed. We generated our first commercial sales during the year and a multi-year offtake agreement has been secured to underpin future growth.

In September 2020 we also secured the first commercial orders of our proprietary omega-3 canola oil to a major global salmon producer. This follows more than a decade of development and significant investment and marks the beginning of a new phase in the delivery of shareholder value from this technology growth platform. Plans to scale and expand production and sales of omega-3 canola are now advancing and we believe this product is set to deliver significant value for shareholders in the coming years.

In closing I thank our dedicated and talented people. The backdrop of COVID-19 has made 2020 a particularly challenging year. The speed with which our teams adapted to new ways of working and the discretionary efforts made to ensure we maintained supply to our customers has contributed not only to the continued resilience of our business, but also to the continuity of global food supply chains. I also thank our shareholders for their continued support.

Greg Hunt
Managing Director and Chief Executive Officer

About us

Nufarm is a leading developer and manufacturer of crop protection solutions and seed technologies. Our business is comprised of two reporting segments.

Crop protection

We develop, manufacture and sell crop protection solutions including herbicides, insecticides and fungicides that help growers protect crops against weeds, pests and disease. We operate primarily in the off-patent market, providing customers with long-standing foundational products and unique formulations.

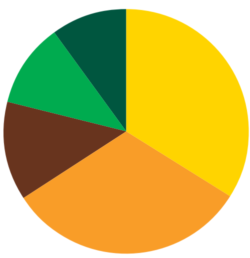
Our business is focused on five core crops across key geographies. Our key crops are cereals; corn; soybean; pasture, turf and ornamentals; and trees, nuts, vines and vegetables (TNVV). In 2020 we divested our businesses in South America and our continuing businesses are focused in Europe, North America, and Asia Pacific.

Seed Technologies

Seed Technologies combines our seed treatment portfolio and the Nuseed business. Our seed treatment products provide protection and treatment for damage caused by insects, fungus and disease.

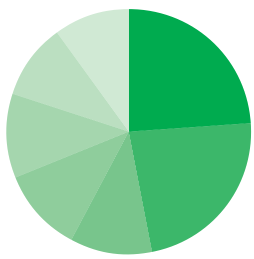
Nuseed develops unique plant output traits with specific customer and consumer benefits. We call this our BEYOND YIELD™ strategy. Nuseed distributes high yielding sunflower, sorghum and canola seed to customers in more than 30 countries. In financial year 2020, Nuseed added a new oilseed crop, carinata, to the portfolio.

FY20 Underlying EBITDA from continuing businesses



Europe	34%
North America	32%
ANZ	13%
Seed Technologies	11%
Asia	10%

FY20 Gross margin by product type

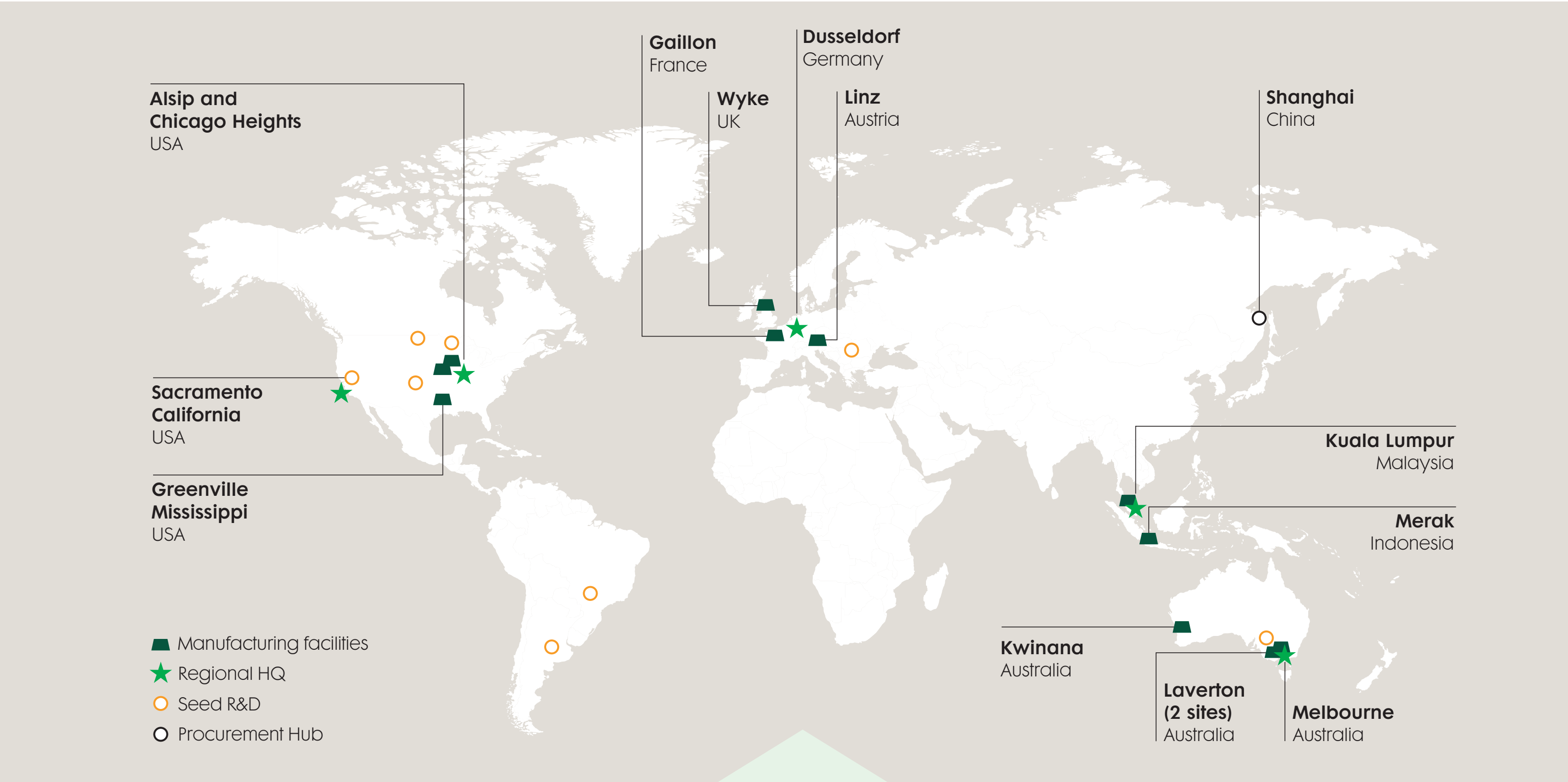


Other herbicide	24%
Phenoxy	23%
Fungicide	11%
Glyphosate	11%
Seed Technologies	11%
Other	10%
Insecticide	10%

Other includes Croplands equipment, adjuvants, plant growth regulators and industrial products

Purpose and strategy

We aim to create long term shareholder value by helping farmers get more from their land through the provision of crop protection and seed technologies. We focus on five core crops in key regions; Asia Pacific, Europe and North America.



Our scale and global distribution footprint make us an attractive partner for major manufacturers and research organisations. By collaborating with these industry participants, we are able to offer our customers high-quality products at competitive prices and a growing range of new, differentiated products to meet more of their needs across the crop lifecycle.

We believe our product and geographic diversity, along with our long-term customer relationships, help 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.

Business Model

Our business model puts the customer at the centre of our business and decision making and provides a foundation for future growth.

Channel Partnerships

We have teams based in more than 30 countries supporting channel partners and growers in major agricultural regions around the world. This platform allows us to establish close relationships with our customer base as well as end users of our products, contributing to our understanding of the evolving needs of growers and helping us optimise our product development activities.

Supply chain excellence

We have crop protection formulation and manufacturing facilities in seven countries, and seed related research, development and marketing operations in Australia, the Americas and Europe.

Our global 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.

Portfolio solutions

We have proven product development and registration expertise in our key markets to enable us to develop innovative, differentiated and value-added products and formulations and bring them to market quickly. This provides us with a pipeline of new product opportunities and supports the profitable growth of our business.

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

Sustainability

Our mission to 'grow a better tomorrow' reflects our ambition for our customers, our people, communities and shareholders. We work with these stakeholders to assess, prioritise and manage sustainability related risks and opportunities and publish our progress in our annual sustainability report.

Our approach focuses on the following areas:

Protecting the safety, health and wellbeing of our people and communities

Our most important priority is to ensure that every colleague goes home safely every day. We work toward achieving this by embedding processes that identify risks, implementing risk reduction measures and fostering a culture where people's health and safety is front of mind in all we do.

Supporting sustainable agriculture

We recognise the challenges farmers face in using limited natural resources in a sustainable way while responding to climate volatility and growing pressures on biodiversity. We are committed to understanding these challenges and developing solutions that will advance change within our organisation and throughout the value chain.

Reducing our environmental footprint

We work to reduce our resource consumption and minimise adverse environmental impacts from our operational activities through robust environmental management systems and a risk-based approach.

Empowering our people

Our people and culture play an important role in delivering on our strategy and meeting community expectations. We aim to provide an inclusive and diverse work environment where individuals are valued for their diversity and empowered to reach their full potential.

Conducting our business with integrity

We recognise that trust is at the foundation of relationships. We strive to work with integrity and do what is right. We take accountability for our decisions and our actions.

Our values

R
Responsibility

We are accountable for our decisions and our actions. We recognise that trust is at the foundation of relationships and that acting ethically, safely and responsibly creates that trust.

A
Agility

We are resourceful and adaptable in meeting the needs of our customers and our organisation.

R
Respect

We respect others – colleagues, customers and stakeholders – and our environment. We care for all of our resources.

E
Empowerment

We are an innovative, entrepreneurial organisation where individuals and teams can do what is best for the customer, the organisation and our stakeholders.

Operating and Financial Review

Group Results

On 1 April 2020 Nufarm completed the sale of its crop protection and seed treatment operations in Brazil, Argentina, Colombia and Chile to Sumitomo Chemical Company Limited for AUD$1.188 billion. Trading results and the after-tax loss on sale of these operations is disclosed throughout this Review as discontinued operations.

Summary financial results (continuing operations unless specified)	FY20 $000	FY19 $000	Change %
Revenue	2,847,375	2,673,572	6.5%
Underlying gross profit	734,729	767,404	(4.3)%
Underlying EBITDA	235,767	300,142	(21.4)%
Underlying EBIT	34,355	135,293	(74.6)%
Operating profit/(loss)	(214,315)	84,523	large
Net financing costs	(96,191)	(63,730)	50.9%
Underlying net profit/(loss) after tax	(80,605)	39,632	large
Net profit/(loss) after tax	(362,412)	(11,138)	large
Net profit/(loss) after tax – discontinued operations	(93,667)	49,448	large
Net profit/(loss) after tax – total group	(456,079)	38,310	large
Statutory effective tax rate	(16.7)%	153.6%	large
Underlying net operating cash flow	216,553	79,567	large
Basic earnings per share – excluding material items (cents)	(24.8)	7.8	large
Total dividend per share declared in respect of period (cents)	–	–	n/a

The financial information contained within the group's statutory financial statements has been prepared in accordance with International Financial Reporting Standards (IFRS). Refer to endnotes, including explanations of the non-IFRS measures used in this announcement. This report is based on financial statements which have been audited by KPMG. Non-IFRS measures have not been subject to audit or review.

Earnings from continuing businesses

Revenues increased 7% to $2.85 billion, however the increase is 3% when zero margin sales made to Sumitomo under the transitional services agreement for procurement services to the South American businesses are excluded. Strong second half momentum in all regions and businesses except Europe offset the impact of poor seasonal conditions in the first half. Drought breaking rains on the east coast of Australia generated strong demand for herbicides and were the primary driver of revenue growth for the year.

Underlying gross profit declined 4% to $735 million with a decline in Europe and North America more than offsetting improvements in ANZ, Asia and Seed Technologies.

Underlying operating costs increased on the prior year due to the currency impact of a weaker Australian dollar and additional investment in the Seed Technologies segment as it ramped up activity for the commercialisation of omega-3 canola oil and carinata. European cost increases included a full year of supply chain costs to transition the acquired portfolios.

Underlying earnings before interest, tax, depreciation and amortisation (underlying EBITDA) declined 21% to $236 million with reduced earnings in Europe and Seed Technologies and a weaker first half in North America offsetting earnings growth in ANZ and Asia.

Depreciation and amortisation expenses increased from $165 million to $201 million due to the impact of increased amortisation for new products and an additional $22 million of amortisation related to the adoption of AASB16 *Leases* in FY20.

Net financing costs (comprising net external financing costs, foreign exchange costs and lease amortisation) increased $32 million. Net external financing costs reduced by $2 million to $65 million. Foreign exchange losses increased $28 million to a loss of $24 million for the year due primarily to pandemic related exchange rate volatility. Finance charges on leases increased $6 million due to adoption of AASB16 *Leases*. Underlying basic earnings per share declined to a loss of 24.8 cents per share.

The statutory effective tax rate includes the impact of derecognition of taxation assets and losses, and non-recognition of the tax benefit for the costs for planned manufacturing plant closures and the impairment of intangible assets in Europe.

Material items

Summary financial results	FY20 Pre-tax $000	Post-tax $000
Material items by category		
Legal costs	(9,934)	(9,934)
Asset rationalisation and restructuring	(50,461)	(50,461)
Europe impairment loss	(188,275)	(179,941)
South American business disposal		
– gain/(loss) on disposal	52,324	(77,383)
– other associated net expenses	(38,464)	(38,464)
Net tax loss write-off	–	(32,941)
Total material items	**(234,810)**	**(389,124)**
Continuing Operations	(248,670)	(281,807)
Discontinued Operations	13,860	(107,317)

Material items of $389 million post tax included:

- Costs relating to the successful legal action brought in the USA to enforce Nufarm's rights in relation to the omega-3 canola patent estate
- Asset rationalisation costs relating to the planned closure of manufacturing facilities in Australia and Austria, and restructuring costs relating to implementation of the expanded performance improvement program
- Non-cash impairment of intangible assets in the European business to recognise a moderated outlook of future earnings based on an expectation of continuing margin pressure
- Profit on sale of the South American operations (pre-tax) and tax expenses recognised in relation to the sale
- Other associated net expenses relating to the sale of the South American businesses, an onerous contract, costs related to a debt restructuring initiative that ceased post the announcement of the divestment, and other costs including, but not limited to, adviser fees and other separation costs
- De-recognition of deferred tax assets

Cash flow

Cash flow results	FY20 $000	FY19 $000	Change %
Underlying net operating cash flow – continuing operations	216,553	79,567	large
Net operating cash flow from material items – continuing operations	(30,510)	(40,318)	(24.3)%
Net operating cash flow – discontinued operations	(417,557)	58,882	large
Net operating cash flow – total group	(231,514)	98,131	large
Underlying net investing cash flow – continuing operations	(161,514)	(166,895)	(3.2)%
Net investing cash flow – discontinued operations	1,277,106	(7,085)	large
Net investing cash flow – total group	1,115,592	(173,980)	large
Underlying net operating and investing cash flows – continuing operations	55,039	(87,328)	large
Net operating and investing cash flows – total group	884,078	(75,849)	large

Underlying net operating cash flow from continuing operations increased by $137 million primarily due to improved working capital management which more than offset the impact of reduced earnings.

Underlying net investing cash outflows from continuing operations reduced slightly on the prior year. Major investments in the current year included capital expenditure at manufacturing plants of $65 million (this incorporated final payments for the new formulation facility in the United States), development expenditure of $47 million for the crop protection portfolio, $36 million for seed technologies (including omega-3 canola development and acquisition of the carinata asset portfolio) and $14 million for information technology.

Cash flows from discontinued operations relate to trading operations for the South American businesses for the eight months to 31 March 2020 and the impact of the sale proceeds from the divestment of the assets.

Balance Sheet Management

Financial position	FY20 $000	FY19 $000	Change %
Net debt	441,264	1,247,129	(64.6)%
ANWC/sales (%)	46.4%	47.7%	(131)bps
Leverage – total group (includes lease liabilities)	1.50	2.97	(49.5)%
Leverage – continuing operations (includes lease liabilities)	1.87		n/a
Gearing %	17.1%	34.1%	(1,708)bps

The group's financial position has been significantly strengthened following the divestment of the South American businesses. Net proceeds from the sale were applied to reduce group debt. Group leverage reduced from 3.0x to 1.5x excluding lease liabilities and 1.9x including lease liabilities. The reduced leverage enables the group to better manage inherent industry volatility and withstand a range of scenarios.

Average net working capital to sales reduced to 46.4% driven primarily by a reduction in average inventory levels held in Australia. Improving working capital efficiency across all regions remains a key focus with a target to return average net working capital to sales to 35% to 40%.

Operating segments results

	Revenue			Underlying EBITDA		
	FY20 ($000s)	FY19 ($000s)	Change %	**FY20 ($000s)**	FY19 ($000s)	Change %
Crop protection						
Australia and New Zealand	562,897	452,368	24.4%	38,800	20,685	87.6%
Asia	165,947	190,285	(12.8)%	30,481	26,979	13.0%
North America	1,051,285	1,031,935	1.9%	92,333	107,602	(14.2)%
Europe	783,028	814,845	(3.9)%	99,255	163,849	(39.4)%
Total Crop protection	*2,563,157*	*2,489,433*	*3.0%*	*260,869*	*319,115*	*(18.3)%*
Seed Technologies – global	198,831	184,139	8.0%	31,471	38,475	(18.2)%
Corporate	85,387	–	n/a	(56,573)	(57,448)	(1.5)%
Nufarm Group	**2,847,375**	**2,673,572**	**6.5%**	**235,767**	**300,142**	**(21.4)%**
Discontinued operations	643,630	1,084,018	(40.6)%	58,918	120,151	(51.0)%
Nufarm Group	**3,491,005**	**3,757,590**	**(7.1)%**	**294,685**	**420,293**	**(29.9)%**

	Revenue			Underlying EBITDA		
	2H20 ($000s)	2H19 ($000s)	Change %	**2H20 ($000s)**	2H19 ($000s)	Change %
Crop protection						
Australia and New Zealand	392,723	230,158	70.6%	37,598	16,689	large
Asia	93,226	89,537	4.1%	18,957	12,517	51.5%
North America	666,796	586,008	13.8%	76,198	67,342	13.2%
Europe	556,007	615,204	(9.6)%	109,371	151,023	(27.6)%
Total Crop protection	*1,708,752*	*1,520,907*	*12.4%*	*242,124*	*247,571*	*(2.2)%*
Seed Technologies – global	152,081	129,062	17.8%	29,099	31,839	(8.6)%
Corporate	85,387	–	n/a	(29,817)	(27,859)	7.0%
Nufarm Group	**1,946,220**	**1,649,969**	**18.0%**	**241,406**	**251,551**	**(4.0)%**
Discontinued operations	67,840	531,513	(87.2)%	(12,303)	47,796	large
Nufarm Group	**2,014,060**	**2,181,482**	**(7.7)%**	**229,103**	**299,347**	**(23.5)%**

Crop Protection

Europe

Reported results benefited from a depreciation in the Australian dollar relative to the Euro. Constant currency revenue declined 8% on the prior year.

Revenues were impacted by poor seasonal conditions in northern and eastern Europe and high levels of inventory in distribution channels in some regions. COVID-19 tempered demand in some niche market segments such as horticulture and ornamental markets.

Earnings include the adverse impact of AUD$9 million of customer rebates relating to the prior year that were included in the FY20 results (as previously advised in November 2019).

The continuation of elevated raw material costs and increased conversion costs impacted margins with the competitive pricing environment limiting the extent to which cost increases could be passed through to customers. Increased logistics and general administration costs also impacted earnings.

A comprehensive program to grow revenues, reduce costs and lift margins commenced in the second half of the financial year. The program is targeting a sustained improvement in earnings run rate of AUD$25 million to AUD$30 million by the end of FY22. Estimated additional benefits of up to AUD$10 million per annum are expected to be derived from cessation of 2,4-D synthesis at the Linz manufacturing site in Austria. 2,4-D synthesis will cease in the first half of calendar year 2021 and estimated closure costs of $21 million were included as a material item in the current year. Benefits from the program will be realised once inventories begin to be sourced from lower cost sources of supply.

It is expected that the improvement program, combined with an anticipated easing in raw material costs and improved weather conditions would be the major drivers of improved profitability for the European business in the coming financial year.

North America

Reported results benefited from a depreciation in the Australian dollar relative to the US dollar. Constant currency revenue declined 5% with good momentum in the second half of the year partially offsetting a weaker first half.

Demand for crop protection in the first half was impacted by high inventory levels in distribution channels and strong competition following extreme weather toward the end of the prior financial year. Second half revenue and earnings improved on the prior year with seasonal conditions lifting demand for crop protection products, particularly in Canada.

Demand in the higher margin turf and ornamental segment was impacted by COVID-19 restrictions with closures of golf courses in numerous States and reduced end user demand for cut flowers, ornamentals and nursery plants. Reduced sales into this higher margin segment and strong pricing pressure on the overall portfolio impacted margins and earnings for the year. Increased manufacturing and logistics costs relating to COVID-19 were largely offset by reduced discretionary expenditure.

Nufarm's Mexico business was incorporated into the North American business following the divestment of Nufarm's South American businesses in April 2020. This is a relatively small business however it is showing good potential to generate growth from a low base in the new organisational structure.

The North American manufacturing footprint was expanded in 2020 with the successful commissioning of a new herbicide formulation facility in Greenville, Mississippi. The facility provides logistics synergies and incorporates in-line formulation technology to respond quickly to meet surge demand in this major cropping region. The product portfolio was also expanded through a new distribution agreement and planned product launches for 2021.

Australia and New Zealand

Increased sales volumes in the second half of the year and benefits from the performance improvement program lifted revenue and earnings significantly. Gross profit margin reduced as the product mix returned to a more typical composition with a greater proportion of high volume, low margin herbicide sales.

Demand in the first half of the financial year was impacted by drought conditions reducing summer crop planting (sorghum and cotton) and elevated inventory levels in distribution channels. Drought breaking rain on the east coast of Australia in the second half of the year stimulated demand and generated strong revenue growth.

The performance improvement program launched in 2019 delivered an estimated $10 million benefit from a broad range of projects to reduce manufacturing, selling and administrative costs.

Working capital management remained a priority with increased product demand and disciplined planning resulting in normalisation of inventory levels and improved cash generation.

Insecticide and fungicide manufacturing currently undertaken in Laverton, Victoria will be progressively phased out with the site prepared for closure and sale toward the end of calendar year 2021. This is expected to deliver a further annualised improvement in earnings of approximately $5 million. Estimated closure costs of approximately $20 million were included as a material item in the current year. Proceeds from the future sale of the site and any gain or loss on the sale will be recorded when a sale is completed.

Asia

Revenues in Asia were impacted by poor seasonal conditions in Indonesia in the first half of the year. Earnings improved on the prior year with the benefit of new product launches increasing sales of higher margin, differentiated products and continued disciplined cost control.

From October 2020 the Australian and New Zealand business will be combined with the Asia businesses to create an Asia Pacific (APAC) business.

The combination is expected to deliver further efficiencies in supply chain and manufacturing capabilities and create portfolio marketing and development opportunities across the region. The APAC business will incorporate Nufarm's crop protection operations in Australia, New Zealand, South East Asia as well as the Croplands equipment business and Nufarm's joint venture with Fuhua in China.

Seed Technologies

Seed Technologies combines the seed treatment portfolio and the Nuseed business.

Revenue growth continued in 2020 despite difficult seasonal conditions reducing seed treatment revenues, with Nuseed achieving sales growth in all regions and crops.

Canola seed sales were boosted by growth in Latin America and the launch of hybrid canola varieties into the large Canadian market and the USA.

Sorghum seed sales expanded in North America and Latin America with Nuseed now the leading sorghum supplier in Brazil. Sunflower volumes grew in North America and new product launches supported further growth in Europe.

Nuseed's gross margin improved however EBITDA declined due to a combination of lower gross profit from seed treatment products, reduced end-point royalties from 2019 canola crops in Australia, a bad debt expense and increased investment in costs associated with the commercialisation of omega-3 canola oil and carinata.

Subsequent to the end of the financial year, Nuseed secured the first commercial sales and forward orders of Aquaterra™, our proprietary oil produced from omega-3 canola. The sale follows more than a decade of development and significant investment. It marks the beginning of a new phase in the delivery of shareholder value from Nuseed's Beyond Yield™ growth platform. The program to scale production and sales of omega-3 canola oil is now advancing with a large portion of the 2020 crop harvested and plans to double oil production for sales in 2021 on track.

Canadian regulatory approvals for cultivation and use in aquafeed and livestock feed and for human consumption were received in July 2020. This is an important element supporting our future expansion as Canada is the world's largest producer of canola and a major producer of salmon. Negotiations with additional customers for Aquaterra™ are progressing. The patient phase of human clinical trials of omega-3 canola oil to support Nuseed's Nutriterra™ product development and commercialisation also concluded in 2020.

A new technology platform, carinata, was acquired in November 2019. Carinata is an oil-seed cover crop that has been developed as a feedstock for renewable fuels and high protein, non-GMO meal for livestock feed. First commercial sales and a multi-year offtake agreement were secured during the year. Grower contracts for the FY21 crop have been substantially expanded. A positive EBITDA contribution is expected from both omega-3 canola and carinata in FY21.

A new innovation centre to support Nuseed's capabilities in molecular science, trait development, gene discovery and quality assurance was commissioned in Sacramento during the year.

Assumptions for financial year ending 30 September 2021

Net external interest costs (excluding foreign exchange gains and losses) are expected to be in the range of $75 million to $80 million.

Depreciation and amortisation is forecast to be approximately $220 million.

Capital expenditure is forecast to be approximately $180 million.

A number of individual countries have significant deferred tax assets available to reduce future taxation liabilities. It is expected that any tax losses incurred in these countries will not contribute to taxation credits in FY21. This is expected to result in the Group's effective tax rate being significantly above 30% in FY21 with the rate trending back toward 30% in subsequent years.

In spite of the disposal of the South American businesses, Nufarm continues to operate in a number of markets with volatile currencies. In a number of these markets it is neither practical or economic to hedge currency exposures. Hedging costs and foreign exchange gains and losses will continue to be incurred in relation to management of currency exposures in crop protection and seed technologies businesses.

IFRS and Non-IFRS financial information

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

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

(1) Underlying EBIT is earnings before net finance costs, taxation and material items. Underlying EBITDA is Underlying EBIT before depreciation and amortisation of $235.767 million for the year ended 31 July 2020 and $300.142 million for the year ended 31 July 2019. We believe 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 EBITDA is used to reflect the underlying performance of Nufarm's operations. Underlying EBITDA is reconciled to Operating Profit below.

Summary financial results	FY20 $000	FY19 $000
Underlying EBITDA	235,767	300,142
add Depreciation and amortisation excluding material items	(201,412)	(164,849)
Underlying EBIT	34,355	135,293
Material items impacting operating profit	(248,670)	(50,770)
Operating profit	(214,315)	84,523

(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 standardised estimate of production costs excluding material items and non-product specific rebates and other pricing adjustments.
- Net external interest expense – comprises interest income – external, interest expense – external/debt establishment transaction costs and lease amortisation – finance charges as described in note 10 to the 31 July 2020 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/trade finance 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 from the fluctuation in exchange rates between all foreign denominated amounts and the Australian dollar.
- Underlying free cash flow – net cash from operating activities excluding material items less net cash from investing activities excluding material items.

Risk Management

A summary of the material risks that could impact the achievement of Nufarm's business objectives is included below. The Group's processes for managing risk are set out in the Group's Corporate Governance Statement which is available in the corporate governance section of our website: www.nufarm.com/CorporateGovernance.

Description	Mitigation strategies adopted by Nufarm

Risk Category – Competitive Market & Customer

Industry Consolidation

The industry has undergone a period of consolidation with a number of large mergers and acquisitions. The industry landscape and competitive environment has changed as a result of these transactions, producing larger market competitors with an increased market presence.

Customer Choice

Nufarm 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.

Strategic Alliances

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.

Mitigation strategies adopted by Nufarm:

- 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.
- Customer marketing plans are managed regionally and aligned to specific customer needs and we continue to invest in our commercial capability and supporting systems.
- Our customer base is diversified to minimise the impact of the loss of any single customer.
- Nufarm reviews its operations and cost base on an ongoing basis, ensuring that investment and divestment decisions continue to support our competitive position.
- Nufarm's strategic alliances, partnerships and distribution agreements are reviewed on an ongoing basis and aligned to our strategy.

Risk Category – Product Development & Regulatory

Product Development

Products supplied by Nufarm compete alongside products supplied by other crop protection companies and other forms of crop protection 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.

Regulatory Environment

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.

Glyphosate continues to be subject to intense legal and community pressure globally and sales around the world could be adversely impacted. There is also a risk of future litigation for suppliers of glyphosate-based products, including Nufarm. Introduction of new legislation or changes to legislation in any of the countries in which Nufarm operates could have an adverse impact on the financial or operational position of Nufarm, resulting in increased compliance costs and/or increased risk of regulatory action.

Mitigation strategies adopted by Nufarm:

- 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.
- All product development is aligned to Nufarm's strategic focus on key geographies and crops. This is supported by centralised systems and processes to approve and monitor development activities and provide ongoing support and technical advice to the marketing and commercial functions.
- Nufarm monitors regulatory developments across its key regions of operations closely and completes detailed regulatory risk scenario analysis biannually. The Nufarm portfolio team considers this analysis in the maintenance and ongoing development of our portfolio.
- Nufarm participates in several industry bodies and task forces which provide input and analysis to regulatory bodies on the use of our key products.
- Nufarm also 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 executive management when required.

Description	Mitigation strategies adopted by Nufarm
Risk Category – Climate & Seasonality	
Climatic Conditions 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. While certain conditions may increase demand for crop protection products, extreme climatic conditions, such as prolonged drought or excessive flooding, may reduce demand for those products. An increase in extreme weather events as a result of changing climatic conditions could also result in operational disruptions such as physical damage to our manufacturing facilities or disruption to our supply chain for key raw material inputs or delivery of finished goods to our customers.	• Nufarm's operations are global, providing geographic diversification to climatic and seasonality risks and our product portfolio is diverse, supporting a wide range of agricultural applications. • Nufarm maintains a comprehensive insurance program which is supported by continuity strategies across our global manufacturing footprint and key suppliers. • 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. Consequently, 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.	
Risk Category – Manufacturing & Operations	
Third party supply Nufarm relies on supply of various active ingredients, intermediates and other 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. 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 integrated 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. • Alternate supply arrangements have been established, where permitted under regulatory requirements. • Our manufacturing facilities are geographically aligned with distribution to minimise disruption to supply.
Continuity of Manufacturing Operations Nufarm operates twelve manufacturing facilities globally which are exposed to operational risks impacting manufacturing and storage of raw materials and finished goods. Manufacturing plants, equipment and systems are vulnerable to mechanical breakdown, natural disasters or other unforeseen events. Significant disruption to our manufacturing facilities could materially impact production and our financial performance.	• Assessment of the viability of our manufacturing footprint is completed on an ongoing basis. This has resulted in investment, such as the newly commissioned formulation facility in Greenville, USA and divestment in manufacturing capability in Australia and Austria. • Capital plans developed to support replacement of ageing plant and preventative maintenance programs have been established to minimise production downtime. • Arrangements have been established with key toll manufacturers to support our internal manufacturing capability.
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. This includes a detailed contamination prevention program with associated procedures. • Manufacturing processes are subject to rigorous testing to ensure quality standards are met and an ongoing review program is in place with the aim of ensuring operations adhere to the quality standards.

Description	Mitigation strategies adopted by Nufarm
Risk Category – Manufacturing & Operations continued	
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 operational inefficiencies which may arise.	• Environmental risk assessments have been completed across all our key operational sites and guidelines on the management of environmental risks aligned to ISO 14001 on environmental management systems have been implemented. • Local management engage with local environmental authorities on key risks and compliance.
Workplace Safety Operation of Nufarm's manufacturing sites across the globe require major hazard facility licences. Operating within these environments can lead to personal injury, loss of life or damage to property. Regulatory bodies undertake regular audits of Nufarm's sites to ensure that it is appropriate to renew the licences. These audits can result in suspension of operations, fines or penalties or remediation expenses.	• A robust and comprehensive Health, Safety and Environment (HSE) program is in place which provides clear guidance on culture, behaviours, process, metrics and reporting. • This program includes the ongoing audit and assessment of HSE risks and practices. • A program of regular reporting at a local, regional and global level is in place, including quarterly reporting to the Executive Management and Board.
COVID-19 The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases globally. Measures taken by various governments to contain the virus have affected economic activity. At this stage, the impact on our business and results has not been significant and we will continue to follow the various government policies and advice. In addition, we will continue our operations and supply our customers in the best and safest way possible without jeopardising the health and wellbeing of our people.	We have taken a number of measures to monitor and mitigate the effects of COVID-19: • Crisis management and business continuity plans were activated in the early stages of the pandemic across our operations. This was supported by a global response team to support coordination across regions. • Actions have been implemented to ensure the safety and wellbeing of our people, such as social distancing, enhanced hygiene measures across our operational sites and offices and implementation of working from home strategies. • Detailed review and ongoing monitoring of our global supply chain to assess potential risks and secure the supply of key materials that are essential to our manufacturing process. • Reviewed and where considered necessary strengthened our cyber security processes to support work from home arrangements. • Completed scenario analysis to assess the impact on cashflow of potential wave 2 or 3 infections across our global operations.
Risk Category – Financial Exposures	
Debt financing Nufarm has significant short term bilateral funding and supplier financing 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, it may have an adverse effect on the financial position and performance of Nufarm. **Foreign exchange exposure** 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. **Working Capital Management** Effective management of working capital is a key operational priority across the group and is impacted by factors such as changing customer demand as a result of seasonality and climatic conditions, changes in customer credit profiles and supply constraints.	• A clearly defined funding strategy is in place which includes a diversified funding structure with a range of debt maturity profiles. • 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. • Further details on strategies to manage liquidity, credit and market risk is included in note 31 of the Consolidated Financial Statements. • 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 (refer note 31 of the Consolidated Financial Statements). • Policies and procedures have been developed to support the management of customer credit, inventory and procurement. • Nufarm's procurement and integrated business planning processes provide a focus on working capital management regionally and globally. This is supported by an investment in systems and data analytics to provide timely data on key working capital drivers. • Performance metrics supporting working capital management have been defined at a global and regional level and included in individual objectives and performance related remuneration for senior management.

Description	Mitigation strategies adopted by Nufarm
Risk Category – 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 and future prospects.	• 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.
Risk Category – IT Operations & 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, cyberattacks 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 made significant investment in IT systems, infrastructure and capability to support the efficient operation of the business. This investment has included a global integrated business planning system, new financial system across Europe, significant uplift in our customer platforms and realignment to the Cloud for certain services to gain access to improved technology and capability. • 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.
Risk Category – Compliance & Legal risks	
Nufarm's global footprint requires compliance with government legislation and regulations across all the countries within which we are established to maintain our licenses to operate. New legislation or changes to requirements could have an adverse impact on our operations, financial position or relationship with key customers and suppliers. This includes requirements relating to occupational health and safety, environment, product registration, sanctions and anti-bribery, data privacy, taxation and review of contractual obligations with key suppliers and customers. Geopolitical risks such as changes to tariffs and sovereign risk impacting the political stability of certain countries we operate in could impact the price and volume of agricultural products traded in these regions.	• Policies and procedures have been developed supporting legislative and regulatory compliance. Nufarm's Code of Conduct provides overarching guidance on behaviours and is supported by procedures for sanction implications, ethical sourcing and management of sensitive personal data. • Nufarm also maintains a dedicated internal legal team across its key regional operations, which is supported externally as required, to provide input on key legislative and regulatory compliance. • Nufarm's internal tax department has developed specific guidance on the group's tax strategy and policies to ensure compliance and alignment with tax authorities on the treatment of transactions. • Nufarm has introduced an online global whistleblower program to allow employees to report any unethical, illegal or fraudulent behaviour.

Board of Directors

DG McGauchie AO (Chairman until 24 September 2020)

Independent Non-executive Director

Donald McGauchie AO joined the Board in 2003 and was appointed Chairman on 13 July 2010. Donald retired from the Board with effect from 24 September 2020.

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

Other directorships and offices (current and recent):

- Chairman of Australian Agricultural Company Limited (since 2010)
- Director of Graincorp Ltd. (since December 2009)

Board Committee memberships:

- Chairman of Nomination and Governance Committee (to March 2020) and member (until 24 September 2020)
- Member of the Human Resources Committee (to 24 September 2020)

John Gillam BCom, MAICD, FAIM (Chairman from 24 September 2020)

Independent Non-executive Director

John Gillam joined the Board on 31 July 2020 and was appointed Chairman on 24 September 2020.

John has extensive commercial and leadership experience from a 20 year career with Wesfarmers where he held various senior leadership roles including CEO of the Bunnings Group, Managing Director of CSBP and Chairman of Officeworks.

Other directorships and offices (current and recent):

- Chairman of CSR Limited (Director since December 2017 and Chairman since 1 June 2018)
- Chairman of BlueFit Pty Limited (since February 2018)
- Director of Trinity Grammar School (since June 2018)
- Director of the Heartwell Foundation (since 2009)
- Director of Clontarf Foundation (since 2017)

Board Committee memberships:

- Member of Nomination and Governance Committee

GA Hunt Managing Director and Chief Executive Officer

Non-Independent Executive Director

Greg Hunt joined the Board on 5 May 2015.

Greg joined Nufarm in 2012 and was Group Executive Commercial Operations prior to being appointed Acting Chief Executive Officer in February 2015 and Managing Director and Chief Executive Officer in May 2015.

Greg has considerable executive and agribusiness experience. Greg had a successful career at Elders before being appointed managing director of Elders Australia Limited, a position he held between 2001-2007. After leaving Elders, Greg worked with various private equity firms focused on the agriculture sector and has acted as a corporate advisor to Australian and international organisations in agribusiness related matters.

AB Brennan BCom(Hons), FCA, FAICD

Independent Non-executive Director

Anne Brennan joined the Board on 10 February 2011.

Anne was formerly the Executive Finance Director for the Coates Group and Chief Financial Officer for CSR. Prior to this Anne was a partner in professional services firms Ernst & Young, Andersen and KPMG.

Other directorships (current and recent):

- Director of Charter Hall Group (since October 2010)
- Director of Argo Investments Limited (since September 2011)
- Director of Rabobank New Zealand Limited (since November 2011)
- Director of NSW Treasury Corporation (since October 2018)
- Director of Spark Infrastructure Trust (since June 2020)
- Director of Tabcorp Holdings (since July 2020)
- Former Director of Rabobank Australia Limited (from November 2011 to September 2020)
- Former Director of Myer Holdings Limited (from September 2009 to November 2017)

Board Committee memberships:

- Member of the Audit Committee
- Member of the Human Resources Committee

GR Davis BForSc, MAgSc, MBA

Independent Non-executive Director

Gordon Davis joined the Board on 31 May 2011.

Gordon was Managing Director of AWB Limited (from 2006 to 2010) and has held various senior executive positions with Orica Limited, including General Manager of Orica Mining Services (Australia, Asia) and General Manager of Incitec Fertilisers. He has also served in a senior capacity on various industry associations.

Other directorships (current and recent):

- Director of Healius Limited (formerly Primary Health Care Limited) (since August 2015)
- Director of Midway Limited (since April 2016)

Board Committee memberships:

- Chairman of the Risk and Compliance Committee
- Member of the Audit Committee
- Member of the Human Resources Committee

FA Ford MTax, BBus, FCA

Independent Non-executive Director

Frank Ford joined the Board on 10 October 2012.

Frank is a former Managing Partner of Deloitte Victoria after a long and successful career as a professional advisor spanning some 35 years. During that period, Mr Ford was also a member of the Deloitte Global Board, Global Governance Committee and National Management Committee.

Board Committee memberships:

- Chairman of the Audit Committee
- Member of the Nomination and Governance Committee

PM Margin BSc(Hons), MBA

Independent Non-executive Director

Peter Margin joined the Board on 3 October 2011.

Peter has many years of leadership experience in major Australian and international food companies including Executive Chairman of Asahi Holdings (Australia) Pty Ltd, Chief Executive of Goodman Fielder Ltd and before that Chief Executive and Chief Operating Officer of National Foods Ltd.

Other directorships (current and recent):

- Non-executive Chairman of Asahi Holdings (Australia) Pty Ltd
- Deputy Chairman of Bega Cheese Limited (since September 2020)
- Former Director of PACT Group Holdings Limited (from November 2013 to August 2019)
- Director of Costa Group Holdings Limited (since June 2015)
- Director of Bega Cheese Limited (from June 2011 to January 2019)

Board Committee memberships:

- Chairman of the Human Resources Committee
- Member of the Risk and Compliance Committee

ME McDonald LLB(Hons), BSc(Hons)

Independent Non-executive Director

Marie McDonald joined the Board on 22 March 2017.

Marie is widely recognised as one of Australia's leading corporate and commercial lawyers having been a Senior Partner at Ashurst until 2014 where she specialised in mergers and acquisitions, corporate governance and commercial law.

Marie was Chair of the Corporations Committee of the Business Law Section of the Law Council of Australia from 2012 to 2013, having previously been the Deputy Chair, and was a member of the Australian Takeovers Panel from 2001 to 2010.

Other directorships (current and recent):

- Director of CSL Limited (since 14 August 2013)
- Director of Nanosonics Limited (since 24 October 2016)
- Director of Walter and Eliza Hall Institute of Medical Research (since October 2016)

Board Committee memberships:

- Chair of the Nomination and Governance Committee (since March 2020)
- Member of the Audit Committee
- Member of the Risk and Compliance Committee

T Takasaki BBA

Non-Independent Non-executive Director

Toshikazu Takasaki joined the Board on 6 December 2012.

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

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

He brings broad industry and international experience to the Board.

Board Committee memberships:

- Member of the Risk and Compliance Committee

Fiona Smith Group General Counsel and Company Secretary BSc, LLB, GDipGov, FGIA

Fiona joined Nufarm on 20 June 2019 and was appointed company secretary on 27 June 2019. Fiona is a senior legal and governance professional with 20 years experience in company secretarial roles arising from her time spent in such roles in listed companies.

Fiona reports directly to the Board. She holds a Bachelor of Science and Bachelor of Law from the Australian National University and a Graduate Diploma in Applied Governance.

Key Management Personnel

Greg Hunt Managing Director and Chief Executive Officer

Greg joined Nufarm in 2012 as Group Executive Commercial Operations prior to being appointed to the role of Managing Director and Chief Executive Officer in 2015. He has extensive executive and agribusiness experience having held senior executive positions within the industry, including as Managing Director of Elders Australia Limited from 2001 to 2007. Greg has also worked with various private equity firms focused on the agriculture sector and acted as corporate advisor to Australian and international organisations in agribusiness related matters.

Paul Binfield Chief Financial Officer

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

Elbert Prado Group Executive Manufacturing and Supply Chain

Elbert joined Nufarm in July 2013. He has extensive international experience in senior operations roles within the chemical industry, including as Global Manufacturing and Supply Chain director for Rohm and Haas. Elbert has a strong focus on safety, supply chain and manufacturing excellence.

Brent Zacharias Group Executive Nuseed

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

Corporate Governance Statement

1 Introduction

Nufarm is committed to ensuring that its policies and practices reflect a high standard of corporate governance. The Board considers that Nufarm's governance framework and adherence to that framework are fundamental in demonstrating that the Directors are accountable to shareholders, are appropriately overseeing the management of risk and promoting a culture of ethical, lawful and responsible behaviour within Nufarm.

This section of the Annual Report outlines the governance framework of Nufarm Limited and its controlled entities (**Nufarm** or **Company**) for the year ended 31 July 2020.

In 2020, the Board undertook an externally facilitated Board review. One of the outcomes from this review was a restructuring of the Board Committees. The responsibilities of the Audit and Risk Committee were separated into a separate Audit Committee and a newly created Risk and Compliance Committee incorporating an expanded scope of assisting the Board in overseeing all aspects of risk, both financial and non-financial (including health, safety and environment risks previously within the scope of the Health, Safety and Environment Committee) as well as overseeing compliance management within Nufarm. The Audit Committee retained responsibility, however, for oversight of financial controls associated with financial risk. The scope of the Human Resources Committee and Nomination and Governance Committee responsibilities have been expanded which is discussed further in sections 3.2 and 3.3.

In addition, all governance policies were reviewed to ensure that they reflect a high standard of corporate governance and comply with the ASX Corporate Governance Principles and Recommendations (**ASX Principles**). Nufarm, as a listed entity is required to comply with the Corporations Act (Cth), the ASX Listing Rules and other Australian and international laws and is required to report on the extent to which it has complied with the ASX Principles. During financial year 2020 Nufarm complied with all current ASX Principles and, where appropriate, early adopted the fourth edition of the ASX Principles released in February 2019.

Nufarm's key governance documents, including the Constitution, Board and Board Committee Charters and key policies are available on the Company's website at https://nufarm.com/investor-centre/corporate-governance/.

The Corporate Governance Statement has been approved by the Board.

2 Board of directors

2.1 Board role and responsibilities

The Constitution provides that the business and affairs of Nufarm are to be managed by or under the direction of the Board. Ultimate responsibility for governance and strategy rests with the Board. The role of the Board is to represent shareholders and to demonstrate leadership and approve the strategic direction of Nufarm. The Board is accountable to the shareholders for the Company's performance and governance.

The Board has adopted a formal Board Charter which sets out the Board's key responsibilities, the matters the Board has reserved for its own consideration and decision-making and the authority it has delegated to the Managing Director and Chief Executive Officer (**CEO**). The Board's responsibilities, as set out in the Board Charter, include:

- Appointment and termination of the CEO and the Company Secretary and ratification of the appointment of the Chief Financial Officer (**CFO**) and Key Management Personnel (**KMP**) and the terms of their employment contracts including termination payments;
- Approving the remuneration policies and practices of the Board, the CEO and the CEO's direct reports;
- Approving commitments, capital and non-capital items, acquisitions and divestments above authority levels delegated to the CEO;
- Approving the overall capital structure of Nufarm including any equity related transactions and major financing arrangements;
- Approving the annual and half year financial and director reports including the full year operating and financial review, remuneration report and corporate governance statement;
- Approving the dividend policy and determining the dividends to be paid;
- Approving management's development of corporate strategy;
- Reviewing and approving the annual budget, strategic business plans, balance sheet and funding strategy;
- Approving the succession plans and processes for the Chairman, Directors, CEO and the CEO's direct reports;
- Approving the Diversity and Inclusion Policy and measurable objectives for achieving diversity across Nufarm and monitoring progress in achieving those objectives;
- Approving Board governance policies including Continuous Disclosure Policy, Code of Conduct, Anti-Bribery Policy and Whistleblower Policy;
- Approving ASX releases as set out in the Continuous Disclosure Policy;
- Appointing the Chairman of the Board; and
- Appointing Directors to casual vacancies and recommending their election to shareholders at the next Annual General Meeting.

A copy of the Board Charter which sets out the role and responsibilities of the Board in more detail can be found in the Corporate Governance section of Nufarm's website.

Delegation to management

The Board has delegated to the CEO responsibility for the day-to-day management of the Company's affairs and implementation of the strategic objectives, the annual budgets and policy initiatives. The CEO is accountable to the Board for all authority delegated to management and for the Company's performance. The CEO is required to operate in accordance with Board approved policies and delegations of authority and management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. The CEO is required to report to the Board in a spirit of openness and trust and is required to ensure that all decisions are made lawfully, ethically and responsibly.

2.2 Board meetings and attendance

The Board meets as often as required. During the reporting period, the Board met 11 times. Regularly scheduled meetings are generally held face to face on one day. The impact of COVID-19 resulted in more frequent meetings being held via electronic means and for shorter periods.

In addition to the Company Secretary, the CFO regularly attends all Board meetings by invitation. Other members of management attend meetings by invitation. During regularly scheduled meetings, the Board holds a closed session (attended by Non-executive Directors only), which provides Non-executive Directors with an opportunity to raise issues in the absence of management.

Details of attendance at Board and standing Board committee meetings during FY2020 are set out in the following table:

Board and Board Committee attendance in FY20

	Board		Audit and Risk[1]		Audit[2]		Health, Safety and Environment Committee[3]		Risk and Compliance[4]		Nomination and Governance		Human Resources Committee	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Anne Brennan	10	11	5	5	1	1						1	5	5
Gordon Davis	11	11	5	5	1	1	2	2	1	1		2	5	5
Frank Ford	11	11	5	5	1	1					6	6		
John Gillam[5]	0	0												
Greg Hunt	11	11		5		1		2		1				4
Peter Margin	11	11	5	5		1			1	1	4	5	5	5
Marie McDonald	11	11	5	5	1	1	2	2	1	1	6	6		3
Donald McGauchie	11	11		4		1		2		1	6	5	5	5
Toshikazu Takasaki	11	11					2	2	1	1				

Column A: indicates the number of scheduled or ad-hoc meetings held during the period the Director was a member of the Board and/or Committee. Where a Director is not a member but attended meetings during the period, then only the number of meetings attended rather than held is shown.

Column B: indicates the number of scheduled or ad-hoc meetings attended by Director.

1. Audit and Risk Committee in place up to 24 March 2020.
2. Audit Committee established 25 March 2020.
3. Health and Safety Committee responsibilities incorporated into Risk and Compliance Committee from 25 March 2020.
4. Risk and Compliance Committee replaced risk responsibilities of Audit and Risk Committee and incorporated Health, Safety and Environment Committee from 25 March 2020.
5. John Gillam joined the Board on 31 July 2020.

Key Activities undertaken by the Board during the year

The Board considered a range of matters during FY20, including:

- placement of $97.5 million preference securities to existing shareholder, Sumitomo Chemical Company (**Sumitomo**), through a wholly owned subsidiary Nufarm Investment Limited;
- the divestment of the Company's South American crop protection and seed treatment operations in Brazil, Argentina, Colombia and Chile to Sumitomo for $1,188 million;
- appointment of the Independent Expert, and recommending shareholders vote in favour of the divestment of the Company's South American crop protection and seed treatment operations to Sumitomo and the acquisition of the $97.5 million preference securities from Sumitomo;
- participating in the external Board evaluation process and agreeing to several improvements including changes to the Board Committee structure;
- agreeing to adopt an updated Board Charter, a new Audit Committee Charter, a new Risk and Compliance Committee, an updated Nomination and Governance Committee Charter and an updated Human Resources Committee Charter and approving changes to the Committee membership;
- agreeing to adopt a new Continuous Disclosure Policy;
- participating in the Chairman succession process concluding with the appointment of John Gillam as a Non-executive Director from 31 July 2020 and as Chairman from 24 September 2020;
- adopting a new Board skill matrix;
- participating with management in the annual review of strategy and monitoring management's execution of strategy;
- overseeing the financial performance and key metrics of the Company including receiving regular updates of the impact of COVID-19 on the Company;
- overseeing the changes to the risk management system including approving an updated risk appetite statement for management to operate within;
- approving the ceasing of manufacture of insecticides and fungicides at the Raymond Road site in Laverton, Australia and 2,4-D synthesis at Linz in Austria; and
- agreeing to amend the Company's financial year end from 31 July to 30 September.

2.3 Board composition

The Board currently has eight Non-executive Directors and the CEO. Details of the Directors, including their qualifications, experience, date of appointment and independent status are set out below. The Constitution provides that the Company is not to have more than 11 or less than three directors. Detailed biographies of each Director can be found in the Annual Report at pages 18-19.

Sumitomo Chemical Company, as a major shareholder in the Company, is entitled to have one nominee Director on the Board. Toshikazu Takasaki is Sumitomo's current nominee and is therefore not considered independent.

In assessing the composition of the Board regard is given to the following principles:

- the role of the Chairman and the CEO should not be filled by the same person;
- the Chairman must be an independent Non-executive Director;
- the CEO must be a full-time employee of the Company;
- the majority of the Board must be independent Non-executive Directors; and
- the Board should represent a broad range of qualifications, experience, expertise and diversity.

Changes during the year

During the year, Donald McGauchie announced his intention to retire as a Non-executive Director and Chairman of the Board at an appropriate time that allows for an orderly transition to a new Chairman. In addition, Anne Brennan has advised that she will retire at the 2020 Annual General meeting. The Board, with the assistance of the Nomination and Governance Committee actively progressed Board succession planning this year, including Chairman succession. John Gillam was appointed as a Non-executive Director from 31 July 2020 and will succeed Donald McGauchie as Chairman on 24 September 2020.

2.4 Director skills, experience and attributes

The key attributes that Directors must possess are set out in the Board Charter and include:

- honesty, integrity and a proven track record of creating value for shareholders;
- an ability to apply strategic thought;
- a preparedness to debate issues openly and constructively and to question, challenge and critique;
- a willingness to understand and commit to the governance framework of the Company; and
- an ability to devote sufficient time to properly carry out the role and responsibilities of the Board.

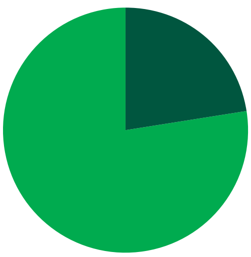
Name of Director	Tenure as at 31 July 2020	Qualifications	Independent Status
Donald McGauchie (Chairman)	16 years 7 months	AO	Independent
Anne Brennan	9 years 5 months	BCom (Hons), FCS, FAICD	Independent
Gordon Davis	9 years 2 months	BForSc, MAgSc, MBA	Independent
Frank Ford	7 years 9 months	MTax, BBus, FCA	Independent
John Gillam	1 day	BCom, MAICD, FAIM	Independent
Greg Hunt (Managing Director and CEO)	5 years 2 months		Executive
Peter Margin	8 years 10 months	BSc (Hons), MBA	Independent
Marie McDonald	3 years 4 months	BSc (Hons), LLB (Hons)	Independent
Toshikazu Takasaki	7 years 7 months	BBA	Non-Independent

Skills matrix

During FY2020, as part of the ongoing succession planning for the Board, the Nomination and Governance Committee undertook a review of the Board skills matrix which took into consideration the skills and experience the Board currently requires but also the skills and experience that will be required for the Company during its next phase of development. The new Board skills matrix and the assessment of the current Directors is included below.

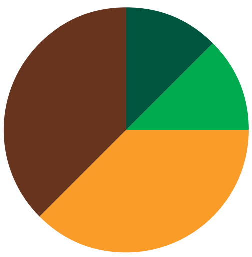
Skills/Experience	No of Directors with skill
Manufacturing & Integrated Supply Chain Management in High Risk Environment Relevant experience in international manufacturing and/or integrated supply chain management including demonstrated ability to improve production systems.	7
Customer Relations Relevant international experience in customer service delivery and/or marketing of products, including brand marketing, e-commerce and use of digital technology.	6
R&D, Innovation, Seed Technologies and Commercialisation Experience in R&D, seed technologies or emerging technologies including commercialisation.	5
Agricultural experience Experience in crop protection or agricultural industry obtained through a large international company.	6
Finance Board audit experience or a senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls/audit.	9
Risk Relevant experience and understanding of risk management frameworks and controls, including HSEC and sustainability, and the ability to oversee mitigation strategies and identify emerging risks.	9
Mergers, Acquisitions, JVs, Partnerships, Alliances, Divestments & Integrations Relevant experience in merger and acquisition transactions (including JV's etc) raising complex financial, regulatory and operational issues.	8
Strategy and Transformation Experience in developing and implementing successful strategies and/or transformation in a complex environment to deliver a sustained and resilient business.	8
Corporate Governance and Compliance Experience serving on boards in different industries, including publicly listed. Awareness of leading practice in corporate governance and compliance with a demonstrated commitment to achieving those standards.	8
Regulatory, Government, Public Policy Relevant experience identifying and managing legal, regulatory, public policy and corporate affairs issues.	7
People, culture and remuneration Relevant experience overseeing or implementing a company's culture and people management framework, including succession planning and setting and applying remuneration policy and frameworks linked to strategy.	8

Diversity
(as at 31 July 2020)



Female	2
Male	7

Tenure of non-executive directors
(as at 31 July 2020)



0–3 years	1
3–6 years	1
6–9 years	3
9+ years	3

2.5 Chairman

The Chairman of the Board is Donald McGauchie, an independent Non-executive Director.

The Chairman is responsible for the leadership of the Board and for encouraging a culture of openness and debate amongst the Directors to foster a high performing and collegiate Board. The Chairman also serves as the primary link between the Board and management.

The Board has been actively engaged in Chairman succession planning as Mr McGauchie advised his intention to retire as a Director and Chair in a time period that allowed for an orderly transition. John Gillam was appointed as a Non-executive Director effective from 31 July 2020 and will succeed Donald McGauchie as Chairman on 24 September 2020 when Donald McGauchie retires from the Board.

2.6 Board succession planning

The Board manages succession planning for Non-executive Directors with the assistance of the Nomination and Governance Committee and for the CEO with the assistance of the Human Resources Committee.

During FY2020 the Board introduced a non-executive tenure policy that provides for non-executive directors to retire after nine years (or twelve years in the case of a Chairman who has served in the role of Chair for less than six years) from the first date of election of shareholders. The Board may in exceptional circumstances, exercise discretion to extend the maximum term where it considers such an extension is in the best interests of the Company.

All Non-executive Directors are required to stand for re-election every three years. The Nomination and Governance Committee will undertake a review of the Directors retiring by rotation and make a recommendation to the Board on whether their re-election is to be supported. The Company provides all material information in its possession concerning the Director standing for re-election in the notice of meeting and accompanying explanatory notes.

During FY2020, in addition to Donald McGauchie's advice that he will be retiring from the Board, Anne Brennan advised her intention to retire as a Director at the 2020 Annual General Meeting. Both Gordon Davis and Peter Margin have been on the Board for a period of nine years and have advised that they will stand for re-election at the 2020 Annual General Meeting but do not intend to serve the full term to allow for a period of Board renewal. John Gillam was appointed as a Non-executive Director on 31 July 2020 and will succeed Donald McGauchie as Chairman on 24 September 2020 when Donald McGauchie retires from the Board.

In undertaking the Board renewal and identifying suitable candidates for appointment to the Board, the Nomination and Governance Committee will take into account the gaps identified in the Board skills matrix.

2.7 Director independence

The Board is committed to ensuring the majority of Non-executive Directors are independent. The Board considers Directors to be independent where they are independent of management and free from any interest, position, association or relationship that might influence or might reasonably be perceived to interfere with the exercise of their unfettered and independent judgement.

During FY2020 all Non-executive Directors, except for Toshikazu Takasaki, who is a nominee of Sumitomo, a substantial shareholder in the Company, were considered to be independent.

2.8 Conflict of interest

The Board has in place a procedure to ensure Directors disclose any conflicts of interest and if appropriate, the conflict can be authorised. In the event a Director does have an actual or potential conflict, the Director does not receive the relevant Board or Committee papers and must absent themselves from the room when the Board or Committee discusses and votes on matters subject to the conflict. This protocol continues unless the other Directors resolve otherwise. The director cannot access the minutes of the Board or Committee meeting in relation to the conflict.

The Board has in place an information exchange protocol with Sumitomo Chemical Company to ensure that the Sumitomo nominee Director can discharge their duties as a Director while also ensuring that they do not receive any competitive information or participate in discussions regarding competitive information.

2.9 Director appointment, induction training and continuing education

When considering new appointments to the Board, the Nomination and Governance Committee oversees the preparation of a role description which includes the key attributes identified in the Board Charter and the relevant skills taking into account the principles set out in section 2.3 and any gaps identified in the Board skills matrix. This role description is provided to an external search firm who assists in undertaking the search.

When suitable candidates are identified, the Nomination and Governance Committee will interview a short list of candidates before making a recommendation to the Board. All Directors will interview the candidate prior to the Board considering the formal appointment.

All Non-executive Directors on appointment are required to sign a letter of appointment which sets out the terms and conditions of their appointment including;

- duties and responsibilities of a Director;
- participation in induction training and continuing education;
- remuneration;
- expectation around time commitments for the Board and relevant Committee meetings;
- the requirement to disclose Directors' interests on an ongoing basis;
- access to professional advice; and
- indemnity, access and insurance arrangements.

Prior to appointment all Directors, including any new executive Directors, are subject to extensive background and screening checks. All new senior executive appointments are also subject to extensive background and screening checks.

With the exception of the CEO, all Directors appointed by the Board to a casual vacancy are required to stand for shareholder election at the next AGM. The Company provides all material information in its possession concerning the Director standing for re-election in the notice of meeting and accompanying explanatory notes.

Induction training is provided to all new Directors. This includes discussions with the CEO, CFO, Company Secretary and other senior executives and the option to visit the Company's sites in Australia on appointment or with the Board during an overseas Board meeting. Induction materials include information on the Company's strategy and financial performance, full information on the Board including all Board and Committee Charters, recent Board and Committee minutes, information on the risk management framework and the risk appetite statement approved by the Board, all Board policies including the Code of Conduct and the obligations of Directors.

All Directors are expected to undertake ongoing professional development to develop and maintain the skills and knowledge required to discharge their responsibilities. Directors are provided with information papers and presentations on developments in the law including continuous disclosure, industry related matters and any new emerging developments that may affect the Company.

2.10 Remuneration

Details of the Company's remuneration policy and practices and the remuneration paid to Directors and key management personnel are set out in the Remuneration Report on pages 39 to 53 of this Annual Report.

2.11 Board performance evaluation

The Board conducted a review using an external provider during FY2020. This review focused on Chairman succession, Board succession planning and board capabilities, board calendar and papers, executive succession planning and the structure of the Board Committees. The review included interviews and feedback with all directors including the CEO, CFO and the Company Secretary.

The Board agreed to a number of improvement measures which resulted in amendments to the Board Charter, the Nomination and Governance Committee Charter, the Human Resources Committee Charter and the establishment of a separate Audit Committee and a new Risk and Compliance Committee incorporating the Health, Safety and Environment Committee's responsibilities.

The Board review also resulted in a change in structure for Board meetings which has been implemented in the Board calendar of meetings for FY2021.

An assessment of Director performance is undertaken by the Nomination and Governance Committee with feedback sought from all Directors prior to the Board considering recommending a Director for re-election to shareholders at an Annual General Meeting.

2.12 Independent professional advice

The Board and its Committees may access independent experts and professional counsel for advice where appropriate and may invite any person from time to time to attend meetings.

2.13 Company Secretary

The details of the Company Secretary, including their qualifications, are set out in the Annual Report 2020 on page 19. The appointment and removal of the Company Secretary is a matter for the Board. The Company Secretary is accountable to the Board for the effectiveness of the implementation of the corporate governance processes, adherence to the Board's principles and procedures and co ordinates all Board and Board Committee business, including agendas, papers, minutes, communication and filings. All Directors have direct access to the Company Secretary.

3 Committees

To assist the Board to carry out its responsibilities, the Board established an Audit and Risk Committee, a Nomination and Governance Committee, a Human Resources Committee and a Health, Safety and Environment Committee. During FY2020, the Board reconfigured the Committee structure and going forward the permanent Committees are:

- Audit Committee;
- Risk and Compliance Committee;
- Nomination and Governance Committee; and
- Human Resources Committee.

Each of the permanent Committees has a Charter which sets out the membership structure, roles and responsibilities and meeting procedures.

Generally, these Committees review matters on behalf of the Board and, as determined by the relevant Charter:

- refer matters to the Board for decision, with a recommendation from the Committee; or
- determine matters (where the Committee acts with delegated authority), which the Committee then reports to the Board.

The Company Secretary provides secretarial support for each Committee.

In addition to the changes to the standing Committee structure, changes were made to the membership of each Committee highlighted in the relevant section below.

3.1 Audit and Risk Committee

The role of the Audit and Risk Committee is to assist the Board in fulfilling its responsibilities in respect of the Company's financial reporting, compliance with legal and regulatory requirements, internal accounting and control systems, oversight of the effectiveness of the risk management framework and oversight of the external auditors and internal audit function.

In March 2020, the responsibilities of the Audit and Risk Committee were separated into an Audit Committee and a Risk and Compliance Committee. The key responsibilities and functions of the Audit Committee are:

- the integrity of the financial statements and financial reporting systems and processes of the Company and its related bodies corporate;
- the effectiveness of external audit including the external auditor's qualifications, performance, independence and fees;
- the effectiveness of the internal audit function and systems of internal control;
- compliance with tax obligations;
- the Company's systems for compliance with applicable legal and regulatory requirements within the Committee's area of responsibility; and
- other matters referred by the Board from time to time.

The key responsibilities and functions of the Risk and Compliance Committee are:

- the risk profile and risk appetite for the Company;
- in respect of both financial and non-financial risk, considering and recommending to the Board the Risk Management Framework (including the Health, Safety and Environment Framework);
- recommending for approval by the Board the Company's Risk Management Policy and Health, Safety and Environment Policy;
- overseeing compliance management; and
- receiving reports of any material breaches of the Anti-Bribery and Whistleblower Policies.

A copy of the Audit Committee Charter and Risk and Compliance Committee Charter which sets out role and responsibilities of the Committees in more detail can be found in the Corporate Governance section of Nufarm's website.

Membership and meetings

The Audit Committee consists of:

- a minimum of 3 members of the Board, all of whom are Non executive Directors;
- a majority of independent Directors (as defined in the Board Charter); and
- an independent chair, who is not Chair of the Board.

The members of the Audit and Risk Committee until March 2020 were:

Name	Membership status to March FY2020
Frank Ford (Chairman)	Member for the relevant period
Anne Brennan	Member for the relevant period
Gordon Davis	Member for the relevant period
Marie McDonald	Member for the relevant period
Peter Margin	Member for the relevant period

The members of the Audit Committee from April 2020 for the remainder of the period were:

Name	Membership status from April 2020
Frank Ford (Chairman)	Member for the relevant period
Anne Brennan	Member for the relevant period
Gordon Davis	Member for the relevant period
Marie McDonald	Member for the relevant period

At least one member of the Committee must have formal accounting qualifications with recent and relevant experience. The Committee as a whole is to have sufficient understanding of the industry in which Nufarm operates. The Board is satisfied that the current composition of the Committee satisfies this requirement.

The external auditors, the Chairman, the CEO, the CFO, the Group Financial Controller, the General Manager Group Risk and Assurance, the external internal audit partner and the head of Taxation attend meetings of the Committee at the invitation of the Committee Chair. All Board members are invited to attend the Audit Committee meetings at which the half year and annual financial statements and reports are considered.

The Risk and Compliance Committee consists of:

- a minimum of 3 members of the Board, all of whom are Non executive Directors; and
- a majority of independent Directors (as defined in the Board Charter).

The members of the Risk and Compliance Committee from April 2020 were:

Name	Membership status from April 2020
Gordon Davis (Chairman)	Member for the relevant period
Peter Margin	Member for the relevant period
Marie McDonald	Member for the relevant period
Toshikazu Takasaki	Member for the relevant period

The details of the relevant Committee meetings are included on page 22.

Activities during the year

The key activities undertaken by the relevant Committees during the year include:

- reviewing the scope, plan and fees for the external audit for the period and overseeing the work performed by the External Auditor;
- reviewing the independence and performance of the External Auditor;
- reviewing significant accounting, financial reporting and related issues raised by management, the head of the internal audit function and the External Auditor;
- reviewing the Company's key risks and risk management framework including adopting a revised risk appetite statement and confirming that the framework was sound and that the Company is operating with due regard to the risk appetite set by the Board;
- reviewing management reports on the Company's key financial and non-financial risks and risk management program including contemporary and emerging risks such as cyber-security, privacy and data breaches and climate change;

- monitoring developments in significant accounting, financial reporting and taxation matters and considering the implications for the Company;
- approving the internal audit plan for FY20 including amendments required in response to COVID-19 and reviewing the outcome of internal audit reviews and the plans to implement any remedial action;
- reviewing and monitoring improvements to the Company's internal control and accounting practices;
- reviewing and recommending to the Board the approval of the Company's annual and half year financial statements;
- endorsing to the Board the adoption of a new Audit Committee Charter and a Risk and Compliance Committee Charter; and
- approving the Whistleblower Policy.

External Audit

The Audit and Risk Committee reviewed the External Auditor's scope of work, including the external audit plan, to ensure it is appropriate, having regard to the Company's key risks. The External Auditor reports to the Committee at each meeting and is given an opportunity to raise issues with the Committee in the absence
of management. The Committee also reviews the performance and independence of the External Auditor on an annual basis. KPMG is the External Auditor.

The Committee has also adopted a policy on the provision of non-audit related services by the External Auditor which sets out the Company's approach to engaging the External Auditor for the performance of non-audit related services with a view to ensuring their independence is maintained.

A copy of the policy on the provision of non-audit related services by the External Auditor can be found in the Corporate Governance Section of Nufarm's website.

The External Auditor attends the Company's Annual General Meeting and is available to answer questions from investors relevant to the audit.

3.2 Nomination and Governance Committee

The role of the Nominations and Governance Committee is to assist the Board to oversee the composition, performance, succession planning of the Board as well as the induction and ongoing training for directors. The Committee also advises and makes recommendation to the Board in relation to the Company's corporate governance practices.

The Nominations and Governance Committee Charter was amended in March 2020 to expand the role of the Committee to include induction of new Directors and to include a separate Chair be appointed when the Committee is dealing with Chairman succession.

A copy of the Nomination and Governance Committee Charter can be found in the Corporate Governance section of Nufarm's website.

Membership and meetings

The Nomination and Governance Committee consists of:

- at least three independent Non-executive Directors;
- where the Board Chairman is the Committee Chair, he or she will not chair the Committee when it is dealing with the appointment of a successor to the Chair.

Donald McGauchie was the Chair of the Committee until March 2020 but as a major activity was Chairman succession, he was replaced by Marie McDonald from 24 March 2020.

The members of the Nomination and Governance Committee are:

Name	Membership status
Marie McDonald (Chairman)	Member for the entire period and Chair from 24 March 2020
Donald McGauchie	Member for the entire period and Chair from 1 August 2019 until 24 March 2020
Frank Ford	Member for the entire period
Peter Margin	Member from 18 February 2020

Activities during the year

The key activities undertaken by the Nomination and Governance Committee during the year include:

- overseeing the process of the external Board review;
- overseeing the process of succession planning for the Chairman including recommending the external recruitment firm;
- making recommendations to the Board regarding the directors seeking re-election at the 2020 Annual General Meetings;
- making a recommendation to the Board on adopting a new Continuous Disclosure Policy;
- making recommendations to the Board on changes to Committee membership;
- making a recommendation to the Board to adopt a new Committee Charter; and
- making a recommendation to the Board to appoint John Gillam as a Non-executive Director.

3.3 Human Resources Committee

The role of the Human Resources Committee is to assist the Board to perform its functions in relation to remuneration policies and practices, development, retention and termination arrangements for the CEO and KMP.

The Committee's key responsibilities and functions are to:

- oversee the Company's remuneration, recruitment, retention and termination policy and procedures and its application to the CEO and the KMPs;
- assess the performance of the CEO and assist the Chair with reviews of the CEO's performance;
- review and make recommendations to the Board on the CEO succession plans;
- review and make recommendations to the Board regarding the remuneration and benefits of Non-executive Directors;
- review the annual remuneration report;
- review and make recommendations to the Board on the Inclusion and Diversity Policy and the measurable objectives for achieving the inclusion and diversity outcomes; and
- make recommendations to the Board on the adoption of the Company's Code of Conduct.

During the period the Human Resources Committee Charter was updated to expand the role of the Committee to include the succession plans for the CEO's direct reports as well as receiving reports on any material breaches of the Code of Conduct.

The process to engage remuneration consultants is included in the Human Resources Charter who will provide independent remuneration advice, as appropriate, on Director fees and KMP remuneration, structure, practice and disclosure. Remuneration consultants are engaged directly by the Chair of the Human Resources Committee and report directly to the Committee.

A copy of the Human Resources Committee Charter which sets out further details on the roles and responsibilities of the committee, is available in the Corporate Governance Section of Nufarm's website.

Membership and meetings

The Committee must consist of:

- a minimum of 3 members of the Board, all of whom are Non-executive Directors;
- a majority of independent Directors; and
- an independent Director as Chair.

The members of the Committee during this period were:

Name	Membership status for FY2020
Peter Margin (Chairman)	Member for the entire period
Donald McGauchie	Member for the entire period
Anne Brennan	Member for the entire period
Gordon Davis	Member for the entire period

Non committee members, including members of management may attend meetings of the Committee at the invitation of the Committee Chair.

Activities during the year

The key activities undertaken by the Committee during the period in relation to the Company's remuneration framework, the policies and practices regarding the remuneration of Directors, as well as the contractual arrangements, remuneration and performance evaluation of other members of Key Management Personnel, are reflected in the Remuneration Report on pages 39 to 53. The progress against the Company's Inclusion and Diversity objectives are detailed in the Inclusion and Diversity section of this statement on pages 33 to 36.

3.4 Health, Safety and Environment Committee (up to March 2020)

The role of the Health, Safety and Environment Committee was to assist the Board in the effective discharge of its responsibilities in relation to health, safety and environment matters.

The Committee's key responsibilities and functions were:

- consideration of health, safety and environmental issues that may have a strategic business and reputational implication on the Company;
- reviewing the setting of appropriate health, safety and environment strategies and policies;
- monitoring compliance with the Company's Health and Safety Policy;
- reviewing significant health, safety and environment incident reports;
- monitoring the environmental performance of the Company's activities; and
- reviewing sustainability practice and performance.

The responsibilities of the Committee were combined into the Risk and Compliance Committee from April 2020 which are detailed in 3.1 above.

Membership and meetings

The Committee consisted of:

- a minimum of 3 members of the Board, all of whom are Non-executive directors;
- a majority of independent Directors and
- an independent Director as chair.

The members of the Committee during the relevant period were:

Name	Membership status to March FY2020
Gordon Davis (Chairman)	Member for the entire period
Marie McDonald	Member for the entire period
Toshikazu Takasaki	Member for the entire period

Non-committee members, including members of management attended meetings of the Committee at the invitation of the Committee Chair.

Membership of the Risk and Compliance Committee from April 2020 is detailed in 3.1 above.

Corporate Governance Statement continued

4 Risk management and internal control

4.1 Approach to risk management and internal control

The Board recognises that the effective identification and management of risk reduces the uncertainty associated in executing the Company's business strategies.

The Company has introduced a risk management framework and policies and procedures which are based on concepts and principles identified in the Australia/New Zealand standard on Risk Management (AS/NZ ISO 31000:2009). The risk framework, policies and procedures set out the roles, responsibilities and guidelines for managing financial and non-financial risks associated with the Company's business and have been designed to provide effective management of material risks at a level appropriate to the Company's global business and have continued to be enhanced as the Group's operations develop and its range of activities expand. These risks include contemporary and emerging risks such as COVID-19, cyber-security, privacy and data breaches, increased geo-political risk and climate change.

The Risk Management Policy is available in the Corporate Governance Section of Nufarm's website.

Nufarm is committed to continuing to improve its enterprise risk management practices to protect and enhance shareholder value. During FY2020 an Executive Risk, Health, Safety and Environment Committee was established to assist with overseeing, directing and supporting the implementation and operation of the risk management framework and internal compliance and control system across the Company. The members of the Committee are the CEO (Chair), Chief Financial Officer, Group Executive Supply Chain Operations, Group Executive People and Performance, the Group Company Secretary and General Counsel, General Manager Global Risk Management and Assurance, General Manager, Global Sustainability and Quality and a Regional General Manager (on a rotational basis).

More information on Nufarm's financial and non-financial risks, including environmental, the approach to climate change and social related risks, is set out in the Annual Report 2020 on pages 14 to 17 and the Sustainability Report.

4.2 Risk management responsibilities

The Board is responsible for overseeing Nufarm's risk management framework, including both financial and non-financial risks and setting the risk appetite within which the Board expects management to operate. The Board is also responsible to satisfy itself that management has developed and implemented a sound system of internal controls.

The Board has delegated oversight of risk, including review of the effectiveness of internal control systems and risk systems to the Audit and Risk Committee up until March 2020. From March 2020 the Board has delegated oversight of the ongoing risk management program, procedures, auditing and adequacy and effectiveness of the enterprise risk management to the Risk and Compliance Committee and oversight of evaluating the adequacy and effectiveness of the internal control systems associated with financial risk to the Audit Committee.

The company's risk management framework, policies and procedures set out the roles, responsibilities and guidelines for managing financial and non-financial risks associated with the business. The framework, policies and procedures have been designed to provide effective management of material risks at a level appropriate to Nufarm's global business. The risk framework, policies and procedures will continue to be enhanced as the group's operations develop and its range of activities expands.

Nufarm's group risk management department, led by the General Manager Global Risk and Assurance, manages the implementation of this framework across the Company. The framework aims to deal adequately with contemporary and emerging risks, such as conduct risk, digital disruption, cyber-security, privacy and data breaches, sustainability and climate change.

Detailed risk profiles for key operational business units have been developed. These risk profiles identify the:

- nature and likelihood of specific material risks;
- key controls in place to mitigate and manage the risk;
- sources and level of assurance provided on the effective operation of key controls; and
- responsibilities for managing these risks.

The Audit and Risk Committee Charter (and from March 2020, the Risk and Compliance Committee Charter) requires the Committee and the General Manager Global Risk and Assurance to review, at least annually, the Risk Management Framework.

During FY2020, the Audit and Risk Committee oversaw a review of the Risk Management Framework that resulted in an updated risk appetite statement including tolerance metrics within in which management is expected to operate being approved. In undertaking this review, the Audit and Risk Committee was satisfied that the Risk Management Framework continues to be sound and that the Company is operating with due regard for the risk appetite set by the Board.

4.3 Internal audit

Nufarm has an internal audit function which is part of the global risk and assurance function that reports to the Group General Counsel and Company Secretary.

Nufarm's internal audit model is a co-sourced model, with PWC engaged to provide internal audit services under this model. Nufarm's General Manager Risk and Assurance is accountable to both the Committee and the CEO for the performance of the internal audit function and manages the relationship with PWC.

The internal audit function supports management efforts to:

- manage and control risks;
- improve the efficiency and effectiveness of key business processes and internal control systems;
- monitor compliance with Company wide requirements, policies and procedures; and
- provide the Committee with assurance on the operating effectiveness of controls.

The scope of internal audit work (including the annual internal audit plan) is prepared with a view to providing coverage of all major functional units and identified key risks and the Audit and Risk Committee reviewed the internal audit plan to ensure it was appropriate. During FY2020 this plan was modified to reflect the impact of COVID-19 and the requirement to undertake internal audits remotely. The internal audit program continued during this period with the use of data analytics.

The General Manager Risk and Assurance, together with PWC representatives, reported directly to the Committee at each meeting on the progress against the internal audit plan, as well as detailed findings and corresponding management actions in relation to reviews undertaken in accordance with the internal audit plan. They also were given an opportunity to raise issues with the Committee in the absence of management, in a closed session held during each Committee meeting. The internal audit function had unfettered access to the Chair of the Audit and Risk Committee and now has unfettered access to the Chair of the Audit Committee.

4.4 CEO and CFO assurance

Before adoption by the Board of the 2020 half year and annual financial statements, the CEO and the CFO provided written declarations to the Board in respect of the Company's half year and annual financial statements that, in their opinion, the financial records of the Company have been properly maintained, the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, and that the opinion has been formed on the basis of an adequate system of risk management and internal control which is operating effectively.

The declaration of the CEO and CFO is supported by written statements by all executives and key finance personnel relating to the financial position of the Company, market disclosure, the application of Company policies and compliance with internal controls and external obligations.

5 Promoting responsible and ethical behaviour

Code of Conduct

Nufarm has in place a Code of Conduct, which applies to all Directors, employees, contractors, agents and representatives of the Company.

The key values underpinning the Code of Conduct are:

- actions must be governed by the highest standards of integrity and fairness;
- all decisions must be made in accordance with the spirit and letter of applicable law; and
- business must be conducted honestly and ethically, with skill and the best judgement, and for the benefit of customers, employees, investors and the Company alike.

The Code of Conduct provides clear direction and advice on general workplace behaviour and how to conduct business both domestically and internationally, interacting with investors, business partners and the communities in which the Company operates.

Material breaches of the Code of Conduct are reported to the Human Resources Committee.

Anti-bribery Policy

Nufarm has in place an Anti-bribery Policy that applies to all Directors, officers and employees of Nufarm. The Policy strictly prohibits the making or receiving of unlawful improper payments, or the giving or receiving of anything of value or improper advantage, to or by any individual or entity with the intent of securing a business advantage for Nufarm to which it is not legally entitled.

The policy prohibits improper payments to persons or entities including public officials, any Nufarm customer or any other individual or entity with whom Nufarm does business.

Breaches of the Anti-bribery Policy are reported to the Risk and Compliance Committee.

Whistleblower Policy

During FY2020 Nufarm adopted a Whistleblower Policy to provide a clear and transparent way for employees and contractors to report unethical, unlawful or irresponsible behaviour without fear of intimidation or recrimination.

The purpose of the Whistleblower Policy is to help detect and address any conduct that is:

- corrupt, illegal, unlawful or fraudulent including bribery or any other act in breach of the Company's Antibribery Policy;
- contrary to or in breach of any Company's Policy or the Company's Code of Conduct, including harassment, bullying, discrimination victimisation;
- seriously harmful or potentially seriously harmful activity that pose a threat to the Company's employees, shareholders, clients or third parties such as deliberate unsafe work practices, with wilful disregard for the safety of others;
- activity that could cause significant financial loss to the Company or damage its reputation or be otherwise detrimental to the Company's interests;
- a substantial mismanagement of Company resources; and
- any act which endangers the public or the financial system.

The Whistleblower Policy sets out protection that will be afforded to whistleblowers as well as the option to make an anonymous report.

Material breaches of the Whistleblower Policy are reported to the Risk and Compliance Committee.

Securities Trading Policy and insider trading

The Board has adopted a Securities Trading Policy that covers dealings by Directors, KMP and relevant employees and complies with the ASX Listing Rule requirements for a trading policy. The Securities Trading Policy aims to ensure that public confidence is maintained in the reputation of Nufarm, the reputation of its directors and employees and in the trading of Nufarm securities.

The Securities Trading Policy restricts dealings by Directors, KMPs and relevant employees in Nufarm securities except for a period of four weeks from the first trading day after half and full year results are announced and following the AGM. No dealing is allowed at any time that they are in possession of unpublished price sensitive information. Directors, KMP and relevant employees are required to get pre-approval to trade during these applicable windows.

The Nufarm Code of Conduct, Anti-Bribery Policy, Whistleblower Policy and the Securities Trading Policy are available in the Corporate Governance Section of Nufarm's website.

6 Continuous disclosure and communications with shareholders

6.1 Continuous disclosure and market communications

Nufarm is committed to timely, open and effective communication with its shareholders and the general investment community.

The Board has adopted a Continuous Disclosure Policy, which establishes procedures aimed at ensuring that Nufarm complies with the legal and regulatory requirements under the Corporations Act and the ASX Listing Rules. These procedures include the establishment of a Market Disclosure Committee, which monitors the continuous disclosure framework and is responsible for ensuring that Nufarm complies with its obligations.

The Market Disclosure Committee is constituted by the CEO, CFO, Group General Counsel and Company Secretary and the General Manager, Investor Relations and External Communications and is responsible for implementing and monitoring reporting processes and controls to ensure there is an adequate system in place for the disclosure of all material information to the ASX.

The Group General Counsel and Company Secretary reports to the Board on the matters considered by the Market Disclosure Committee at each meeting. The Board approves any announcement which are within the matters reserved for decision by the Board including annual and half year financial reports, any profit update or earnings guidance, matters which could have significant financial or reputational risks, company transforming transactions or events, significant corporate transactions including any equity related transactions and any other matters that the Market Disclosure Committee considers is of fundamental significance to the Company.

In addition to approving the announcements reserved for decision by the Board, Directors are provided with copies of all announcements that are made to the ASX immediately after they have been released on the Market Announcements Platform.

The Continuous Disclosure Policy is available in the Corporate Governance Section of Nufarm's website.

6.2 Shareholder communication

The Company places a high priority on communication with shareholders and other stakeholders and aims to ensure they are kept informed of all major developments affecting Nufarm. The Company has an investor relations program to facilitate a direct, two-way dialogue with shareholders and the Company believes it is important not only to provide relevant information as quickly and efficiently as possible, but also to listen and understand shareholders' perspectives and respond to their feedback.

Nufarm holds briefings on the annual and half year financial results and on other new and significant information. Presentation material or speeches that provides any new and substantive information are first disclosed to the ASX through the Market Announcements Platform and then posted to the Nufarm website prior to any discussion.

One of the key communication tools is the Company's website. The website contains the key governance documents, market announcements, the Annual Report and half-yearly financial statements, a calendar of events relating to shareholders and other communications to key stakeholders. The website also contains a facility for shareholders to direct inquiries to the Company.

Shareholders are provided with an update on the Company's performance at the Annual General Meeting, as well as an opportunity to vote on important matters affecting Nufarm and ask questions of the Board and key members of management. All substantiative resolutions at the AGM are decided by a poll rather than a show of hands. Copies of the Chairman's speech and the meeting presentation are released to the ASX and posted the Company's website as the meeting commences. A summary of proceedings and outcome of voting on the items of business are also released to the ASX and posted to the website as soon as they are available after the meeting. All directors are expected to attend the AGM.

Nufarm's external auditor attends the AGM to answer any shareholder questions concerning the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by Nufarm and the independence of the external auditor in relation to the audit.

The Company encourages shareholders to receive communications electronically. Shareholders may elect to receive all or some of their communications electronically. This election can be made directly with the Share Registry, Computershare Investor Services Pty Limited.

The Board obtains the views of shareholders by either formal or informal means. The Board receives a regular report from the General Manager Investor Relations and External Communications which contains feedback from investors. The CEO and CFO are accessible to shareholders, analysts, fund managers and others with a potential interest in the company. The Chairman and the Chairman of the Human Resources Committee are also accessible to shareholders and institutional investors.

6.3 Verification of periodic reports

Nufarm is committed to ensuring that all the information contained in its corporate reports are accurate, effective and clear. Nufarm has put in place a process to verify the integrity of its periodic reports that are not subject to audit or reviewed by the external auditor. This includes the annual Directors reports, the Annual Report and the Sustainability Report.

A statement on the processes undertaken to verify the information not audited or verified by the external auditor is available in the Corporate Governance Section of Nufarm's website.

7 Inclusion and diversity

Nufarm is a global organisation that aims to provide an inclusive work environment where individuals are valued for their diversity and empowered to reach their full potential. We believe we are stronger when our plans and operations reflect the thinking of all our people, representing a broad range of backgrounds, cultures and experience.

Highlights in the 2020 financial year

This year we continued the delivery of our Inclusion and Diversity strategy. Our goal is to embed inclusion and diversity in the way we conduct our business, wherever we operate around the world. Activities included:

- established gender pay analysis process as part of our annual salary and short-term incentive cycle;
- introduced our NuLead Principles that underpin our talent and leadership programs and drive inclusive leadership;
- responded to Covid-19 with flexibility and inclusion. Our IT digital enablement strategy along with leadership training to support managers in managing through a crisis and regular engagement with our Employee Assistant Programs are some of the initiatives that have enabled us to manage through these unprecedented times. As an essential service we were able to maintain and for some functions and regions improve productivity as an outcome of our response to Covid-19, this was quantified through a recent survey;
- launched a new employee value proposition (EVP). The EVP has three foundational pillars, one of which focuses entirely on inviting people to 'Come as you are', to represent and continue to build our inclusive and diverse workplace. Creating an awareness of unconscious bias, reducing bias from our internal process and celebrating the differences between us are some of the ways Nufarm ensures we are creating a place where everyone feels they can belong.
- our One Nufarm Behaviours recognition program has continued to excel with 702 (2019:565) people recognised with 1,107 new badges (2019:518 badges) of appreciation during FY2020.

The Australian Workplace Gender Equality Act (WGEA) deems Nufarm as a designated relevant employer.

We comply with the WGEA requirements and saw improvements in three (GE11, GE14 and GE15) of the six key Gender Equality Indicators.

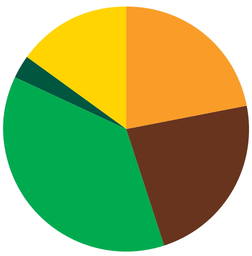
Nufarm's workforce

At the end of this financial year we employed 2,702 people (2019 3,315 people) across five regions, a decrease of 18 per cent predominantly due to the LATAM sale (580 people), on 1 April 2020. All data provided for 2020 included in this annual report excludes headcount activity from the LATAM sale.

Most of our workforce remain full time with 88 per cent permanent employees (2019: 91 per cent) and 12 per cent contract or non-permanent employees up from 9 per cent in 2019. This is due to resource management and targeted expertise brought into the business to support short-term deliverables, mostly attributed to our technology infrastructure investments. Where the nature of the role allows it, we support flexible work arrangements with 3 per cent of our workforce operating with part-time arrangements down from 5 per cent in 2019, although a significant increase in flexible working arrangements have been initiated due to Covid-19 and continue due to our remote working capability.

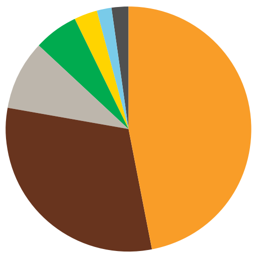
We continue to recruit across the career lifespan with 26 per cent (2019: 33 per cent) of new hires aged less than 30 years of age, 57 per cent between 30-50 years and 17 per cent over the age of 50 (2019:13 per cent). This shift away for early in career to later in career has occurred mostly in the Sales and IT functions where we have sourced talent with greater experience and/or with required specialised skills.

2020 FTE by region



Asia	**22%**
ANZ	**23%**
Europe	**37%**
LATAM	**3%**
NA	**15%**

2020 FTE by function



Supply Chain	**47%**
Sales	**31%**
Portfolio Solutions	**9%**
Finance	**6%**
Corporate	**3%**
Information Technology	**2%**
Human Resources	**2%**

2020 FTE v 2019 FTE by function	2020	2019
Supply Chain	1,272	1,463
Sales	847	1,112
Portfolio Solutions	241	279
Finance	160	240
Corporate	77	95
Information Technology	64	72
Human Resources	41	54

*Includes LATAM in 2019

Women at Nufarm

Nufarm's focus on gender diversity is designed to empower all employees by actively addressing the barriers to equality and creating a level playing field and inclusive culture for both men and women. To this end we are committed to working towards a target of not less than 30 per cent of either gender making up our workforce.

We are focused on improving female representation across all areas of the business and maintained 31 per cent of all new hires being female in 2020 (2019:31 per cent). Females represented 24 per cent of people leaving the business compared to last year's 28 per cent. Overall, we have increased female representation to 25 per cent across the organisation (2019:24 per cent).

Female representation increased in Portfolio Solutions (2019:39 per cent), Supply Chain (2019: 19 per cent) and Sales (2019:17 per cent). Portfolio, Finance and Corporate are functions that already meet our target of no less than 30 per cent of either gender. Geographically North America achieves our goal with Europe and ANZ making gradual progress closer to our no less than 30 per cent of either gender goal. All employee categories increased female representation in 2020 apart from the Executive and senior management category at 21 per cent (2019: 23 per cent).

Females appointed at the executive and senior management category represented 33 per cent and came from within our internal talent pool. Across the organisation promotions showed a higher female representation of 25 per cent (2019:23 per cent). Twenty-two per cent of all internal lateral moves across the organisation were filled by females compared to 34 per cent last year. Females represent 20 per cent of all people leadership positions across Nufarm (2019:19 per cent).

The Board considers gender diversity an important factor in its succession planning. The percentage of female Non-executive Directors reduced slightly to 25 per cent due to the appointment of a new Director and the transition of the Chairman to retirement (2019: 29 per cent). Our Board gender diversity continues to be better than most of our global industry peers.

Gender by region FY2020	Female	Male
ANZ	26%	74%
ASIA	20%	80%
Europe	26%	74%
LATAM	17%	83%
NA	31%	69%

Gender by function FY2020	Female	Male
Supply Chain	20%	80%
Sales	19%	81%
Portfolio Solutions	42%	58%
Finance	51%	49%
Corporate	53%	47%
Information Technology	13%	87%
Human Resources	78%	22%

Gender Pay Parity Review

This year we included a gender salary and incentive review as part of our annual remuneration cycle. Globally, the findings show that on average female salary increase/ex-gratia awarded was 102.6 per cent of budget compared with males who were awarded on average 93.6 per cent of budget. Seventy-seven per cent of females in the global analysis received a salary increase compared with 72.2 per cent of males. Similar rates of ex-gratia payments were awarded between males (4.7 per cent) and females (5 per cent).

Gender pay parity slightly favoured female remuneration outcomes for both salary and bonus in most regions with Asia and Nuseed being the exception. The Asia and Nuseed average merit increase awarded was favourable to males. Both Nuseed and Asia had outcomes favourable to females in their bonus pay out.

Cultural diversity

Our global footprint enables a culturally diverse workforce of leaders and teams, representing local cultures and customers in over 100 countries. Eleven percent of Board members reside outside Australia (2019: 15 per cent). Our executive and senior management team remains culturally diverse with at least 15 different cultural backgrounds represented. Nufarm's employee self-disclosed data indicates that our workforce originates from no less than 63 different countries and speaks at least 37 different languages. Nufarm also has at least 5 per cent of employees working in a different country to their birth country.

Progress against 2020 objectives

In 2019 we deployed a global Inclusion & Diversity diagnostic across all regions to better understand the challenges and opportunities associated with inclusion and diversity. This enabled us to develop a meaningful and appropriate global inclusion and diversity strategy that can be measured and monitored over a three-year period. The table below demonstrates progress made against our objectives in the first year of the strategy.

Objective	Progress
1 Vision and Purpose Continue with the communications plan and regular inclusion and diversity articles, with a targeted campaign specifically designed for our senior management level.	Communications plan is ongoing, including regular articles and showcasing events across the organisation through our intranet platform, including Cultural Diversity Day events to raise awareness. Regions also include the inclusion and diversity benefits during Town Hall, Diversity Days, video blogs as part of their broader communications cycle. Steering committees continue to actively and regularly discuss diversity part of our regular meetings and the regional MBR discussions. Delivered a targeted program for Senior Management on Leading through a Crisis: a strong focus on improving how we lead, engage and provide a psychologically safe and inclusive environment while experiencing a pandemic and adapting to remote working (86% participation)
2 Policy Review all key people related policies to eliminate potential bias and encourage inclusion and diversity.	All key people policies were reviewed and updated to include the inclusion and diversity checklist. These policies will continue to be reviewed regularly and new policies will be developed in alignment with the checklist. Employee Handbooks have commenced being updated to include the reviewed policies.
3 Knowledge and Capability Extend knowledge and capability training to a wider audience beyond people managers. Provide education to increase awareness of unconscious bias and reinforce an inclusive culture. • Deploy the unconscious bias training to 100% of our senior leaders. • Launch NuLead Principles as part of our continuous effort to develop inclusive leadership.	NuLead Principles have been recently launched and deployed in English to 956 employees with current active participation of 48%, including online and workshops (face to face prior Covid-19 and adapted to virtual during Covid-19). This includes 100% of the Senior Leadership Team from Nufarm excluding Nuseed. There is a plan to continue deployment through online training to the remaining staff in their national language for 2021. The extensive training with Managers/Supervisors on 'Compensation with a Growth Mindset' continues the opportunity to have in depth discussion on unconscious bias.
4 Remuneration Address the identified anomalies from the pay parity review. Conduct an annual gender pay analysis to identify any gender bias during the salary and short-term incentive review	A gender pay analysis was conducted as part of our annual salary and short-term incentive review. The findings showed that most regions gender pay parity slightly favoured female remuneration outcomes for both salary and incentive.
5 Talent Goal Take the new talent and succession cycle deeper into the organisation to provide greater talent visibility to the Board and senior management. Have one female on the panel for all senior leadership level appointments and the commitment of having one female on the short list for all senior leadership roles. Launch a new employee value proposition externally that has three foundational pillars, one of which focusses entirely on inviting people to 'Come as you are', to represent and continue to build our inclusive and diverse workplace. These pillars will form part a new recruitment marketing campaign in 2020.	The talent cycle extended one level deeper in each region providing full visibility of talent at the CEO-2 and CEO-3. Some functions and countries went deeper to CEO-4 and CEO-5. The talent cycle will continue to be deployed deeper in the organisation as we mature our talent agenda in 2021. 100% of senior leadership level appointments had one female on the shortlist and a female represented on recruitment panel. The EVP has been launched globally and part of all external websites. The EVP aligned to reflect new inclusive messaging and branding. Nufarm's LinkedIn has also been revised.

Focus for FY2021

Nufarm believes that inclusion and diversity are both critical to our sustainable growth. A key enabler to achieving growth is to develop our talent and continue to build an inclusive culture.

As a continuation of our efforts we now continue into year three of our inclusion and diversity strategy through extending our themes and objectives from last year deeper into the organisation, focusing additional efforts towards developing greater gender equality with our internal talent pipeline, and conducting our interim regional inclusion and diversity audit.

FY2021 objectives

Inclusion and diversity strategy goals	2021 inclusion and diversity objectives
1 Vision and Purpose Goal Diversity is actively understood and represented by all employees who promote an inclusive culture. Difference is celebrated across the Company and there is a solid understanding of how inclusion and diversity can contribute to achieving business objectives. By 2022	Continue with the communications plan and regular inclusion and diversity articles. Refresh the NLT Inclusion and Diversity Steering Committee, minimum 2 year term and maximum 3 year term to ensure diversity of the group.
2 Policy Goal Inclusion and Diversity Policy underpins other HR strategies. Policies and procedures are regularly reviewed, and where special circumstances allow, alternative solutions are put in place to ensure attraction and retention of a diverse workforce. By 2020	Conduct a progress Global (regional) Inclusion and Diversity diagnostic by March 2021 to demonstrate progress and review Inclusion and Diversity Strategy.
3 Knowledge and Capability Goal All employees understand what diversity and inclusion is and the competitive advantages it brings, are aware of their responsibilities in contributing to a diverse and inclusive environment, and how to do so effectively. By 2022	Deliver unconscious bias trainings to the European Senior Leadership team and the next level. 100% of employees have access to Inclusive Leadership Framework. The remaining employees will be provided the NuLead Principles – inclusive leadership training online in their national language (where possible). Deploy a Voice of the Business program to improve engagement through continuous listening and data driven actions.
4 Remuneration Goal Remuneration practices ensure there is no bias based on difference. By 2022	Incorporate business as usual gender analysis by region into the remuneration review signoff process, to be led by regional leads and signed off by RGM. Global to support development of analysis.
5 Talent Goal The Board and senior leadership to have not less than 30 per cent of people of each gender. Succession plan coverage reflects the diversity of the organisation. By 2022	Continue to have one female on the panel for all senior leadership level appointments and the commitment of having one female on the shortlist for all senior Leadership roles. Succession plan coverage reflects the diversity of the SLT population

These objectives are in addition to the ongoing activities under Nufarm's inclusion and diversity policy and current practices that are already yielding meaningful results.

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 2020 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

JC Gillam (appointed 31 July 2020)

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 2020 Annual Report.

Company secretary

Fiona Smith (BSc, LLB, GDipGov, FGIA) joined the company on 20 June 2019 and was appointed company secretary on 27 June 2019. Fiona is a senior legal and governance professional with 20 years experience in company secretarial roles arising from her time spent in such roles in listed companies. Fiona reports directly to the Board. She holds a Bachelor of Science and Bachelor of Law from the Australian National University and a Graduate Diploma in Applied Governance.

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	14,156	—
GR Davis	71,609	—
FA Ford	51,400	—
GA Hunt	494,812	—
JC Gillam	—	
DG McGauchie	76,761	—
ME McDonald	22,327	—
PM Margin	3,480	—
T Takasaki	—	—

Directors' meetings

	Board		Audit and Risk[1]		Audit[2]		Health, Safety and Environment Committee[3]		Risk and Compliance[4]		Nomination and Governance		Human Resources Committee	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Anne Brennan	10	11	5	5	1	1							5	5
Gordon Davis	11	11	5	5	1	1	2	2	1	1			5	5
Frank Ford	11	11	5	5	1	1					6	6		
John Gillam[5]	0	0												
Greg Hunt	11	11												
Peter Margin	11	11	5	5					1	1	4	4	5	5
Marie McDonald	11	11	5	5	1	1	2	2	1	1	6	6		
Donald McGauchie	11	11									6	5	5	5
Toshikazu Takasaki	11	11					2	2	1	1				

Column A: indicates the number of scheduled or ad-hoc meetings held during the period the Director was a member of the board and/or committee

Column B: indicates the number of scheduled or ad-hoc meetings attended by the Director during the period the Director was a member of the board and/or committee

1. Audit and Risk Committee in place up to 24 March 2020.
2. Audit Committee established 25 March 2020.
3. Health and Safety Committee responsibilities incorporated into Risk and Compliance Committee from 25 March 2020.
4. Risk and Compliance Committee replaced risk responsibilities of Audit and Risk Committee and incorporated Health, Safety and Environment Committee from 25 March 2020.
5. John Gillam joined the Board on 31 July 2020.

Directors' report continued

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 2,700 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 2020 is ($456.1 million). The comparable figure for the 12 months to 31 July 2019 was $38.3 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.

No dividend paid for the year ended 31 July 2020	$000
No final dividend for 2018-2019 was paid	$000

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 2019 – 14 October 2019 at the rate of 5.67 per cent per annum paid 15 October 2019	7,138
Distribution for the period 15 October 2019 – 14 April 2020 at the rate of 4.85 per cent paid 15 April 2020	6,102

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

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that, in their opinion, has significantly affected, or may significantly affect in future years, Nufarm's operations or the state of Nufarm's operations.

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 to the extent allowed by law. 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 2020 Annual Report and forms part of the directors' report for the financial year ended 31 July 2020.

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 is made in accordance with a resolution of the Directors.

Donald G McGauchie
Chairman

23 September 2020

Greg A Hunt
Managing Director

23 September 2020

2020 Remuneration Report

A letter from the Chairman of the Human Resources Committee (HRC)

Dear fellow shareholder,

On behalf of the Board, I am pleased to present the 2020 Remuneration Report.

Driving improved performance

Nufarm's remuneration framework seeks to motivate executives and employees to create value for shareholders in a manner consistent with the company's values.

The framework is based on the principle of rewarding performance that manages inherent industry volatility, improves shareholder outcomes, and strengthens the business to deliver long term value. The Board adapts the framework to respond to stakeholder feedback and the needs of the business.

Last year the short-term incentive (STI) plan was updated to increase the focus on improving cost efficiencies and generating cash flow to strengthen the balance sheet. The long-term incentive (LTI) plan remains in place to ensure a good balance between short-term performance and long-term decision making.

Executive remuneration outcomes for the 2020 year

The 2020 financial year has been challenging for Nufarm. Difficult seasonal conditions and industry-related supply issues impacted demand and margins throughout much of the year and the onset of COVID-19 introduced additional complexities. While good momentum was generated in most regions in the second half of the financial year, earnings declined on the prior year.

Importantly, year-end leverage reduced from 3 times in 2019 to 1.9 times in 2020 with the sale of the South American businesses and improved cash generation significantly reducing debt.

Although senior management worked exceptionally hard this year, in some testing circumstances, and a number of their target metrics achieved threshold, they decided to forfeit their STI payment. The Board did apply their discretion and awarded a special cash payment for the sale execution of the Latin American business to select KMP in recognition of this transformational piece of work.

The 2018 LTI threshold targets were not achieved and consequently no incentive was paid.

Looking ahead

As announced, the company's financial year end will change to 30 September. Key Management Personnel have elected to forfeit entitlement to any STI during the transitional period from 1 August 2020 to 30 September 2020. The testing period for the 2019 and 2020 LTI threshold targets will be extended to include an additional two months in the final performance calculations.

Key Management Personnel have also elected to continue the fixed annual remuneration freeze for a second year to demonstrate commitment to improving performance for shareholders.

The Chairman's fee and Non-executive Director fees will also remain frozen for a second year. Directors' Committee fees will be adjusted from 1 August 2020 to reflect changes to the structure of the Board Committees.

While the Board is confident that remuneration outcomes for 2020 are sound, we will continue to respond to feedback on the effectiveness of the remuneration policy, framework, and governance to ensure it continues to meet the needs of the business and its stakeholders.

Peter Margin

Peter Margin
Chair – Human Resources Committee

2020 Remuneration Report continued

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 2020 (FY20). The report has been prepared in accordance with section 300A of the Corporations Act 2001 (Corporations Act).

Section	What it covers
1. Remuneration snapshot	
1.1 Key Management Personnel	• Lists the names and roles of the Executive KMP whose remuneration details are disclosed in this report.
1.2 Executive KMP remuneration outcomes	• Details the key remuneration outcomes in FY20.
1.3 Actual total remuneration earned by executives in FY20 (unaudited)	• Additional voluntary disclosure of cash and benefits actually earned by KMPs in FY20.
1.4 Summary of FY20 non executive director (NED) fees	• Details the NED fees changes in FY20.
1.5 Changes for FY20	• Outlines the changes to remuneration arrangements in FY20.
1.6 Outlook for FY21	• Outlines the changes to remuneration in FY21.
2. Setting Senior Executive remuneration	
2.1 Remuneration governance	• Explains Nufarm's remuneration policy, and how the board and Human Resources committee (HRC) make decisions, including the use of external consultants.
2.2 Remuneration strategy	• Explains Nufarm's remuneration strategy for FY20 and how it's evolving for FY21.
2.3 Remuneration components	• Shows how executive remuneration is structured to support business objectives and explains the executive remuneration mix.
3. Executive remuneration outcomes	
3.1 Financial Performance	• Provides a breakdown of Nufarm's performance over the past five years.
3.2 Short Term Incentive outcomes	• Details the STI outcomes for FY20.
3.3 Long Term Incentive outcomes	• Details the LTI outcomes for the plan with a performance test at 31 July 2020.
3.4 Senior Executive contract details	• Lists the key contract terms governing the employment of Executive KMP (including termination entitlements where relevant).
4. Non-Executive directors (NED) remuneration	• Provides details of the fee structure for board and committee roles.
5. Remuneration tables	
5.1 Remuneration of directors and disclosed executives	• Provides the remuneration disclosures required by the Corporations Act and in accordance with relevant Australian Accounting Standards.
5.2 Equity instruments held by disclosed executives	
5.3 Shares held in Nufarm Ltd	

1 Remuneration snapshot

1.1 Key Management Personnel

This Remuneration Report is focused on the KMP of Nufarm, being those persons with authority and responsibility for planning, directing and controlling the activities of Nufarm. KMP includes the non-executive directors and senior executives (referred to as executive KMPs throughout this report). Unless otherwise indicated, the KMP were classified as KMP for the entire financial year.

Current non-executive directors	
Donald McGauchie	Chairman and independent, non-executive director
John Gillam	Independent, non-executive director (effective 31 July 2020)
Anne Brennan	Independent, non-executive director
Gordon Davis	Independent, non-executive director
Frank Ford	Independent, non-executive director
Peter Margin	Independent, non-executive director
Marie McDonald	Independent, non-executive director
Toshikazu Takasaki	Non-executive director
Current executive KMPs	
Greg Hunt	Managing director and chief executive officer
Paul Binfield	Chief financial officer
Elbert Prado	Group executive supply chain operations
Brent Zacharias	Group executive Nuseed
Niels Poerksen	Group executive portfolio solutions until 28 February 2020

1.2 Executive KMP remuneration outcomes

The overall structure and philosophy of Nufarm's approach to remuneration remained consistent throughout FY20. The organisation's remuneration philosophy continues to be based on linking financial rewards directly to employee contributions and company performance.

Fixed annual remuneration (FAR)	All executive KMPs received an increase of 0% to their FAR in FY20.
Short term incentive (STI)	Executive KMPs with the exception of Brent Zacharias, would have received an average of 34.5 per cent of the target opportunity available based on the assessment of financial and team performance. Brent Zacharias (Group Executive Nuseed), would have received an average of 53.6 per cent of the target opportunity available based on the assessment of Nuseed financial and team performance. Management elected to forfeit any payment for both the financial and team performance metrics for FY20. The Board approved a cash payment to Greg Hunt, Paul Binfield and Elbert Prado for the successful completion of the sale of the South American businesses to Sumitomo Chemical Company for $1,188 million. This sale delivered significant up-front value for shareholders, strengthened the balance sheet, and will also allow the company to focus on higher margin businesses that generate stronger cash flows.
Long term incentive (LTI)	The FY18 LTI plan was tested on 31 July 2020. The average cumulative ROFE and the RTSR achievement were both below threshold. The plan did not meet the entry hurdle associated with the measures. The outcome was that all KMPs did not receive any equity related to the FY18 plan.

1.3 Actual total remuneration earned by executives in FY20 (unaudited)

The table below details actual pay and benefits for Executive KMPs who were employed as at 31 July 2020 and Niels Poerksen until his termination date as at 28 February 2020. This table aims to assist shareholders in understanding the cash and other benefits received by executive KMPs from the various components of their remuneration during FY20.

As a general principle, Australian Accounting Standards require the value of share-based payments to be calculated at the time of grant and accrued over the performance period and restriction period. The Corporations Act and Australian Accounting Standards also require that pay and benefits be disclosed for the period that a person is an executive KMP. This may not reflect what executive KMPs received or became entitled to during FY20 (especially if they became KMP part way through the year). The figures in this table have not been prepared in accordance with Australian Accounting Standards. They provide additional voluntary disclosures to Table 5.1 (which provides a breakdown of executive KMPs remuneration in accordance with statutory requirements and Australian Accounting Standards). The treatment of the remuneration elements in this disclosure are as follows:

- Fixed remuneration earned between 1 August 2019 and 31 July 2020. This includes superannuation.
- STI payable as cash under the FY19 STI plan (which is paid in FY20 after audited results), as well as any restricted STI or LTI that has been earned as a result of performance in previous financial years but was subject to a restriction period that ended between 1 August 2019 and 31 July 2020.
- Benefits received between 1 August 2019 and 31 July 2020.

		Fixed remuneration				At risk remuneration (Realised)			Total		
In AUD		Salary and Fees $	Non-monetary benefits $	Super-annuation $	Total $	STI cash[1]	STI deferred shares vested $	LTI rights vested $	Other long term $	Total Re-muneration $	LTI rights forfeited $
Directors' Non-executive											
Sub total non-executive directors remuneration (realised)	2020	1,467,005	–	120,051	1,587,056	–	–	–	–	1,587,056	–
	2019	1,479,952	–	127,619	1,607,571	–	–	–	–	1,607,571	–
Executive Director											
GA Hunt	2020	1,294,688	100	25,000	1,319,788	330,000	–	–	–	1,649,788	(463,956)
	2019	1,294,688	295	25,000	1,319,983	–	340,112	–	–	1,660,095	(466,870)
Total Directors' remuneration (realised)	2020	2,761,693	100	145,051	2,906,844	330,000	–	–	–	3,236,844	(463,956)
	2019	2,774,640	295	152,619	2,927,554	–	340,112	–	–	3,267,666	(466,870)
Group Executives											
PA Binfield	2020	822,223	100	25,000	847,323	212,000	–	–	–	1,059,323	(198,580)
	2019	822,223	295	25,000	847,518	–	187,153	–	–	1,034,671	(171,268)
E Prado[2]	2020	791,548	67,351	99,292	958,191	38,823	–	–	–	997,014	(141,335)
	2019	889,938	88,266	14,829	993,033	77,321	138,763	–	111,509	1,320,626	(152,383)
N Poerksen[3]	2020	444,606	21,990	15,426	482,022	–	–	–	–	482,022	(121,601)
	2019	703,684	33,735	25,522	762,941	–	145,429	–	–	908,370	(126,919)
B Zacharias	2020	538,741	55,290	59,394	653,425	–	11,678	–	–	665,103	(88,938)
	2019	495,003	53,417	92,729	641,149	65,522	99,562	–	–	806,233	(94,067)
Sub total – total executive remuneration (realised)	2020	2,597,118	144,731	199,112	2,940,961	250,823	11,678	–	–	3,203,462	(550,455)
	2019	2,910,848	175,713	158,080	3,244,641	142,843	570,907	–	111,509	4,069,900	(544,637)
Total directors and executive remuneration (realised)	2020	5,358,811	144,831	344,163	5,847,805	580,823	11,678	–	–	6,440,306	(1,014,411)
	2019	5,685,488	176,008	310,699	6,172,195	142,843	911,019	–	111,509	7,337,566	(1,011,507)

1. STI cash for 2020 includes a cash payment paid for the successful completion of the sale of the South American business.
2. Mr E Prado's fixed remuneration and other long-term remuneration for 2019 includes fees and long service amounts paid with respect to the relocation of Mr Prado during 2019.
3. Mr N Poerksen ceased to be a KMP on 28 February 2020.

1.4 Summary of FY20 non executive director (NED) fees

NED fees are fixed and do not have any variable components. The chairman receives a fee for chairing the Nufarm board and is not paid any other fees. Other NEDs receive a base fee and additional fees for each additional Committee chairmanship and membership. NED fees did not change in FY20. No additional retirement benefits were paid. Fees paid to NEDs are subject to a maximum annual non-executive director fee pool of $2 million approved by shareholders at the 2017 AGM.

1.5 Changes for FY20

- Niels Poerksen – Left the business 28 February 2020, after conducting a global search an appointment is imminent.
- John Gillam – Joined the Board on 31 July 2020 and will assume the role of Chairman on the 24 September 2020 following Mr McGauchie's retirement as Chairman and Non-executive Director.

1.6 Outlook for FY21

Fixed annual remuneration (FAR)	Following a year of disappointing profit results, the executive KMPs at Nufarm forfeited an increase to their FAR (for the second year in a row) for FY21 as a demonstration of their continued commitment to turning the company's financial health around.
Short term incentive (STI)	The FY21 STI plan will be simplified with a targeted focus on a single profit measure and a single cash flow measure, with the continuation of a non-financial component based on team performance.
Long term incentive (LTI)	A review of the LTI plan was undertaken and whilst no changes are currently proposed for FY21 the plan will be reviewed again during FY21.
Non-executive director fees and pool	In line with the executive KMP stance, non-Executive directors elected not to increase board fees for FY21 and decided that it was not necessary to seek any increase to the fee pool previously approved by shareholders. Effective 1 August 2020 committee fees will change to align with the revised board committee structure.

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.

Over the past few years, the HRC has progressively increased their remit to include a wider talent and succession agenda including a review of Nufarm's diversity and inclusion practices.

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 benchmarks, 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 STI accruals (cash and equity):

- 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 have reflected 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 up to FY20 have been:

- A renewed focus on managing working capital, profitability, and improving returns on funds employed which 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 level.
- An overall framework underpinned by the core principles of driving business objectives, creation of value, simplicity, flexibility, line of sight and retention.
- An STI plan which rewards year on year growth, profitability and cash flow management through the addition of SG&A and Stock Cover measures.
- An LTI plan which creates long term value for the organisation and shareholders.

Throughout FY20, we reviewed the various elements of our reward offering. Consequently, from FY21 onwards, the remuneration strategy is further refined to incorporate the following:

- An STI plan which rewards year on year growth, with an equal focus on profitability and cashflow, as well as a non-financial team based component.
- An LTI plan which rewards plan participants for creating long term value for the organisation and shareholders.

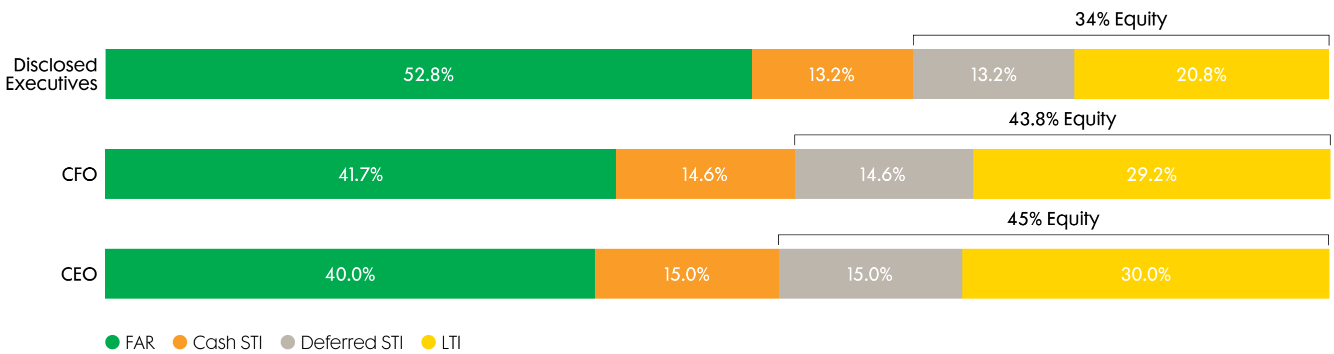
FAR	STI		LTI
Attract, motivate, and retain highly skilled employees	Reward achievement if financial and personal/team strategic objectives are met		Align to long term shareholder value creation
Cash		Equity	
Base salary plus superannuation	50% of STI paid annually after financial year end	50% of the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

2.3 Remuneration components

a) Remuneration structure

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. Australian based executive KMPs are employed on this basis. Those located overseas in Canada and US, also receive benefits as per local employment conditions.

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.



b) FY20 STI plan

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 deliverables

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

Who participates in the STI?	Plan participants include disclosed executives and senior managers globally.
What is the plan's aim?	The Plan rewards a combination of financial and non-financial performance measures that are aligned to the creation of shareholder value. Primary emphasis is placed on profitability and cash flow. The non-financial team measures focus our Executives and employees on executing the most critical objectives aligned to the annual business plan as a collaborative member of a team.
When are awards made?	Awards are made at the end of the financial year.

What measures are used in the plan?	The board sets measures at the start of each year focused on profitability and cash flow management. Noted below are the measures used in 2020. **All Executive KMP roles (except GE Nuseed)** 20% of potential was based on Group Underlying Net Profit After Tax (uNPAT) 15% of potential was based on Group Selling General Admin expenses/Gross Profit (SGA/GP) 20% of potential was based on Group Average Stock Cover (STC) 25% of potential was based on Group Average Net Working Capital (ANWC)/Sales. This measure presents the Groups ANWC as a percentage of the Groups total sales. **Group executive Nuseed** 15% of potential was based on Group Nuseed Underlying Earnings before Interest Tax Depreciation & Amortisation (uEBITDA) 25% of potential was based on Group Nuseed Underlying Profit Before Tax (uPBT) 40% of potential was based on Group Nuseed Average Net Working Capital (ANWC)/Sales **For all executives** 20% of the potential was based on team objectives.
When and how are the STI payments determined?	Awards are assessed annually at the end of the financial year. Awards are based on the percentage achievement against the budget and strategic measures. Group uNPAT and Group ANWC/Sales – The threshold for these measures is the prior year's achievement or 85% of target, whichever is higher. At threshold achievement, 25% of the STI associated with the measure pays out. Target achievement results in 100% payment with stretch achievement (120% for uNPAT and 110% for ANWC/Sales) of up to 150%. SGA/GP and STC both have a threshold of 85% of current year's target. Target achievement results in 100% payment with stretch achievement (110% for SGA/GP and 120% for STC) of up to 150%. Nuseed uEBITDA, Nuseed uPBT and Nuseed ANWC/Sales – The threshold for these measures is the achievement of 85% of target, where 25% of the STI associated with the measure pays out. Target achievement results in 100% payment with stretch achievement (120% of target for Nuseed uEBITDA and Nuseed uPBT; and 110% of target for Nuseed ANWC/Sales) paying out at 150%. Straight line vesting between threshold and target and between target and stretch. Strategic and business improvement objectives are assessed on a merit basis against stated objectives.
Are payments in cash or equity?	50% of Executive KMPs' STI is paid in cash at the time of performance testing and 50% deferred into indeterminate rights with a time-based restriction.
When do the shares vest?	Vesting will occur on the second anniversary of the grant date of the deferred equity, subject to continued employment or otherwise if the participant has left employment for a qualifying reason.
Is there a clawback provision in the plan?	The rules of the plan provide for clawback of the entire STI (cash and equity which maybe vested or unvested) with board discretion where payment is contrary to the financial soundness of the company; in circumstances where the financial performance of Nufarm over the relevant period (including the initial STI performance period) has been misstated; and/or for individual gross misconduct.
What happens if the Executive 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, or such other reason as determined by the board at its absolute discretion. The rules of the plan provide the flexibility, in special circumstances (e.g. health or severe personal hardship), to accelerate the vesting. This would result in the shares being released from the trust to the executive.

c) FY20 LTI plan

All Executive KMPs participated in the same LTI plan with the exception of:

- Group executive Nuseed who participated in a separate 'phantom share' plan tailored to ensure the role is measured against and rewarded for Nuseed's long term deliverables.

Why have an LTI plan?	This plan aims to focus and reward plan participants for delivering sustainable financial returns over a longer period in line with Nufarm's strategy and the interests of shareholders.
Who participates in the LTI plan?	The current participants in the plan are disclosed executives and other selected senior managers (together, the LTI plan participants).
Are the awards cash or equity?	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.
When are the awards made?	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.
How are the number of rights calculated?	The number of rights to be granted is calculated by dividing the individual's LTI grant opportunity for the performance year by the volume weighted average price of the company's shares over the five trading days immediately following the prior year's annual results announcement.
When do the awards vest?	The performance/vesting period for awards is 3 years. Awards will vest in two equal tranches as follows: • 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.
Why have ROFE and RTSR been chosen as the hurdles?	ROFE is used to track progress towards the goal to return long-term results back to acceptable levels for Nufarm. Strong RTSR performance ensures Nufarm is an attractive investment for shareholders.
What is the comparator group for the assessment of relative TSR?	Based on the results of research and modelling carried out by EY, 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.
How is RTSR measured?	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.

What is the RTSR performance required for vesting?

RTSR of Nufarm relative to the RTSR of comparator group companies	Proportion of RTSR grant vesting
Less than 50th percentile	0%
50th percentile	50%
Between 51st percentile and 75th percentile	Straight line vesting between 50% and 100%
75th percentile	100% vesting

How is the ROFE target set?	ROFE objectives are set by the board at the beginning of each year. There is both a 'target' and a 'stretch' hurdle. These numbers are based on the budget and align with the guidance given to the market. '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.
How is ROFE measured?	Return is calculated on the group's earnings before interest and taxation and adjusted for any material items. Funds employed are represented by shareholder's funds plus total interest-bearing debt. For the purposes of measuring ROFE performance in the LTI plan, ROFE will be averaged over the life of the plan.

What ROFE result is required for vesting?

Percentage of ROFE target achieved	Proportion of ROFE grant vesting
Less than Target	0%
Target	50%
Between Target and Stretch	Straight line vesting between 50% and 100%
Stretch	100%

What was the result for the FY20 year?	Nufarm's RTSR was less than 50th percentile of the comparator group and average cumulative ROFE was below threshold. Consequently, the FY18 award, which matured in FY20 did not vest into shares as both 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 both vested and 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.

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:

		Continuing Group		Total group (Continuing and discontinued group)		
Performance measures		**FY20**[1]	FY19[1]	FY18	FY17	FY16
Earnings						
Underlying EBITDA*	$m	235.8	300.1	385.7	390.0	371.7
ANWC/Sales***	%	46.4	47.7	40.3	36.8	39.9
Underlying NPAT**	$m	(80.6)	39.6	98.4	135.8	108.9
ROFE	%	1.2	4.6	9.4	13.6	13.2
Shareholder value						
TSR	%	(49.2)	(31.0)	(13.9)	3.5	8.7
Dividends declared	Cents	0.0	0.0	11.0	13.0	11.0
Closing share price 31 July	$	4.02	4.88	7.03	8.10	7.93

1. FY19 data has been restated following the sale of the South American businesses. FY20 data is presented on a continuing operations basis.

* and ** Underlying EBITDA is earnings before net finance costs, taxation, depreciation, amortisation and material items. Underlying NPAT is Net Profit/(Loss) after Tax before material items. Underlying NPAT and Underlying EBITDA are used internally by management to assess performance of the business and make decisions on the allocation of our resources. NPAT, rather than EBITDA, 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.

3.2 Short Term Incentive outcomes

The STI measures of ASTC and ANWC/Sales met threshold for a payment however, management have elected to forfeit their payment for both the financial and team performance metrics. Therefore, disclosed executives employed for the performance period FY20 did not receive a payment under the FY20 incentive plan.

a) FY20 STI plan payment results

Outcomes against targets for disclosed executives are shown below:

	Weighting and outcome*					
Disclosed executive	Group uNPAT and SG&A	Group ANWC	Group ASTC	Nuseed income statement measures	Nuseed ANWC%	Team metrics
Greg Hunt	35% ●	25% ●	20% ●	–	–	20% ●
Paul Binfield	35% ●	25% ●	20% ●	–	–	20% ●
Elbert Prado	35% ●	25% ●	20% ●	–	–	20% ●
Brent Zacharias				40% ●	40% ●	20% ●

● Below threshold ● Between threshold and target ● Above target

* Whilst the outcome for certain targets were above threshold, management have elected to forfeit their payment for both the financial and team performance metrics.

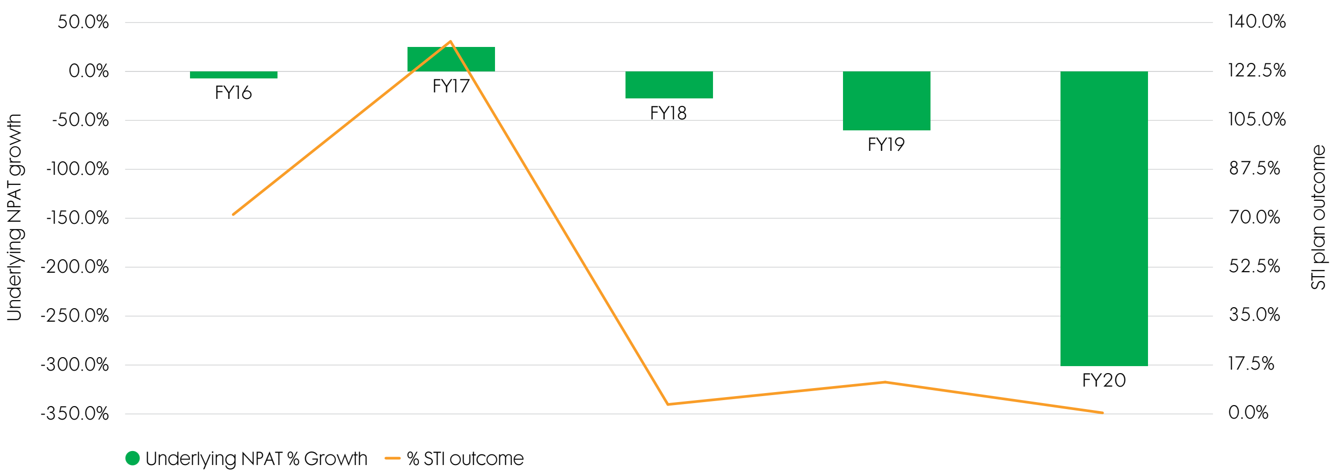
The table below displays FY20 STI payments as a percentage of FAR and also as a percentage of target opportunity.

	2020 STI Potential						
Disclosed executive	At target $	At maximum $	Total Award $	FY20 STI Award as a % of target potential	FY20 STI as % of FAR	To be paid in cash in October 2020 $	Retained in shares vesting 2nd anniversary 31.7.22 $
Greg Hunt	989,751	1,484,627	–	0%	0%	–	–
Paul Binfield	593,056	889,584	–	0%	0%	–	–
Elbert Prado	368,586	552,879	–	0%	0%	–	–
Brent Zacharias	242,276	363,413	–	0%	0%	–	–
Senior Executive average	548,417	822,626	–	0%	0%	–	–

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.

Underlying NPAT growth vs STI outcomes



3.3 Long Term Incentive outcomes

The performance period for the FY18 LTI plan concluded on 31 July 2020.

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 board approved the vesting outcomes in accordance with the LTI plan rules.

a) FY18 LTI plan testing as at 31 July 2020

The vesting table for the FY18 LTI plan is detailed below, reflecting performance up to 31 July 2020 against the two performance measures of RTSR and ROFE.

Performance Measure	Target	Outcome	% of total plan vested
RTSR	75th percentile	Below threshold	0%
ROFE	9.9%	Below threshold	0%
Total			Nil

b) FY18 LTI award outcome

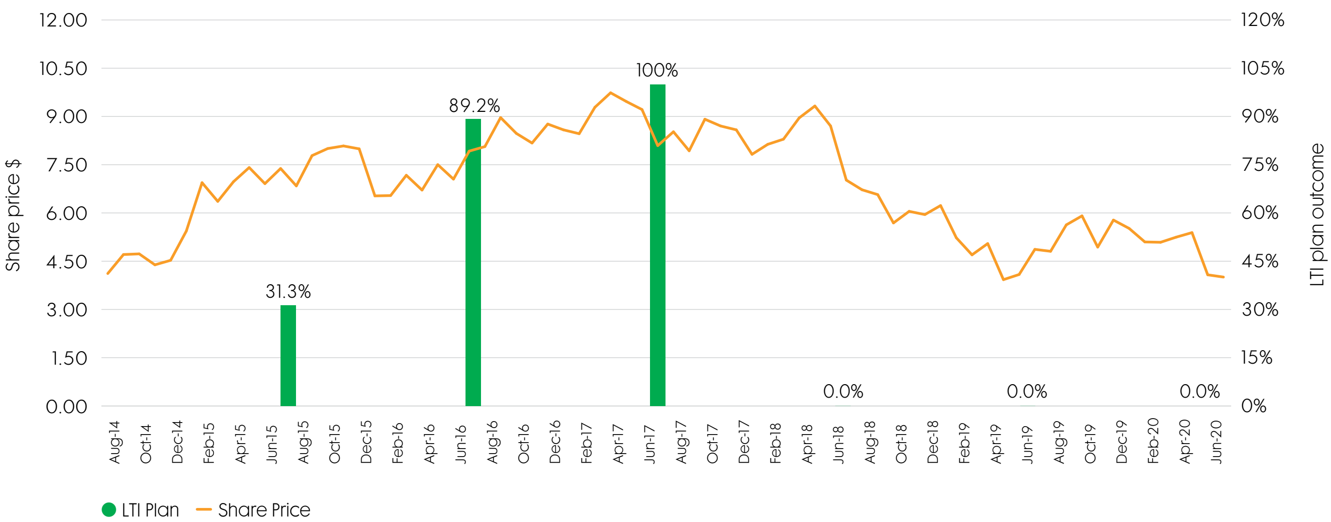
The table below details the individual outcome for the FY18 LTI plan award granted 1 August 2017.

	FY18 LTI award due to vest 31.7.20					
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	115,412	–	0.0%	n/a	–	761,719
Paul Binfield	49,398	–	0.0%	n/a	–	326,027
Elbert Prado	35,158	–	0.0%	n/a	–	232,043
Brent Zacharias	22,124	–	0.0%	n/a	–	146,018

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

The following chart compares Nufarm's LTI plan vesting results for the past six LTI plans (as a percentage of plan maximum) to the share price history during the same period. The FY16, FY17 and FY18 LTI plans did not meet hurdle and therefore are not depicted.

Nufarm historical share price vs LTI outcome



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

Nufarm's operations are managed under the direction of the board. The board oversees the performance of Nufarm management in seeking to deliver superior business and operational performance and long-term growth in shareholder value. The board recognises that providing strong leadership and strategic guidance to management is important to achieve our goals and objectives.

Fees for non-executive directors are set at a level to attract and retain Directors with the necessary skills and experience to allow the board to have a proper understanding of, and competence to deal with, current and emerging issues for Nufarm's business. The board seeks to attract directors with different skills, experience, expertise, and diversity. Additionally, when setting non-executive director fees, the board takes into account factors such as external market data on fees and the size and complexity of Nufarm's operations. The non-executive directors' fees are fixed, and non-executive directors do not participate in any Nufarm incentive plan.

The board's policy with regard to NED remuneration is to position board remuneration at the market median with comparably 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 FY20 remained within the approved cap.

The board fees are reviewed every 12 months with the last increase of 3.75% effective August 2018. While the next review is due in February 2021, the board have mirrored management sentiment to forfeit any increase in the general board fee for FY21 (for a second year).

Fees applicable from 1 August 2018 to 31 July 2020	($) per annum
Chairman	392,567
General board	160,597
Audit committee Chair	32,370
Audit committee Member	16,185
HSE Risk committee Chair	18,883
HSE Risk committee Member	9,441
HR committee Chair	26,975
HR committee Member	13,488
Nominations committee Chair	12,462
Nominations committee Member	1,618 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-employment		Share based payments		Total[2]		
In AUD		Salary and Fees $	Cash Bonus (Vested)[1] $	Non-monetary benefits $	Total $	Super-annuation $	Termination benefits $	Equity settled $	Other long term $	Total Remun-eration $	Percentage of remuneration performance based $	Value of options as a proportion of total remuneration $
Directors' Non-executive												
AB Brennan	2020	172,973	–	–	172,973	17,297	–	–	–	190,270	–	–
	2019	172,973	–	–	172,973	17,297	–	–	–	190,270	–	–
GR Davis	2020	190,139	–	–	190,139	19,014	–	–	–	209,153	–	–
	2019	190,139	–	–	190,139	19,014	–	–	–	209,153	–	–
Dr WB Goodfellow[3]	2020	–	–	–	–	–	–	–	–	–	–	–
	2019	52,492	–	–	52,492	5,249	–	–	–	57,741	–	–
DG McGauchie	2020	356,879	–	–	356,879	35,688	–	–	–	392,567	–	–
	2019	356,879	–	–	356,879	35,688	–	–	–	392,567	–	–
P Margin	2020	215,086	–	–	215,086	–	–	–	–	215,086	–	–
	2019	203,757	–	–	203,757	–	–	–	–	203,757	–	–

		Short Term				Post-employment		Share based payments		Total[2]		
In AUD		Salary and Fees $	Cash Bonus (Vested)[1] $	Non-monetary benefits $	Total $	Super-annuation $	Termination benefits $	Equity settled $	Other long term $	Total Remun-eration $	Percen-tage of remun-eration perfor-mance based $	Value of options as a proportion of total remun-eration $
F Ford	2020	190,138	–	–	190,138	19,014	–	–	–	209,152	–	–
	2019	179,838	–	–	179,838	17,984	–	–	–	197,822	–	–
T Takasaki	2020	154,580	–	–	154,580	15,458	–	–	–	170,038	–	–
	2019	154,580	–	–	154,580	15,458	–	–	–	170,038	–	–
M McDonald	2020	187,210	–	–	187,210	13,580	–	–	–	200,790	–	–
	2019	169,294	–	–	169,294	16,929	–	–	–	186,223	–	–
Sub total non–executive directors remuneration	2020	1,467,005	–	–	1,467,005	120,051	–	–	–	1,587,056	–	–
	2019	1,479,952	–	–	1,479,952	127,619	–	–	–	1,607,571	–	–
Executive Director GA Hunt	2020	1,294,688	330,000	100	1,624,788	25,000	–	256,718	–	1,906,506	31%	13%
	2019	1,294,688	–	295	1,294,983	25,000	–	443,069	–	1,763,052	25%	14%
Total Directors' remuneration	2020	2,761,693	330,000	100	3,091,793	145,051	–	256,718	–	3,493,562	–	–
	2019	2,774,640	–	295	2,774,935	152,619	–	443,069	–	3,370,623	–	–
Group Executives												
PA Binfield	2020	822,223	212,000	100	1,034,323	25,000	–	136,806	–	1,196,129	29%	11%
	2019	822,223	–	295	822,518	25,000	–	219,410	–	1,066,928	21%	11%
E Prado[4]	2020	791,548	38,823	67,351	897,772	99,292	–	106,007	–	1,103,021	13%	7%
	2019	889,938	77,321	88,266	1,055,525	14,829	–	178,702	111,509	1,360,565	19%	5%
N Poerksen[5]	2020	444,606	–	21,990	466,596	15,426	–	(157,902)	–	324,120	-49%	-49%
	2019	703,684	–	33,735	737,419	25,522	–	162,098	–	925,039	18%	9%
B Zacharias[6]	2020	538,741	–	55,290	594,031	59,394	–	19,340	(74,950)	597,815	-9%	-2%
	2019	495,003	65,522	53,417	613,942	92,729	–	94,641	108,504	909,816	30%	1%
Sub total–total executive remuneration	2020	2,597,118	250,823	144,731	2,992,672	199,112	–	104,251	(74,950)	3,221,085	–	–
	2019	2,910,848	142,843	175,713	3,229,404	158,080	–	654,851	220,013	4,262,348	–	–
Total directors and executive remuneration	2020	5,358,811	580,823	144,831	6,084,465	344,163	–	360,969	(74,950)	6,714,647	–	–
	2019	5,685,488	142,843	176,008	6,004,339	310,699	–	1,097,920	220,013	7,632,971	–	–

1. Cash Bonus (Vested) for 2020 includes a discretionary bonus paid for the successful completion of the sale of the South American businesses.
2. Represents total remuneration paid in the financial year.
3. Dr WB Goodfellow ceased to be a Director on 6 December 2018.
4. Mr E Prado's fixed remuneration and other long-term remuneration includes fees and long service leave amounts paid with respect to the relocation of Mr Prado from Australia to the United States of America during 2019.
5. Mr N Poerksen ceased to be a KMP on 28 February 2020. Upon departure, Mr Poerksen forfeited his equity based compensation, resulting in negative remuneration from the reversal of prior awards.
6. Included in Other long-term remuneration for B Zacharias is the fair value expense for the financial year relating to the Nuseed LTI plan (refer section 2.3c). In FY20, negative income arises as the rights associated with the 2019 grant are no longer expected to vest.

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 2019	Granted as remuneration[e]	Exercised	Forfeited or lapsed[b]	Net change other[d]	**Balance at 31 July 2020[c]**	Vested during 2020	Vested at 31 July 2020[a]	Value at date of forfeiture[b]
Directors										
GA Hunt	LTI performance	278,345	159,456	–	(115,412)	–	322,389	–	–	463,956
	STI deferred	–	–	–	–	–	–	–	–	–
Executives *Current KMP*										
P Binfield[f]	LTI performance	119,132	95,544	–	(49,398)	–	165,278	–	–	198,580
	STI deferred	–	–	–	–	–	–	–	–	–
E Prado	LTI performance	84,794	50,630	–	(35,158)	–	100,266			141,335
	STI deferred	–	–	–	–	–	–	–	–	–
B Zacharias	LTI performance	22,124	–	–	(22,124)	–	–	–	–	88,938
	STI deferred	2,905	–	(2,905)	–	–	–	2,905	–	–
N Poerksen	LTI performance	84,794	48,576	–	(133,370)	–	–	–	–	536,147
	STI deferred	–	–	–	–	–	–	–	–	–
Total	LTI performance	589,189	354,206	–	(355,462)	–	587,933	–	–	1,428,957
	STI deferred	2,905	–	(2,905)	–	–	–	2,905	–	–
Non-KMP Officers										
F Smith	LTI performance	–	36,248	–	–	–	36,248	–	–	–
	STI deferred	–	–	–	–	–	–	–	–	–
Total		**592,094**	**390,454**	**(2,905)**	**(355,462)**	**–**	**624,181**	**2,905**	**–**	**1,428,957**

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

(b) LTIP performance rights forfeited due to a failure to satisfy service or performance conditions during 2020 are disclosed in the column 'Forfeited or lapsed'. 100% of rights due to vest in 2020 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 2020 of $4.02.

(c) 308,479 of total LTIP performance rights held by KMPs are due to vest in the period ending 31 July 2021, with the remaining unvested balance due to vest in the period ending 31 July 2022.

(d) 'Net change other' reflects changes to KMPs during the period.

(e) The number of LTIP performance rights granted as remuneration during FY20 were determined by dividing the KMP's total LTI grant opportunity by $6.21, being the five-day VWAP post the announcement of the group's 2019 annual results.

(f) On 14 September 2020, Mr Binfield announced his resignation from Nufarm. Upon leaving Nufarm, in accordance with the long-term incentive plan rules, Mr Binfield will forfeit all of his LTI rights.

5.3 Shares held in Nufarm Ltd

	Balance at 1 August 2019	Granted as remuneration	On exercise of rights	Net change other	**Balance at 31 July 2020**
Directors					
DG McGauchie	76,761	–	–	–	76,761
GA Hunt	494,663	–	–	149	494,812
AB Brennan	14,156	–	–	–	14,156
GR Davis	71,609	–	–	–	71,609
FA Ford	51,400	–	–	–	51,400
PM Margin	3,480	–	–	–	3,480
ME McDonald	22,327	–	–	–	22,327
T Takasaki	–	–	–	–	–
Executives					
Current KMP					
P Binfield	332,175	–	–	(133,827)	198,348
E Prado	76,345	–	–	(35,874)	40,471
B Zacharias	61,921	–	–	(20,014)	41,907
N Poerksen[(a)]	83,821	–	–	(83,821)	–
Total	**1,288,658**	**–**	**–**	**(273,387)**	**1,015,271**

(a) 'Net change other' for Mr N Poerksen reflects that he has ceased to be a KMP from 28 February 2020.

Shares issued as a result of the exercise of options

There were nil (2019: nil) shares issued as a result of the exercise of options during the year.

Unissued shares under option

There are nil (2019: nil) unissued shares under option. The unissued shares under option have been provided to Nufarm employees as performance rights and the exercise price of such options is nil.

Loans to key management personnel

There were no loans to key management personnel at 31 July 2020 (2019: 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
Director

GA Hunt
Director

Melbourne
23 September 2020

Auditors' Independence Declaration

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 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Chris Sargent

Partner
Melbourne
23 September 2020

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Financial statements for the year ended 31 July 2020

Contents

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 July 2020

	Note	Consolidated 2020 $000	2019* $000 restated
Continuing operations			
Revenue		2,847,375	2,673,572
Cost of sales		(2,112,646)	(1,927,554)
Gross profit		734,729	746,018
Other income	7	5,833	10,443
Sales, marketing and distribution expenses		(486,357)	(441,926)
General and administrative expenses		(446,231)	(195,184)
Research and development expenses		(22,652)	(34,952)
Share of net profits/(losses) of equity accounted investees	19	363	124
Operating profits/(losses)		(214,315)	84,523
Financial income	10	3,405	2,512
Financial expenses excluding foreign exchange gains/(losses)	10	(76,031)	(71,196)
Net foreign exchange gains/(losses)	10	(23,565)	4,954
Net financial expenses		(99,596)	(66,242)
Net financing costs		(96,191)	(63,730)
Profit/(loss) before income tax		(310,506)	20,793
Income tax benefit/(expense)	11	(51,906)	(31,931)
Profit/(loss) for the period from continuing operations		(362,412)	(11,138)
Discontinued operation			
Profit/(loss) from discontinued operation, net of tax	12	(93,667)	49,448
Profit/(loss) for the period		(456,079)	38,310
Attributable to:			
Equity holders of the group		(456,079)	38,310

* Comparative information has been restated due to a discontinued operation (note 12). The group has initially applied AASB 16 at 1 August 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. Refer to note 3(a)(i).

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

	Note	Consolidated 2020 $000	2019* $000 restated
Profit/(loss) for the year from continuing operations		(362,412)	(11,138)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences for foreign operations		(96,656)	69,086
Effective portion of changes in fair value of cash flow hedges		(86)	54
Effective portion of changes in fair value of net investment hedges		6,117	(10,735)
Items that will not be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plans		(8,349)	(7,356)
Income tax on share based payment transactions		167	–
Other comprehensive profit/(loss) for the period, net of income tax from continuing operations		(98,807)	51,049
Total comprehensive profit/(loss) for the year from continuing operations		(461,219)	39,911
Profit/(loss) from discontinued operation, net of tax		(93,667)	49,448
Foreign exchange translation differences for disposal group reclassified to profit/(loss)		417,842	–
Total comprehensive profit/(loss) for the period		(137,044)	89,359
Attributable to:			
Equity holders of the group		(137,044)	89,359
Earnings per share			
Basic earnings/(loss) per share	30	(123.7)	7.4
Diluted earnings/(loss) per share	30	(123.3)	7.3
Earnings per share – Continuing			
Basic earnings/(loss) per share	30	(99.0)	(6.0)
Diluted earnings/(loss) per share	30	(98.7)	(6.0)

* Comparative information has been restated due to a discontinued operation (note 12). The group has initially applied AASB 16 at 1 August 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. Refer to note 3(a)(i).

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

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

Consolidated balance sheet

As at 31 July 2020

	Note	Consolidated 2020 $000	Consolidated 2019* $000 restated
Current assets			
Cash and cash equivalents	15	686,552	505,687
Trade and other receivables	16	982,169	1,378,751
Inventories	17	932,806	1,228,241
Current tax assets	18	15,950	36,320
Preference securities receivable	13	–	97,500
Total current assets		2,617,477	3,246,499
Non-current assets			
Trade and other receivables	16	3,091	101,977
Investments in equity accounted investees	19	2,250	2,010
Other investments	20	389	421
Deferred tax assets	18	133,302	212,997
Property, plant and equipment	22	439,644	393,582
Intangible assets	23	1,339,016	1,726,289
Total non-current assets		1,917,692	2,437,276
TOTAL ASSETS		4,535,169	5,683,775
Current liabilities			
Trade and other payables	24	932,996	1,221,261
Loans and borrowings	25	338,861	494,986
Employee benefits	26	16,038	19,275
Current tax payable	18	12,354	18,971
Provisions	28	37,389	17,216
Total current liabilities		1,337,638	1,771,709
Non-current liabilities			
Payables	24	5,244	11,058
Loans and borrowings	25	788,955	1,257,830
Deferred tax liabilities	18	145,886	133,138
Employee benefits	26	113,823	105,096
Total non-current liabilities		1,053,908	1,507,122
TOTAL LIABILITIES		2,391,546	3,278,831
NET ASSETS		2,143,623	2,404,944
Equity			
Share capital		1,834,934	1,834,594
Reserves		79,805	(249,508)
Retained earnings		(18,048)	475,926
Equity attributable to equity holders of the group		1,896,691	2,061,012
Other securities	29	246,932	343,932
TOTAL EQUITY		2,143,623	2,404,944

* The group has initially applied AASB 16 at 1 August 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. Refer to note 3(a)(i). Additionally comparative information has been restated due to a change in accounting policy described in note 3(a)(ii).

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

Consolidated statement of cash flows

For the year ended 31 July 2020

	Note	Consolidated 2020 $000	2019* $000
Cash flows from operating activities			
Profit/(loss) for the period – after tax		(456,079)	38,310
Adjustments for:			
Tax expense		186,102	42,639
Net finance expense		88,470	107,241
Depreciation & amortisation		208,031	171,708
Asset rationalisation and restructuring	6	50,461	–
Europe Impairment loss	6	188,275	–
Pre tax (profit)/loss on sale of discontinued operations	6	(13,860)	–
Pre tax (profit)/loss on sale of fixed assets		(77)	–
Inventory write down	8	19,051	12,640
Share of (profits)/losses of associates net of tax	19	(363)	(124)
Other		8	(648)
Movements in working capital items:			
(Increase)/decrease in receivables		(93,702)	(194,552)
(Increase)/decrease in inventories		(3,026)	(61,184)
Increase/(decrease) in payables		(61,896)	52,948
Exchange rate change on foreign controlled entities working capital items		(142,086)	73,756
Cash generated from operations		(30,691)	242,734
Interest received		7,721	10,051
Dividends received		–	65
Interest paid		(90,296)	(112,659)
Taxes paid		(118,248)	(42,060)
Net operating cash flows	6	(231,514)	98,131
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		854	2,098
Payments for plant and equipment		(69,811)	(66,966)
Purchase of businesses, net of cash acquired	14	–	–
Purchase of equity investment	19	–	(1,440)
Proceeds from sale of business and investments	12	1,283,641	–
Payments for acquired intangibles and major product development expenditure		(99,092)	(107,672)
Net investing cash flows	6	1,115,592	(173,980)
Cash flows from financing activities			
Share issue proceeds (net of costs)		–	296,008
Preference securities proceeds received net of costs		97,000	–
Preference securities proceeds redeemed		(97,500)	–
Debt establishment transaction costs	25	(1,471)	(2,288)
Proceeds from borrowings	25	1,721,216	1,350,589
Repayment of borrowings	25	(2,351,291)	(1,340,229)
Lease liability payments	25	(21,502)	–
Distribution to other securities holders	29	(17,135)	(15,162)
Dividends paid	29	–	(18,924)
Net financing cash flows	6	(670,683)	269,994
Net increase/(decrease) in cash and cash equivalents		213,395	194,145
Cash at the beginning of the year		505,687	294,343
Exchange rate fluctuations on foreign cash balances		(32,530)	17,199
Cash and cash equivalents at 31 July	15	686,552	505,687

* The group has initially applied AASB 16 at 1 August 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

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

Consolidated statement of changes in equity

For the year ended 31 July 2020

Consolidated	Share capital $000	Translation reserve $000	Capital profit reserve $000	Other reserve $000	Retained earnings $000	Total $000	Other securities $000	Non-controlling interest $000	Total equity $000
	Attributable to equity holders of the group								
Balance at 1 August 2018	1,537,502	(339,388)	33,627	(3,365)	475,591	1,703,967	246,932	–	1,950,899
Profit/(loss) for the year from continuing operations	–	–	–	–	(11,138)	(11,138)	–	–	(11,138)
Profit/(loss) for the year from discontinued operations	–	–	–	–	49,448	49,448	–	–	49,448
Other comprehensive income									
Actuarial gains/(losses) on defined benefit plans	–	–	–	–	(7,356)	(7,356)	–	–	(7,356)
Foreign exchange translation differences	–	69,086	–	–	–	69,086	–	–	69,086
Gains/(losses) on cash flow hedges taken to equity	–	–	–	54	–	54	–	–	54
Gains/(losses) on net investment hedges taken to equity	–	–	–	(10,735)	–	(10,735)	–	–	(10,735)
Income tax on share based payment transactions	–	–	–	–	–	–	–	–	–
Total comprehensive income/(loss) for the period	–	69,086	–	(10,681)	30,954	89,359	–	–	89,359
Transactions with owners, recorded directly in equity									
Employee share award entitlements and share issuances	346	–	–	1,213	–	1,559	–	–	1,559
Dividends paid to shareholders	–	–	–	–	(19,662)	(19,662)	–	–	(19,662)
Dividend Reinvestment Plan	738	–	–	–	–	738	–	–	738
Distributions to Other Security holders	–	–	–	–	(10,957)	(10,957)	–	–	(10,957)
Contributions of equity net of transaction costs	296,008	–	–	–	–	296,008	97,000	–	393,008
Balance at 31 July 2019	1,834,594	(270,302)	33,627	(12,833)	475,926	2,061,012	343,932	–	2,404,944

Consolidated	Share capital $000	Translation reserve $000	Capital profit reserve $000	Other reserve $000	Retained earnings $000	Total $000	Other securities $000	Non-controlling interest $000	Total equity $000
	Attributable to equity holders of the group								
Balance at 1 August 2019	1,834,594	(270,302)	33,627	(12,833)	475,926	2,061,012	343,932	–	2,404,944
Adjustment on initial application of AASB 16 (net of tax)	–	–	–	–	(15,910)	(15,910)	–	–	(15,910)
*** Adjusted balance at 1 August 2019**	1,834,594	(270,302)	33,627	(12,833)	460,016	2,045,102	343,932	–	2,389,034
Profit/(loss) for the year from continuing operations	–	–	–	–	(362,412)	(362,412)	–	–	(362,412)
Profit/(loss) for the year from discontinued operations	–	–	–	–	(93,667)	(93,667)	–	–	(93,667)
Other comprehensive income									
Actuarial gains/(losses) on defined benefit plans	–	–	–	–	(8,349)	(8,349)	–	–	(8,349)
Foreign exchange translation differences for disposal groups	–	417,842	–	–	–	417,842	–	–	417,842
Foreign exchange translation differences	–	(96,656)	–	–	–	(96,656)	–	–	(96,656)
Gains/(losses) on cash flow hedges taken to equity	–	–	–	(86)	–	(86)	–	–	(86)
Gains/(losses) on net investment hedges taken to equity	–	–	–	6,117	–	6,117	–	–	6,117
Income tax on share based payment transactions	–	–	–	167	–	167	–	–	167
Total comprehensive income/(loss) for the period	–	321,186	–	6,198	(464,428)	(137,044)	–	–	(137,044)
Transactions with owners, recorded directly in equity									
Employee share award entitlements and share issuances	340	–	–	1,929	–	2,269	–	–	2,269
Dividends paid to shareholders	–	–	–	–	–	–	–	–	–
Dividend Reinvestment Plan	–	–	–	–	–	–	–	–	–
Distributions to Other Security holders	–	–	–	–	(13,636)	(13,636)	–	–	(13,636)
Preference securities redeemed	–	–	–	–	–	–	(97,000)	–	(97,000)
Balance at 31 July 2020	1,834,934	50,884	33,627	(4,706)	(18,048)	1,896,691	246,932	–	2,143,623

* The group has initially applied AASB 16 at 1 August 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

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

The consolidated 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 2020 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).

Changes to significant accounting policies are described in note 3.

The consolidated financial statements were authorised for issue by the Board of Directors on 23 September 2020.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value, 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 and presentation currency. The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191 and, in accordance with that Instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars 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.

(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 the higher of 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.

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 incorporating assumptions including expected revenues from products, the return on assets, future costs, growth rates and useful lives.

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 measures the expected credit losses (ECLs) using key assumptions to determine a probability weighted basis including the 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.

(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.

(viii) Coronavirus (COVID-19)

The group has carefully considered the effect of the Coronavirus in preparing its financial statements for the year ended 31 July 2020. The group did not identify any material financial effects, including on the application of critical estimates and judgements.

(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 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.

(a) Changes in significant accounting policies

(i) AASB 16 Leases

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. As lessee, the group will recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 August 2019. Accordingly, the comparative information presented has not been restated – i.e. it is presented, as previously reported, under AASB 117 Leases and related interpretations. The following details the change in accounting policy and its impacts.

Definition of a lease

Previously, the group determined at the contract inception whether an arrangement was or contained a lease under Interpretation 4 Determining Whether an Arrangement Contains a Lease. The group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to AASB 16, the group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed. Therefore, the definition of a lease under AASB 16 has been applied only to contracts entered into or changed on or after 1 August 2019.

At inception or on reassessment of a contract that contains a lease component, the group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties, the group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

As a lessee

The group leases many assets including, but not limited to, motor vehicles, plant and equipment, office buildings and land.

As a lessee, the group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the group recognises right-of-use assets and lease liabilities.

However, the group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. IT equipment). The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3 Significant accounting policies continued

The carrying amounts of right-of-use assets, including those previously recognised as finance leases, are as below:

	Land and buildings $000	Plant and machinery $000	Total $000
Balance at 1 August 2019	106,723	26,637	133,360
Balance at 31 July 2020	91,157	19,580	110,737

The group presents lease liabilities in Loans and borrowings in the balance sheet (refer note 25).

Significant accounting policies

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate relevant to the location of the lease. Generally, the group uses incremental borrowing rates as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The group has applied judgement to determine the lease term for some lease contracts in which the group has renewal options. The assessment of whether the group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

Prior to the adoption of AASB 16, leases classified as operating leases under AASB 117 were not capitalised and payments made were recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

At transition, for leases classified as operating leases under AASB 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rates as at 1 August 2019. Right-of-use assets are measured at either:

- their carrying amount as if AASB 16 had applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application (the group applied this approach to its largest land lease); or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments (the group applied this approach to all other leases).

The group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term, except where there is an option and intent to renew or extend.
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The group classified certain leases as finance leases under AASB 117. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 August 2019 were determined at the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date (i.e. 31 July 2019).

Impacts on financial statements

Impacts on transition

On transition to AASB 16, the group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings.

The impact on the consolidated net assets as at 1 August 2019, is summarised below (increase/(decrease)):

	$000
Property, plant and equipment	123,099
Trade and other payables	185
Deferred tax assets	37,856
Payables	6,531
Deferred tax liabilities	(32,549)
Interest bearing loans and borrowings	(151,032)
Retained earnings	15,910

When measuring lease liabilities for leases that were classified as operating leases, the group discounted lease payments using relevant incremental borrowing rates at 1 August 2019. The weighted average rate applied is 4.03%.

	$000
Operating lease commitment at 31 July 2019 as disclosed in the group's consolidated financial statements	241,491
Discounted using the relevant incremental borrowing rate	142,004
Finance lease liabilities recognised as at 31 July 2019	12,852
Recognition exemptions and extension options reasonably certain to be exercised	9,028
Lease liabilities recognised at 1 August 2019	163,884

Impacts for the year

As a result of initially applying AASB 16, in relation to the leases that were previously classified as operating leases, the group has recognised $100.977 million of right-of-use assets and $131.976 million of lease liabilities as at 31 July 2020. At 31 July 2020, the group recognised right-of-use assets of $110.373 million and lease liabilities of $144.996 million.

Also in relation to those leases under AASB 16, the group has recognised depreciation and interest costs, instead of operating lease expenses. During the year ended 31 July 2020, the group recognised $24.054 million of depreciation charges and $5.886 million of interest costs from these leases. Of the amounts recognised, $22.202 million of depreciation charges, and $5.605 million of interest costs were recognised as part of continuing operations.

(ii) Other

AASB Interpretation 23 Uncertainty over Income Tax Treatment

This interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 Income Taxes. The interpretation does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The group has reviewed its internal policies and tax risk frameworks and has determined that adoption of the Interpretation does not have a material impact. The Interpretation had an effective date for the group of 1 August 2019.

IFRIC agenda decision – Lease Term and Useful Life of Leasehold Improvements

In November 2019, the International Financial Reporting Interpretations Committee (IFRIC) issued a final agenda decision, Lease Term and Useful Life of Leasehold Improvements, on how the lease term of a cancellable or renewable lease should be determined for both the lessor and lessee when applying AASB 16 Leases. The decision clarifies that the broader economics and not only the contractual termination payments should be considered in determining lease terms. The group has considered and retrospectively adopted this IFRIC Agenda Decision as at 31 July 2020, which had had an immaterial effect on the group's results.

IFRIC draft agenda decision – Multiple Tax Consequences of Recovering an Asset

In May 2020, the IFRS Interpretations Committee (IFRS IC) published its final agenda decision 'Multiple Tax Consequences of Recovering an Asset (IAS 12 Income taxes)' which considers how an entity accounts for deferred taxes on an asset that has two distinct tax consequences over its life that cannot be offset (taxable economic benefits from use and capital gains on disposal or expiry). The IFRS IC concluded that in these circumstances an entity identifies separate temporary differences (and deferred taxes) that reflect these distinct and separate tax consequences of recovering the asset's carrying amount.

The group's accounting policy had been to consider these two tax consequences of recovering the asset's carrying amount together as they crystallised over the asset's life, irrespective of how the asset was recovered.

As a result of the IFRS IC agenda decision, Nufarm Limited has changed its accounting policy retrospectively, adjusting the deferred tax accounting for affected intangible assets. The effect of the change in accounting policy for the comparative reporting period is an increase in both goodwill and deferred tax liabilities of $7.255 million (refer notes 18 and 23).

Other amendments made to existing standards that are not yet effective are not expected to result in a material effect on the group's financial position or its performance.

(b) 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 recognised 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

(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.

(c) 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.

(d) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Non-derivative financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. With the exception of trade receivables, the group initially measures a financial asset at its fair value plus transaction costs on trade date at which the group becomes a party to the contractual provisions of the instrument. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under AASB 15. Refer to note 3 (l).

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.

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.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Amortised cost
- Fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Fair value through profit or loss

Financial assets at amortised cost

This category is the most relevant to the group. Financial assets are measured at amortised cost if both of the following conditions are met and is not designated as FVTPL:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The group's financial assets at amortised cost includes trade receivables.

Financial assets at fair value through OCI (FVOCI) – debt instruments

The group measures debt instruments at fair value through OCI if both of the following conditions are met and is not designated as FVTPL:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The group does not currently have any financial assets classified as FVOCI.

Financial assets at fair value through OCI (FVOCI) – equity instruments

Upon initial recognition, the group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, gains are recorded in OCI.

The group has elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss (FVTPL)

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. Financial assets with cash flows that are not 'solely payments of principal and interest' (SPPI) are classified and measured at fair value through profit or loss, irrespective of the business model.

In assessing whether the contractual cash flows are SPPI, the group considers the contractual terms of the instrument by considering events, terms and prepayment/extension features that could change the timing or amount of contractual cash flows such that it would not meet this condition.

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.

(ii) Non-derivative financial liabilities

At initial recognition, financial liabilities are classified at FVTPL, loans and borrowings, or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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.

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.

The group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts and trade and other payables.

(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.

(iv) Other securities

Sumitomo preference securities

The Sumitomo Preference Securities (SPS) are classified as non-controlling equity instruments as no voting rights have been attached to the SPS.

After-tax distributions thereon are recognised as distributions within equity. Further details can be found in note 29.

Nufarm step-up 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.

(v) 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 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.

3 Significant accounting policies continued

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 documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the group actually hedges and the quantity of the hedging instrument that the group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

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.

Derivatives that do not qualify or are not designated for hedge accounting

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

(e) 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.

(f) Intangible assets

(i) Goodwill

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

(ii) Research and development

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

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

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

(iii) Intellectual property

Intellectual property consists of product registrations, product access rights, trademarks, task force seats, product distribution rights and product licences acquired from third parties. Intellectual property is assessed as to whether it has a finite or indefinite life. Finite life intellectual property is amortised over its useful life but not longer than 30 years. Intellectual property intangibles acquired by the group are measured at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is expensed when incurred.

(iv) Other intangible assets

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

(v) Subsequent expenditure

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

(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.

(g) Inventories

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

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

(h) Impairment

(i) Non-derivative financial assets

The group recognises an allowance for expected credit losses (ECLs) for all financial assets at amortised cost and debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The group considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the group may also consider a financial asset to be in default when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3 Significant accounting policies continued

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.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recorded in OCI.

(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.

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 comprises 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.

(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. Refer to note 27 for details of the global share plan.

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

The group has a long term incentive plan (LTIP) which is available to key executives and certain selected senior managers. Performance rights have been granted to acquire ordinary shares in the group 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 from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods or services. The group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

(i) Goods sold

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

(ii) Variable consideration

If the consideration in a contract includes a variable amount, the group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of certain products provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The group uses the expected value method, including applying any constraints, to determine variable consideration to which the group will be entitled. For goods that are expected to be returned, instead of revenue, the group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Rebates and sales incentives

The group provides rebates and sales incentives to certain customers once thresholds specified in the contract are met or exceeded. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the group applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

(iii) End point royalties

The group receives royalty revenue from growers for certain varieties of seed. Sales or usage based royalties are recognised as revenue 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.

(iv) Significant financing components

The group may receive short-term advances from its customers. Using the practical expedient in AASB 15, the group does not adjust the promised amount of consideration for the effects of a significant financing component as it is expected, at contract inception, that the period between the transfer of the good and when the customer pays for that good will be one year or less.

(m) 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.

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, 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 or losses 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.

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 group 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.

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) Intangible 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.

(vi) Non-derivative financial liabilities

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

(vii) Share-based payment transactions

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

5 Operating segments

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

Operating segments

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

The crop protection business deals in the manufacture and sale of crop protection products used by farmers to protect crops from damage caused by weeds, pests and disease. It is managed by major geographic segments, being Australia and New Zealand, Asia, Europe and North America. During the year ended 31 July 2020 the majority of the former geographic segment of Latin America was divested, and this segment is classified as a discontinued operation. The remaining Latin American operations (Mexico) are now managed via the North America segment along with the USA and Canada.

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 EBITDA, as defined on following page, as included in the internal management reports that are reviewed by the group's CEO. Underlying EBITDA 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.

	Crop Protection									
2020 Operating Segments	Australia and New Zealand $000	Asia $000	Europe $000	North America $000	Total $000	Seed Technologies Global $000	Non-Operating Corporate $000	Continuing Total $000	Discontinued operation Total $000	Group Total $000
Revenue										
Total segment revenue	562,897	165,947	783,028	1,051,285	2,563,157	198,831	85,387	2,847,375	643,630	3,491,005
Results										
Underlying EBITDA [a]	38,800	30,481	99,255	92,333	260,869	31,471	(56,573)	235,767	58,918	294,685
Depreciation & amortisation excluding material items	(16,281)	(4,563)	(124,169)	(32,608)	(177,621)	(22,203)	(1,588)	(201,412)	(6,619)	(208,031)
Underlying EBIT [a]	**22,519**	**25,918**	**(24,914)**	**59,725**	**83,248**	**9,268**	**(58,161)**	**34,355**	**52,299**	**86,654**
Material items included in operating profit (refer note 6)								(248,670)		
Material items included in net financing costs (refer note 6)								–		
Total material items (refer note 6)								(248,670)		
Net financing costs (excluding material items)								(96,191)		
Profit/(loss) before tax								**(310,506)**		

2019* Operating Segments	Crop Protection Australia and New Zealand $000	Crop Protection Asia $000	Crop Protection Europe $000	Crop Protection North America $000	Crop Protection Total $000	Seed Technologies Global $000	Non-Operating Corporate $000	Continuing Total $000	Discontinued operation Total $000	Group Total $000
Revenue										
Total segment revenue	452,368	190,285	814,845	1,031,935	2,489,433	184,139	–	2,673,572	1,084,018	3,757,590
Results										
Underlying EBITDA [a]	20,685	26,979	163,849	107,602	319,115	38,475	(57,448)	300,142	120,151	420,293
Depreciation & amortisation excluding material items	(12,537)	(3,251)	(107,720)	(25,042)	(148,550)	(14,153)	(2,146)	(164,849)	(6,859)	(171,708)
Underlying EBIT [a]	**8,148**	**23,728**	**56,129**	**82,560**	**170,565**	**24,322**	**(59,594)**	**135,293**	**113,292**	**248,585**
Material items included in operating profit (refer note 6)								(50,770)		
Material items included in net financing costs (refer note 6)								–		
Total material items (refer note 6)								(50,770)		
Net financing costs (excluding material items)								(63,730)		
Profit/(loss) before tax								**20,793**		

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

* Comparative information has been re-presented due to a discontinued operation (see Note 12). The group has initially applied AASB 16 at 1 August 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application.

5 Operating segments continued

2020 Operating Segments	Crop protection: Australia and New Zealand $000	Asia $000	Europe $000	Latin America $000	North America $000	Total $000	Seed Technologies Global $000	Non-Operating Corporate $000	Group Total $000
Assets									
Segment assets	453,977	194,299	1,655,277	–	871,939	3,175,492	532,109	825,318	4,532,919
Equity accounted investments	–	1,701	–	–	–	1,701	549	–	2,250
Total assets	453,977	196,000	1,655,277	–	871,939	3,177,193	532,658	825,318	4,535,169
Liabilities									
Segment liabilities	204,700	234,856	334,628	–	269,610	1,043,794	53,134	1,294,618	2,391,546
Total liabilities	204,700	234,856	334,628	–	269,610	1,043,794	53,134	1,294,618	2,391,546
Other segment information									
Capital expenditure	18,266	1,170	65,802	6,913	29,284	121,435	42,519	–	163,954

2019** Operating Segments (restated)	Crop protection: Australia and New Zealand $000	Asia $000	Europe $000	Latin America $000	North America $000	Total $000	Seed Technologies Global $000	Non-Operating Corporate $000	Group Total $000
Assets									
Segment assets	455,942	105,280	1,876,775	997,737	912,105	4,347,839	493,151	840,775	5,681,765
Equity accounted investments	–	1,559	–	–	–	1,559	451	–	2,010
Total assets	455,942	106,839	1,876,775	997,737	912,105	4,346,575	493,602	840,775	5,683,775
Liabilities									
Segment liabilities	124,353	330,084	346,254	284,393	240,715	1,325,799	52,842	1,900,190	3,278,831
Total liabilities	124,353	330,084	346,254	284,393	240,715	1,325,799	52,842	1,900,190	3,278,831
Other segment information									
Capital expenditure	18,601	1,582	60,499	7,729	57,134	145,545	44,864	–	190,409

** The group has initially applied AASB 16 at 1 August 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. Refer to note 3(a)(i). Additionally comparative information has been restated due to a change in accounting policy described in note 3(a)(ii).

Geographical information – revenue by location of customer	Revenue 2020 $000	Revenue 2019* $000
United States of America	898,486	903,387
Australia	517,681	407,103
Rest of world [b]	1,431,208	1,363,082
Total continuing operations	2,847,375	2,673,572
Brazil – discontinuing	553,332	940,426
Rest of world – discontinuing	90,298	143,592
Total	3,491,005	3,757,590

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

* Comparative information has been re-presented due to a discontinued operation (note 12).

Geographical information – non-current assets by location of asset	Non-current assets 2020 $000	Non-current assets 2019* $000 restated
Germany	539,985	721,971
United States of America	426,203	413,362
United Kingdom	320,848	298,133
Brazil	6,337	281,099
Australia	292,043	280,797
Rest of world [c]	205,311	229,430
Unallocated [d]	126,965	212,484
Total	1,917,692	2,437,276

(c) Other than Germany, Australia, United States of America, Brazil (for year ended 31 July 2019) and the 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.

* Comparative information has been restated due to a change in accounting policy described in note 3(a)(ii).

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	
	2020 $000 pre-tax	2020 $000 after-tax	2019 $000 pre-tax	2019 $000 after-tax
Material items by category:				
Legal costs	(9,934)	(9,934)	(10,517)	(10,517)
Idle plant capacity	–	–	(21,386)	(21,386)
Asset rationalisation and restructuring	(50,461)	(50,461)	(18,867)	(18,867)
Europe impairment loss	(188,275)	(179,941)	–	–
South American business disposal				
– gain/(loss) on disposal	52,324	(77,383)	–	–
– other associated net expenses	(38,464)	(38,464)	–	–
Net tax assets write-off	–	(32,941)	–	–
Total	(234,810)	(389,124)	(50,770)	(50,770)
Material items from continuing operations	(248,670)	(281,807)		
Material items from discontinuing operations	13,860	(107,317)		

2020 Material items

Legal costs

During the year the group has incurred additional legal costs associated with the enforcement of Omega-3 canola trademark and patent matters.

Asset rationalisation and restructuring

A performance improvement program commenced in the ANZ business during the year ended 31 July 2019, and has been extended during 31 July 2020 across the group. This program includes assessing the group's organisational structure and its assets. Asset rationalisation and organisational restructuring costs amounting to $50.461 million mainly relate to the rationalisation of Australian and European manufacturing assets, including the decision to close 2,4-D synthesis in Linz, Austria and Nufarm's insecticide and fungicide facility in Laverton, Australia.

Europe impairment loss

The group completed an assessment of the carrying value of its European assets, following recent operating performance and a moderated outlook of future earnings. The expectation of continuing margin pressure in the European base product portfolio due to higher manufacturing costs and increased competition has been reflected in the carrying value assessment, resulting in the recognition of an impairment charge.

Net tax asset write-off

The group assessed recognised and unrecognised deferred tax assets and determined that specific deferred tax assets recognised in the balance sheet should be derecognised, and that specific unrecognised deferred tax assets should be recognised in the balance sheet, reflecting changing expectations of the geographic distribution of assessable income. The net impact of the assessment is a reduction in the carrying value of the group's deferred tax assets of $32.941 million for continuing and discontinuing operations. This includes a write down in European tax assets of $41.471 million ($24.592 million in July 2020 and $16.879 million in January 2020) impacting continuing operations. Additionally Brazilian tax assets of $8.529 million were recognised in January 2020 impacting discontinued operations.

South American business disposal

On 30 September 2019, the group publicly announced the decision of its Board of Directors to divest its shares in certain entities, that together, comprise the majority of the Latin American crop protection segment and the South American seed treatment business (together known as the South American business).

The sale was successfully completed on 1 April 2020, resulting in a loss on disposal after tax (see note 12).

As at 31 July 2020, other associated net expenses of $38.464 million to effect the disposal have been incurred. Included in this balance are costs of $11.554 million relating to a contract signed as part of the disposal that subsequently became onerous. Additionally there are costs amounting to $8.514 million which were incurred during the period as the group advanced a debt restructuring alongside the sale of the South American business. This initiative was focused on strengthening Nufarm's balance sheet, but was ceased post the announcement of the divestment. The remaining costs include, but are not limited to, advisor fees and other separation costs.

2019 Material Items

Legal costs

During the year ended 31 July 2019, the group has incurred legal costs associated with the enforcement of Omega-3 canola trademark and patent matters.

Idle plant capacity

Drought conditions in Australia have continued through 2019 impacting the ANZ business and has resulted in a reduction to production activity and temporary closure of all formulation lines at the Laverton manufacturing plant giving rise to idle capacity charges.

Asset rationalisation and restructuring

A performance and improvement program has commenced in the ANZ and European businesses across all functions. This includes organisational restructuring and the assessment and closure of certain under-utilised facilities.

Material items are classified by function as follows:

Year ended 31 July 2020 $'000s	Cost of sales	Selling, marketing and distribution expense	General & administrative expense	Net financing costs	Total Pre-tax
Continuing Operations					
Legal costs	–	–	(9,934)	–	(9,934)
Asset rationalisation and restructuring	–	–	(50,461)	–	(50,461)
Europe impairment loss	–	–	(188,275)	–	(188,275)
Total material items	–	–	(248,670)	–	(248,670)
Total material items included in operating profit	–	–	(248,670)	–	(248,670)
Discontinued Operations					
South American business disposal					
– gain/(loss) on disposal	–	–	52,324	–	52,324
– other associated net expenses	–	–	(38,464)	–	(38,464)
Total material items – discontinued operations	–	–	13,860	–	13,860

Year ended 31 July 2019 $'000s	Cost of sales	Selling, marketing and distribution expense	General & administrative expense	Net financing costs	Total Pre-tax
Legal costs	–	–	(10,517)	–	(10,517)
Idle plant capacity	(21,386)	–	–	–	(21,386)
Asset rationalisation and restructuring	–	(2,517)	(16,350)	–	(18,867)
Total material items	(21,386)	(2,517)	(26,867)	–	(50,770)
Total material items included in operating profit	(21,386)	(2,517)	(26,867)	–	(50,770)

Material items impacting cash flows are as follows:

Year ended 31 July 2020	Underlying continuing $000	Material items continuing $000	Discontinued operations $000	Total group $000
Cash flows from operating activities				
Net operating cash flows	216,553	(30,510)	(417,557)	(231,514)
Cash flows from investing activities				
Proceeds from sale of business and investments	–	–	1,283,641	1,283,641
Other investing activities	(161,514)	–	(6,535)	(168,049)
Net investing cash flows	(161,514)	–	1,277,106	1,115,592
Net operating and investing cash flows	55,039	(30,510)	859,549	884,078

Year ended 31 July 2019	Underlying continuing $000	Material items continuing $000	Discontinued operations $000	Total group $000
Cash flows from operating activities				
Net operating cash flows	79,567	(40,318)	58,882	98,131
Cash flows from investing activities				
Proceeds from sale of business and investments	–	–	–	–
Other investing activities	(166,895)	–	(7,085)	(173,980)
Net investing cash flows	(166,895)	–	(7,085)	(173,980)
Net operating and investing cash flows	(87,328)	(40,318)	51,797	(75,849)

7 Other income

	Consolidated	
	2020 $000	2019* $000
Dividend income	–	–
Rental income	48	287
Sundry income	5,785	10,156
Total other income	5,833	10,443

* Comparative information has been re-presented due to a discontinued operation (note 12).

8 Other expenses

The following expenses were included in the period result:

	Consolidated	
	2020 $000	2019* $000
Depreciation and amortisation	(201,412)	(164,849)
Impairment loss [1]	(210,996)	–
Inventory write down	(19,051)	(11,614)

* Comparative information has been re-presented due to a discontinued operation (see Note 12). The group has initially applied AASB 16 at 1 August 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application.

(1) Impairment losses incurred during the year ended 31 July 2020 relate to Europe impairment loss of $188.275 million, and asset rationalisation activities. These expenses are included in material items in note 6.

9 Personnel expenses

	Consolidated 2020 $000	Consolidated 2019* $000 restated
Wages and salaries	(296,824)	(263,901)
Other associated personnel expenses	(50,277)	(48,558)
Contributions to defined contribution superannuation funds	(12,605)	(12,837)
(Expense)/gain related to defined benefit superannuation funds	(3,637)	(4,505)
Short-term employee benefits	(6,399)	(6,297)
Other long-term employee benefits	(1,302)	(3,368)
Restructuring	(12,623)	(8,130)
Personnel expenses	(383,667)	(347,596)

* Comparative information has been re-presented due to a discontinued operation (note 12).

The Restructuring expense relates to the group's asset rationalisation and organisational restructure program.

These expenses are included in material items in note 6.

10 Finance income and expense

	Consolidated 2020 $000	Consolidated 2019* $000 restated
Other financial income	3,405	2,512
Financial income	3,405	2,512
Interest expense – external	(64,190)	(64,928)
Interest expense – debt establishment transaction costs	(4,020)	(4,239)
Lease amortisation – finance charges	(7,821)	(2,029)
Net foreign exchange gains/(losses)	(23,565)	4,954
Financial expenses	(99,596)	(66,242)
Net financing costs	(96,191)	(63,730)

* Comparative information has been re-presented due to a discontinued operation (see Note 12). The group has initially applied AASB 16 at 1 August 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application.

11 Income tax expense

	Consolidated 2020 $000	Consolidated 2019* $000 restated
Recognised in the income statement		
Current tax expense/(benefit)		
Current period	(63,338)	23,314
Tax free income and non-recognition of tax assets on material items	64,758	15,262
Adjustments for prior periods	(3,814)	(4,894)
Current tax expense/(benefit)	(2,394)	33,682
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences and tax losses	(22,354)	(14,834)
Effect of changes in tax rates	236	71
(Recognition)/derecognition of tax assets	34,947	13,012
European tax assets write-down – material items	41,471	–
Deferred tax expense/(benefit)	54,300	(1,751)
Total income tax expense/(benefit) in income statement	51,906	31,931

* Comparative information has been re-presented due to a discontinued operation (note 12).

Numerical reconciliation between tax expense and pre-tax net profit	Consolidated 2020 $000	Consolidated 2019* $000 restated
Profit/(Loss) before tax	(310,506)	20,793
Income tax using the Australian corporate tax rate of 30%	(93,152)	6,238
Increase/(decrease) in income tax expense due to:		
Non-deductible expenses	6,864	6,264
Other taxable income	1,056	3,360
Effect of changes in tax rates	236	71
Initial (recognition)/derecognition of tax assets	34,947	13,012
European tax asset write-down-material items	41,471	–
Tax free income and non-recognition of tax assets on material items	64,758	15,262
Effect of tax rate in foreign jurisdictions	763	(5,021)
Tax exempt income	32	(3)
Tax incentives not recognised in the income statement	(1,255)	(2,358)
	55,720	36,825
Under/(over) provided in prior years	(3,814)	(4,894)
Income tax expense/(benefit)	51,906	31,931

* Comparative information has been re-presented due to a discontinued operation (note 12).

Income tax recognised directly in equity	2020 $000	2019 $000
Nufarm step-up securities distribution	(3,499)	(4,205)
Income tax recognised directly in equity	(3,499)	(4,205)
Income tax recognised in other comprehensive income		
Relating to actuarial gains/(losses) on defined benefit plans	(3,776)	(1,615)
Relating to equity based compensation	(167)	–
Income tax recognised in other comprehensive income	(3,943)	(1,615)

12 Discontinued operation

On 1 April 2020, the group completed the divestment of certain entities that, together, comprise the majority of the Latin American crop protection segment and the South American seed treatment business (together known as the South American business).

Results of discontinued operation – for the year ended 31 July	2020 $000	2019 $000
Revenue	643,630	1,084,018
Cost of sales	(487,538)	(816,755)
Gross profit	156,092	267,263
Net operating expenses	(103,793)	(153,971)
Operating profit/(loss)	52,299	113,292
Net financing costs	(25,631)	(53,136)
Profit/(loss) before tax	26,668	60,156
Income tax benefit/(expense)	(4,488)	(10,708)
Profit/(loss) from operating activities after tax	22,180	49,448
Loss on sale of discontinued operation, net of tax	(115,847)	–
Profit/(loss) from discontinued operation after tax	(93,667)	49,448
Foreign exchange translation differences for disposal group reclassified to profit or loss	417,842	–
Other comprehensive income from discontinued operations	324,175	49,448

	2020	2019
Basic earnings per share (cents)	(24.7)	13.4
Diluted earnings per share (cents)	(24.6)	13.3

The loss for the period from the discontinued operation of $93.667 million was attributable entirely to the equity holders of the group.

Cash flows from (used in) in discontinued operation	2020 $000	2019 $000
Net proceeds used in operating activities	(417,557)	58,882
Net proceeds from investing activities	(6,535)	(7,085)
Net proceeds from sale of business	1,283,641	–
Net cash flow for the period	859,549	51,797

Details of the sale of the discontinued operation	2020 $000
Total consideration received	1,283,641
Carrying amount of net assets sold	(813,475)
Other associated net expenses	(38,464)
Gain on sale before income tax and reclassification of foreign currency translation reserve	431,702
Reclassification of foreign currency reserve	(417,842)
Income tax benefit/(expense)	(129,707)
Loss on sale of discontinued operation after tax	(115,847)

12 Discontinued operation continued

Carrying amount of net assets sold as at the date of sale (1 April 2020)	2020 $000
Trade and other receivables	763,135
Inventories	279,410
Current tax assets	13,503
Property plant and equipment	31,769
Deferred tax assets	57,193
Intangibles	131,986
Other	16
Total assets	1,277,012
Trade and other payables	(443,797)
Current tax liabilities	(1,991)
Provisions	(3,269)
Deferred tax liabilities	(14,480)
Total liabilities	(463,537)
Net assets	813,475

Refer to note 34 for discussion on treatment of Brazilian contingent tax liabilities.

13 Preference securities receivable

	Consolidated	
	2020 $000	2019 $000
Preference securities receivable	–	97,500
Total preference securities receivable	–	97,500

Refer to note 29 for further information on preference securities.

14 Acquisition of businesses and acquisition of non-controlling interests

There were no acquisitions in either the current or prior year.

15 Cash and cash equivalents

	Consolidated	
	2020 $000	2019 $000
Bank balances	675,664	424,274
Call deposits	10,888	81,413
	686,552	505,687
Bank overdraft	–	–
Total cash and cash equivalents	686,552	505,687

16 Trade and other receivables

	Consolidated 2020 $000	Consolidated 2019 $000
Current		
Trade receivables	880,120	1,297,372
Provision for impairment losses	(28,689)	(49,531)
	851,431	1,247,841
Prepayments	36,152	42,163
Derivative financial instruments	3,373	3,829
Other receivables	91,213	84,918
Current receivables	982,169	1,378,751
Non-current		
Trade receivables	–	73,024
Trade finance receivables	–	22,583
Other receivables	3,091	6,370
Non-current receivables	3,091	101,977
Total trade and other receivables	985,260	1,480,728

17 Inventories

	Consolidated 2020 $000	Consolidated 2019 $000
Raw materials	256,646	414,005
Work in progress	16,243	10,442
Finished goods	674,879	816,105
	947,768	1,240,552
Provision for obsolescence of finished goods	(14,962)	(12,311)
Total inventories	932,806	1,228,241

18 Tax assets and liabilities

Current tax assets and liabilities

The current tax asset for the group of $15.950 million (2019: $36.320 million) represents the amount of income taxes recoverable in respect of prior periods and that 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 $12.354 million (2019: $18.971 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	
Consolidated	2020 $000	2019 $000	2020 $000	2019* $000 Restated	2020 $000	2019* $000 Restated
Property, plant and equipment	14,271	13,648	(7,690)	(8,295)	6,581	5,353
Intangible assets	6,540	9,158	(93,528)	(108,521)	(86,988)	(99,363)
Employee benefits	25,056	21,099	–	–	25,056	21,099
Provisions	19,059	24,770	(21,421)	(1,060)	(2,362)	23,710
Other items	28,253	12,450	(23,247)	(15,262)	5,006	(2,812)
Tax value of losses carried forward	40,123	131,872	–	–	40,123	131,872
Net tax assets/(liabilities)	133,302	212,997	(145,886)	(133,138)	(12,584)	79,859

Movement in temporary differences during the year

Consolidated 2020	Balance 2019 $000	Adjustments on initial application of AASB 16 $000	Recognised in income $000	Recognised in equity $000	Currency adjustment $000	Disposal of South America business $000	Balance 2020 $000
Property, plant and equipment	5,353	–	(1,990)	–	390	2,828	6,581
Intangibles assets	(99,363)	–	647	–	3,915	7,813	(86,988)
Employee benefits	21,099	–	(740)	3,776	434	487	25,056
Provisions	23,710	–	(13,299)	–	(1,580)	(11,193)	(2,362)
Other items	(2,812)	5,307	(7,585)	(5,307)	1,475	13,928	5,006
Tax value of losses carried forward	131,872	–	(31,333)	–	(3,840)	(56,576)	40,123
	79,859	5,307	(54,300)	(1,531)	794	(42,713)	(12,584)

Consolidated 2019	Balance 2018* $000 restated	Recognised in income $000	Recognised in equity $000	Currency adjustment $000	Other movement $000	Balance 2019 $000
Property, plant and equipment	8,634	(2,883)	–	(398)	–	5,353
Intangibles assets	(85,098)	(9,208)	–	(5,057)	–	(99,363)
Employee benefits	19,556	2,998	(1,615)	160	–	21,099
Provisions	19,969	2,798	–	943	–	23,710
Other items	(1,216)	(58)	–	(1,538)	–	(2,812)
Tax value of losses carried forward	119,309	8,105	–	4,458	–	131,872
	81,154	1,752	(1,615)	(1,432)	–	79,859

* Comparative information has been restated due to a change in accounting policy described in note 3(a)(ii).

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 2020, a deferred tax liability of $34.534 million (2019: $32.762 million) relating to investments in subsidiaries has not been recognised because the group 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 2020, there are unrecognised deferred tax assets in respect of tax losses and timing differences of $244.786 million (2019: $113.864 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 2020	Ownership and voting interest 2019	Carrying amount 2020 $000	Carrying amount 2019 $000	Share of profit/(loss) 2020 $000	Share of profit/(loss) 2019 $000
Seedtech Pty Ltd [1]	Associate	Australia	31 December	25.00%	25.00%	549	451	98	40
Leshan Nong Fu Trading Co., Ltd [2]	Joint Venture	China	31 December	35.00%	35.00%	1,701	1,559	265	84
						2,250	2,010	363	124

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

(2) Leshan Nong Fu Trading is a joint venture in which the group has joint control and a 35 percent ownership interest. The joint venture is focused on sales and marketing of formulated crop protection products in the Chinese domestic market. It is structured as a separate vehicle. In accordance with the agreement under which Leshan Nong Fu Trading was established, the investors in the joint venture have agreed to make capital contributions in proportion to their ownership interests to make up any losses, if required, or at the latest within 5 years after incorporation, up to a maximum amount of RMB 100 million. This commitment has not been recognised in this consolidated financial report.

20 Other investments

	Consolidated 2020 $000	Consolidated 2019 $000
Non-current investments		
Other investments	389	421
Total non-current investments	389	421

21 Other non-current assets

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

22 Property, plant and equipment

2020	Land and buildings $000	Plant and machinery $000	Capital work in progress $000	Total $000
Cost				
Balance at 1 August 2019	216,252	656,680	79,075	952,007
Recognition of right-of-use asset on initial application of AASB 16	106,722	16,377	–	123,099
Additions	12,121	12,748	39,996	64,865
Disposals and write-offs	(37,447)	(32,277)	(3,969)	(73,693)
Other transfers	35,815	37,238	(73,053)	–
Foreign exchange adjustment	(8,745)	(4,712)	(829)	(14,286)
Balance at 31 July 2020	324,718	686,054	41,220	1,051,992
Accumulated depreciation and impairment losses				
Balance at 1 August 2019	(123,029)	(435,396)	–	(558,425)
Depreciation charge for the year	(23,269)	(41,138)	–	(64,407)
Impairment charge for the year [1]	(2,529)	(20,192)	–	(22,721)
Disposals and write-offs	11,180	18,331	–	29,511
Other transfers	–	–	–	–
Foreign exchange adjustment	2,701	993	–	3,694
Balance at 31 July 2020	(134,946)	(477,402)	–	(612,348)
Net property, plant and equipment at 31 July 2020	189,772	208,652	41,220	439,644

(1) Impairment losses incurred during the year ended 31 July 2020 relate to asset rationalisation activities. These expenses are included in material items in note 6.

22 Property, plant and equipment continued

2019	Consolidated Land and buildings $000	Plant and machinery $000	Leased plant and machinery $000	Capital work in progress $000	Total $000
Cost					
Balance at 1 August 2018	206,234	581,790	12,684	56,942	857,650
Additions	1,740	45,458	461	36,624	84,283
Disposals and write-offs	(1,668)	(11,116)	(132)	(170)	(13,086)
Other transfers	2,794	12,399	288	(15,893)	(412)
Foreign exchange adjustment	7,152	14,700	148	1,572	23,572
Balance at 31 July 2019	216,252	643,231	13,449	79,075	952,007
Accumulated depreciation and impairment losses					
Balance at 1 August 2018	(114,067)	(402,077)	(2,757)	–	(518,901)
Depreciation charge for the year	(5,673)	(31,863)	(442)	–	(37,978)
Disposals and write-offs	573	10,748	101	–	11,422
Other transfers	(14)	471	(45)	–	412
Foreign exchange adjustment	(3,848)	(9,486)	(46)	–	(13,380)
Balance at 31 July 2019	(123,029)	(432,207)	(3,189)	–	(558,425)
Net property, plant and equipment at 31 July 2019	93,223	211,024	10,260	79,075	393,582

23 Intangible assets

	Consolidated					
		Intellectual Property				
2020	Goodwill $000	indefinite life $000	finite life $000	Capitalised development costs $000	Computer software $000	Total $000
Cost						
Balance at 1 August 2019	483,044	1,718	1,208,577	482,099	175,533	2,350,971
Additions	–	43	10,828	73,846	14,375	99,092
Disposals and write-offs	(78,866)	–	(83,621)	(21,110)	(25,905)	(209,502)
Other transfers	–	–	2,619	97	(2,716)	–
Foreign exchange adjustment	(21,619)	6	(15,242)	(873)	(2,303)	(40,031)
Balance at 31 July 2020	382,559	1,767	1,123,161	534,059	158,984	2,200,530
Accumulated amortisation and impairment losses						
Balance at 1 August 2019	(109,275)	(1,718)	(284,054)	(155,004)	(74,631)	(624,682)
Amortisation charge for the year	–	–	(83,583)	(39,308)	(20,733)	(143,624)
Impairment loss	(121,946)	–	(61,983)	(4,346)	–	(188,275)
Disposals and write-offs	46,871	–	14,530	4,353	10,293	76,047
Other transfers	–	–	4,062	(2,266)	(1,796)	–
Foreign exchange adjustment	10,257	(49)	7,146	(162)	1,828	19,020
Balance at 31 July 2020	(174,093)	(1,767)	(403,882)	(196,733)	(85,039)	(861,514)
Intangibles carrying amount at 31 July 2020	208,466	–	719,279	337,326	73,945	1,339,016

(1) Impairment losses incurred during the year ended 31 July 2020 relate to asset rationalisation activities. These expenses are included in material items in note 6.

2019	Goodwill* $000 Restated	Intellectual Property: indefinite life $000	Intellectual Property: finite life $000	Intellectual Property: Capitalised development costs $000	Computer software $000	Total $000
	Consolidated					
Cost						
Balance at 1 August 2018 (restated)	463,577	1,680	1,162,306	388,744	153,537	2,169,844
Additions	–	–	701	86,075	19,350	106,126
Disposals and write-offs	–	–	–	(214)	(1,987)	(2,201)
Other transfers	(1,756)	–	(1,558)	1,559	(3)	(1,758)
Foreign exchange adjustment	21,223	38	47,128	5,935	4,636	78,960
Balance at 31 July 2019	483,044	1,718	1,208,577	482,099	175,533	2,350,971
Accumulated amortisation and impairment losses						
Balance at 1 August 2018	(104,940)	(1,680)	(189,126)	(121,859)	(56,662)	(474,267)
Amortisation charge for the year	–	–	(85,065)	(30,759)	(17,906)	(133,730)
Disposals and write-offs	–	–	17	41	1,926	1,984
Other transfers	1,757	–	546	(499)	(46)	1,758
Foreign exchange adjustment	(6,092)	(38)	(10,426)	(1,928)	(1,943)	(20,427)
Balance at 31 July 2019	(109,275)	(1,718)	(284,054)	(155,004)	(74,631)	(624,682)
Intangibles carrying amount at 31 July 2019	373,769	–	924,523	327,095	100,902	1,726,289

* Comparative information has been restated due to a change in accounting policy described in note 3(a)(ii).

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 $186 million (2019: $220 million), Seed Technologies $376 million (2019: $343 million), Europe $732 million (2019: $953 million) and Australia and New Zealand (ANZ) $28 million (2019: $22 million). The remaining balance of intangibles is spread across multiple CGUs, with no remaining individual CGU intangible balance being more than 5 percent of the total intangibles balance at balance date.

Impairment testing for cash-generating units containing goodwill

For the impairment testing of these assets, the carrying amount of the asset is compared to its recoverable amount at a CGU level. The higher of the following two valuation methods are used by the group when assessing recoverable value.

Valuation method – Value in use

Value in use (VIU) is an estimate of the recoverable amount based on the present value of the future cash flows expected to be derived from a CGU. 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.

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. This fair value is benchmarked using relevant methodologies including the sum of the parts method, comparable market transactions, and company trading multiples. 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).

23 Intangible assets continued

Valuation assumptions

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

2020	Valuation method	Terminal growth rate	Discount rate	Total goodwill $000
North America CGU	VIU	1.9%	8.5%	53,114
Europe CGU [1]	FVLCD	1.7%	9.5% to 11.3%	68,132
ANZ CGU	FVLCD	2.0%	9.8% to 11.3%	–
Seed Technology CGU	VIU	2.6%	13.4%	72,311

2019	Valuation method	Terminal growth rate	Discount rate	Total goodwill restated $000
Material crop protection CGU's (North America, Brazil and Europe)	VIU	2.0% to 4.0%	7.8% to 11.6%	281,720
ANZ CGU	FVLCD	2.0%	11.0% to 12.5%	–
Seed Technology CGU	VIU	3.0%	11.4%	75,995

(1) As at 31 July 2019, the total goodwill assets for the Europe CGU was equal to $186.882 million. The carrying amount of goodwill assets for the Europe CGU was reduced to $68.132 million at 31 July 2020 as a result of impairment.

The terminal growth rate assumed is generally a long term inflation estimate. The discount rate assumed is the group'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 Europe and ANZ CGU (see below), the directors have 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.

Europe CGU

At 31 July 2020 the group used a FVLCD methodology to estimate the recoverable amount of the Europe CGU. The carrying amount of the Europe CGU was determined to be higher than its recoverable amount. An impairment loss of $66.329 million was recognised against the carrying amount of the specific intangible assets and an impairment loss of $121.946 million was recognised against the carrying amount of goodwill included in the Europe CGU.

The impairment losses are included in 'general and administrative expenses' (refer note 6).

Following the impairment loss recognised in the Europe CGU, the recoverable amount was equal to the carrying amount. Any adverse movement in a key assumption (noted above) or projected Europe cash flows, in the absence of other factors, may lead to further impairment.

ANZ CGU

Following the impairment loss recognised in the ANZ CGU during the year ended 31 July 2018, the recoverable amount was equal to the carrying amount. At 31 July 2020, management has determined that the recoverable amount remains equal to the carrying amount. Any adverse movement in a key assumption (noted above) or projected ANZ cash flows, in the absence of other factors, may lead to further impairment.

24 Trade and other payables

	Consolidated 2020 $000	2019 $000
Current payables – unsecured		
Trade creditors and accruals – unsecured	819,742	1,108,267
Derivative financial instruments	17,747	1,182
Cash advances from customers (contract liabilities)	95,507	111,812
Current payables	932,996	1,221,261
Non-current payables – unsecured		
Creditors and accruals	5,244	11,058
Non-current payables	5,244	11,058

25 Interest-bearing loans and borrowings

	Consolidated 2020 $000	2019 $000
Current liabilities		
Bank loans – secured	314,127	385,948
Bank loans – unsecured	8,869	110,868
Deferred debt establishment costs	(2,552)	(3,683)
Lease liabilities*	18,417	511
Other loans – unsecured	–	1,342
Loans and borrowings – current	338,861	494,986
Non-current liabilities		
Bank loans – secured	–	420,969
Bank loans – unsecured	696	63,786
Brazil unsecured notes	–	77,122
Senior unsecured notes	660,548	689,605
Deferred debt establishment costs	(7,697)	(9,374)
Lease liabilities*	126,579	12,341
Other loans – unsecured	8,829	3,381
Loans and borrowings – non-current	788,955	1,257,830
Net cash and cash equivalents	(686,552)	(505,687)
Net debt	441,264	1,247,129

* The group has initially applied AASB 16 at 1 August 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. Refer to note 3(a)(i). Comparative balances represent finance lease liabilities.

25 Interest-bearing loans and borrowings continued

Financing facilities

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

	Accessible* $000	Utilised $000
2020		
Bank loan facilities and senior unsecured notes	1,632,422	984,240
Other facilities	8,829	8,829
Total financing facilities	1,641,251	993,069
2019		
Bank loan facilities and senior unsecured notes	2,519,407	1,748,298
Other facilities	4,723	4,723
Total financing facilities	2,524,130	1,753,021

* Accessible group financing facilities is inclusive of amounts already utilised.

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 2019	494,986	1,257,830	(4,458)	1,748,358
Cash changes				
Proceeds from borrowings (net of costs)	1,295,977	419,598	5,641	1,721,216
Repayment of borrowings	(1,451,632)	(899,659)	–	(2,351,291)
Debt establishment transaction costs	(1,014)	(457)	–	(1,471)
Lease liability payments	(21,502)	–	–	(21,502)
Total cash flows	(178,171)	(480,518)	5,641	(653,048)
Non-cash changes				
Recognition of lease liabilities upon initial application of AASB 16	26,170	124,862	–	151,032
Leases entered into during the year net of leases ceased	2,923	–	–	2,923
Foreign exchange movements	(77,391)	(47,154)	10,713	(113,832)
Transfer	66,065	(66,065)	–	–
Amortisation of debt establishment transaction costs	4,279	–	–	4,279
Total non-cash changes	22,046	11,643	10,713	44,402
Balance at 31 July 2020	338,861	788,955	11,896	1,139,712

(1) Total derivatives balance at 31 July 2020 is a net liability of $14.374 million (31 July 2019: $2.647 million net asset). The difference in carrying value to the table above relates to forward exchange contracts which are excluded from the balances above.

Financing arrangements

Without refinancing, expiry of available debt facilities (excluding finance leases)	Consolidated 2020 $000	Consolidated 2019 $000
Period ending 31 July, 2020	–	498,158
Period ending 31 July, 2021	418,670	185,847
Period ending 31 July, 2022	553,204	1,069,016
Period ending 31 July, 2023 or later	669,377	–

Average interest rates	Consolidated 2020 %	Consolidated 2019 %
Nufarm step-up securities	4.15	5.67
Syndicated bank facility	n/a	2.03
Group securitisation program facility	1.31	2.94
Other bank loans	3.42	4.43
Lease liabilities	5.14	13.73
Brazil unsecured notes	n/a	9.20
Senior unsecured notes	5.75	5.75

Average interest rates are calculated using the weighted average of the interest rates for the drawn balances under each facility as at 31 July 2020.

26 Employee benefits

	Consolidated 2020 $000	Consolidated 2019 $000
Current		
Liability for short-term employee benefits	13,419	16,684
Liability for current portion of other long-term employee benefits	2,619	2,591
Current employee benefits	16,038	19,275
Non-current		
Defined benefit fund obligations		
Present value of unfunded obligations	10,297	9,337
Present value of funded obligations	206,406	188,948
Fair value of fund assets – funded	(117,823)	(109,567)
Recognised liability for defined benefit fund obligations	98,880	88,718
Liability for non-current portion of other long-term employee benefits	14,943	16,378
Non-current employee benefits	113,823	105,096
Total employee benefits	129,861	124,371

During the year ended 31 July 2020 the group made contributions to defined benefit pension funds in the United Kingdom, France, Indonesia and Germany 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 2020 $000	Consolidated 2019 $000
Opening defined benefit obligation	198,285	180,676
Service cost	1,639	695
Interest cost	4,478	5,100
Actuarial losses/(gains)	14,191	15,191
Past service cost	–	–
Losses/(gains) on curtailment	–	–
Plan amendments	(30)	1,523
Contributions	–	–
Benefits paid	(6,913)	(6,287)
Exchange adjustment	5,053	1,387
Closing defined benefit obligation	216,703	198,285

Changes in the fair value of fund assets are as follows:	2020 $000	2019 $000
Opening fair value of fund assets	109,567	100,115
Interest income	2,450	2,813
Actuarial gains/(losses) – return on plan assets excluding interest income	2,469	6,346
Surplus taken to retained earnings	–	–
Assets distributed on settlement	–	–
Contributions by employer	7,002	5,286
Distributions	(6,713)	(5,730)
Exchange adjustment	3,048	737
Closing fair value of fund assets	117,823	109,567

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 2020 $000	Consolidated 2019 $000
Current service costs	1,639	695
Interest on obligation	4,478	5,100
Interest income	(2,450)	(2,813)
Losses/(gains) on curtailment	–	–
Plan amendments	(30)	1,523
Past service cost/(gain)	–	–
Expense recognised in profit or loss	3,637	4,505
The expense is recognised in the following line items in the income statement:		
Cost of sales	1,554	1,769
Sales, marketing and distribution expenses	1,403	1,972
General and administrative expenses	530	180
Research and development expenses	150	584
Expense recognised in profit or loss	3,637	4,505

Actuarial gains/(losses) recognised in other comprehensive income (net of tax)	2020 $000	2019 $000
Cumulative amount at 1 August	(76,423)	(69,067)
Recognised during the period	(8,349)	(7,356)
Cumulative amount at 31 July	(84,772)	(76,423)

The major categories of fund assets as a percentage of total fund assets are as follows:

	Consolidated	
	2020 %	2019 %
Equities	64.8%	71.8%
Bonds	26.7%	25.2%
Property	1.2%	1.6%
Cash	1.6%	1.4%
Other	5.7%	0.0%
Principal actuarial assumptions at the reporting date (expressed as weighted averages):		
Discount rate at 31 July	1.6%	2.2%
Future salary increases	2.5%	2.2%
Future pension increases	2.1%	2.6%

The group expects to pay $8.318 million in contributions to defined benefit plans during the 12 months ending 31 July 2021 (12 months ending 31 July 2020: $5.177 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 2020 there were 7 participants (2019: 13 participants) in the scheme and 48,137 shares (2019: 72,181) 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 group 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.

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 group 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 group 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 group 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 2020 there were 471 participants (2019: 519 participants) in the scheme and 1,702,886 shares (2019: 1,833,858) 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 group.

27 Share-based payments continued

Employee expenses	2020 $000	2019 $000
Total expense arising from share-based payment transactions	2,269	1,559

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 LTI 2020 Performance rights	Nufarm STI 2019 Deferred shares	Nufarm LTI 2019 Performance rights Nov 2017
Weighted average fair value at grant date	$4.48	$6.07	$4.94
Share price at grant date	$5.03	$6.07	$7.25
Grant date	1 Aug 2019	1 Oct 2018	1 Aug 2018
Earliest vesting date	31 Jul 2021	31 Jul 2020	31 Jul 2021
Exercise price	–	–	–
Expected life	3.0 years	1 year	3.0 years
Volatility	30%	n/a	28%
Risk free interest rate	0.85%	n/a	2.1%
Dividend yield	1.0%	n/a	2.0%

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

Reconciliation of outstanding share awards	Nufarm LTI number of performance rights 2020	Nufarm STI number of deferred shares 2020	Nufarm LTI number of performance rights 2019	Nufarm STI number of deferred shares 2019
Outstanding at 1 August	970,640	19,294	672,683	529,572
Forfeited during the year	(465,118)	–	(302,091)	(11,751)
Exercised during the year	–	(19,294)	–	(517,821)
Expired during the year	–	–	–	–
Granted during the year	637,650	–	600,048	19,294
Outstanding at 31 July	1,143,172	–	970,640	19,294
Exercisable at 31 July	–	–	–	–

The performance rights outstanding at 31 July 2020 have a $nil exercise price (2019: $nil) and a weighted average contractual life of 3 years (2019: 3 years). All performance rights granted to date have a $nil exercise price.

28 Provisions

Current	Consolidated 2020 $000	2019 $000
Restructuring	28,278	15,857
Other	9,111	1,359
Current provisions	37,389	17,216

Movement in provisions	Consolidated Restructuring $000	Other provisions $000	Total $000
Balance at 1 August 2019	15,857	1,359	17,216
Provisions made during the year	25,678	11,544	37,222
Provisions reversed during the year	(445)	(1,397)	(1,842)
Provisions used during the year	(13,058)	(2,459)	(15,517)
Exchange adjustment	246	64	310
Balance at 31 July 2020	28,278	9,111	37,389

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

29 Capital and reserves

Share capital	Group Number of ordinary shares 2020	Number of ordinary shares 2019
Balance at 1 August	379,639,334	327,704,975
Issue of shares	55,372	51,934,359
Balance at 31 July	379,694,706	379,639,334

The group 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.

On 26 September 2018, the group announced it was undertaking a pro-rata entitlement offer to raise $303.000 million of share capital to repay existing debt facilities. On 8 October 2018, 40,272,313 shares at $5.8500 were issued under the institutional offer and on 25 October 2018, 11,475,463 shares at $5.8500 were issued under the retail offer.

On 2 November 2018, 126,056 shares at $5.8565 were issued under the dividend reinvestment program. On 8 January 2019, 60,527 shares at $5.7269 were issued under the global share plan.

On 16 January 2020, 55,372 shares at $6.1459 were issued under the Global Share Plan.

29 Capital and reserves continued

Other securities

Sumitomo preference securities

On 31 July 2019, the group undertook the placement of $97.5 million of preference securities to existing shareholder and strategic business partner, Sumitomo Chemical Company Limited (Sumitomo), through a wholly owned subsidiary (Nufarm Investment Pty Ltd), known as the Sumitomo Preference Securities (SPS). As at 31 July 2019 $0.5 million of costs were incurred in relation to the placement.

On 1 April 2020 the group re-purchased the SPS.

Distributions on the SPS were at the discretion of the directors and were fixed rate, unfranked, cumulative and subordinated. In the event that Nufarm Investment Pty Ltd did not pay the distribution on the SPS, Nufarm could not declare a dividend payment in respect of its ordinary shares or declare a distribution on the Nufarm step-up securities until all undeclared SPS distributions were declared and paid. The SPS distributions were declared and paid to Sumitomo quarterly and pro-rata per the re-purchase date, at a fixed rate of 6%.

Nufarm step-up securities

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

Distributions on the NSS are at the discretion of the directors and are floating rate, unfranked, non-cumulative and subordinated. However, distributions of profits and capital by Nufarm Limited are curtailed if distributions to NSS holders are not made, until such time that Nufarm Finance (NZ) Limited makes up the arrears.

The first distribution date for the NSS was 16 April 2007 and on a six-monthly basis after this date. The floating rate is the average mid-rate for bills with a term of six months plus a margin of 3.9% (2019: 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 includes the accrued employee entitlements to share awards that have been charged to the income statement and have not yet been exercised.

Also included in this reserve are the accumulative effective portion of changes in the fair value of financial instruments that have been designated as either cash flow hedges or net investment hedges.

Dividends

No interim dividend was declared for Jan 2020 (2019: nil).

No final dividend was declared for Jul 2020 (2019: nil).

Distributions

Nufarm Step-up Securities

The following distributions were paid by Nufarm Finance (NZ) Ltd:

	Consolidated		
2020	**Distribution rate**	**Total amount $000**	**Payment date**
Distribution	4.85%	6,102	15 Apr 2020
Distribution	5.67%	7,138	15 Oct 2019
		13,240	

	Consolidated		
2019	Distribution rate	Total amount $000	Payment date
Distribution	6.00%	7,511	15 Apr 2019
Distribution	6.08%	7,651	15 Oct 2018
		15,162	

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 $9.741 million (2019: $10.957 million).

Sumitomo preference securities

The following distributions were paid by Nufarm Investment Pty Ltd:

	Consolidated		
2020	Distribution rate	Total amount $000	Payment date
Distribution	6.00%	1,458	31 Oct 2019
Distribution	6.00%	1,475	31 Jan 2020
Distribution	6.00%	962	1 Apr 2020
		3,895	

Franking credit balance	2020 $000	2019 $000
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the year at 30% (2019: 30%)	–	–
Franking credits that will arise from the payment of income tax payable as at the end of the year	–	–
Credit 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 of $nil (2019: $nil) franking credits.

30 Earnings per share

	Consolidated	
	2020 $000	2019* $000 restated
Net profit/(loss) for the year from continuing operations	(456,079)	38,310
Net profit/(loss) attributable to non-controlling interest	–	–
Net profit/(loss) attributable to equity holders of the group	(456,079)	38,310
Other securities distributions (net of tax)	(13,636)	(10,957)
Earnings/(loss) used in the calculations of basic and diluted earnings per share	(469,715)	27,353
Net profit/(loss) for the year from discontinued operations, net of tax	(93,667)	49,448
Earnings/(loss) used in the calculations of basic and diluted earnings per share from continuing operations	(376,048)	(22,095)
Subtract/(add back) items of material income/(expense) from continuing operations (refer note 6)	(281,807)	(50,770)
Earnings/(loss) excluding items of material income/(expense) used in the calculation of underlying earnings per share from continuing operations	(94,241)	28,675

* Comparative information has been re-presented due to a discontinued operation (note 12).

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

	Number of shares	
	2020	2019
Weighted average number of ordinary shares used in calculation of basic earnings per share	379,669,138	369,231,803
Weighted average number of ordinary shares used in calculation of diluted earnings per share	381,066,560	370,502,520

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.

30 Earnings per share continued

	Cents per share 2020	Cents per share 2019* restated
Earnings per share for continuing and discontinued operations		
Basic earnings per share		
From continuing operations	(99.0)	(6.0)
From discontinuing operations	(24.7)	13.4
	(123.7)	7.4
Diluted earnings per share		
From continuing operations	(98.7)	(6.0)
From discontinuing operations	(24.6)	13.3
	(123.3)	7.3
Underlying earnings per share (excluding items of material income/expense – see note 6) from continuing operations		
Basic earnings per share	(24.8)	7.8
Diluted earnings per share	(24.7)	7.7

* Comparative information has been re-presented due to a discontinued operation (note 12).

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 group 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.

Credit risk

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

Exposure to credit risk

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

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

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

Carrying amount	Consolidated 2020 $000	2019 $000
Trade and other receivables	981,887	1,476,899
Preference securities receivable	–	97,500
Cash and cash equivalent assets	686,552	505,687
Derivative contracts:		
Assets	3,373	3,829
	1,671,812	2,083,915

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

Carrying amount	Consolidated 2020 $000	2019 $000
Australia/New Zealand	128,510	83,261
Asia	140,747	57,121
Europe	444,972	497,484
North America	247,316	246,476
South America	20,342	592,557
Trade and other receivables	981,887	1,476,899

The group's top five customers account for $275.287 million of the trade receivables carrying amount at 31 July 2020 (2019: $152.812 million). These top five customers represent 31 per cent (2019: 11 per cent) of the total receivables.

Impairment losses

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

Receivables ageing	Consolidated 2020 $000	2019 $000
Current	759,411	1,146,435
Past due – 0 to 90 days	72,909	119,606
Past due – 90 to 180 days	11,332	31,846
Past due – 180 to 360 days	12,119	15,610
Past due – more than one year	24,349	56,899
	880,120	1,370,396
Provision for impairment	(28,689)	(49,531)
Trade receivables	851,431	1,320,865

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.

31 Financial risk management and financial instruments continued

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

	Consolidated	
	2020 $000	2019 $000
Balance at 1 August	49,531	52,960
Sale of South American business	(23,380)	–
Provisions made during the year	10,568	6,830
Provisions used during the year	(4,627)	(13,044)
Exchange adjustment	(3,403)	2,785
Balance at 31 July	28,689	49,531

Expected credit loss assessment for individual customers

The group uses an allowance matrix to measure the expected credit lose (ECL) of trade receivables from individual customers, which comprise of a large number of customers with small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write off. Roll rates are calculated separately for exposures in different segments and countries.

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.

Principally, 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.

Debt facilities

As at 31 July 2020, 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 2019: US$475 million), and a senior secured bank facility of $555 million (31 July 2019: $665 million).

On 26 April 2018 the group completed the refinancing of the US$325 million senior unsecured notes due in October 2019. The 2019 notes were redeemed from investors in May 2018 through the issuance of US$475 million 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).

Upon completion of the sale of the South American business, the group's senior secured bank facility (SFA) reduced to $555 million (31 July 2019: $665 million). $85 million and $470 million expires in January 2021 and January 2022 respectively (31 July 2019: $50 million expires in August 2019, $125 million expires in January 2021 and $490 million expires in January 2022). 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 was undrawn at 31 July 2020 (31 July 2019: $459.904 million).

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 group. 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 $500 million for three months of the financial year, $400 million for one month of the financial year, $350 million for four months of the financial year, $300 million for two months of the financial year and $250 million for two months of the financial year (31 July 2019: facility limit is set to $500 million for three months of the financial year, $400 million for one month of the financial year, $350 million for four months of the financial year, $300 million for two months of the financial year and $250 million for two 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 Europe, which at 31 July 2020 totalled $128.512 million (2019: $814.802 million). The year on year reduction in regional working capital facilities was attributable to the sale of the South American crop protection business.

At 31 July 2020, the group had access to debt of $1,632 million (2019: $2,519 million) under the notes, SFA, group trade receivables securitisation facility and with other lenders.

A parent guarantee is provided to support working capital facilities in Europe 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 $143.128 million at 31 July 2020 (2019: $293.810 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 2020 the group estimates $8.286 million (2019: $91.387 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.

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

Consolidated 2020	Carrying amount $000	Contractual cash flows $000	Less than 1 year $000	1-2 years $000	More than 2 years $000
Non-derivative financial liabilities					
Trade and other payables	920,493	920,493	915,249	161	5,083
Bank loans – secured	314,127	318,254	318,254	–	–
Bank loans – unsecured	9,565	10,471	9,731	740	–
Senior unsecured notes	660,548	878,968	37,982	37,982	803,004
Other loans – unsecured	8,829	8,829	–	–	8,829
Lease liabilities – secured	144,996	303,925	22,297	16,615	265,013
Derivative financial liabilities					
Derivatives used for hedging:					
Outflow	–	–	–	–	–
Inflow	–	–	–	–	–
Other derivative contracts:					
Outflow	17,747	1,484,685	1,484,685	–	–
Inflow	–	(1,465,158)	(1,465,158)	–	–
Derivative financial assets					
Derivatives used for hedging:					
Outflow	–	–	–	–	–
Inflow	–	–	–	–	–
Other derivative contracts:					
Outflow	–	329,347	329,347	–	–
Inflow	(3,373)	(334,471)	(334,471)	–	–
	2,072,932	2,455,343	1,317,916	55,498	1,081,929

Consolidated 2019	Carrying amount $000	Contractual cash flows $000	Less than 1 year $000	1-2 years $000	More than 2 years $000
Non-derivative financial liabilities					
Bank overdrafts	–	–	–	–	–
Trade and other payables	1,231,137	1,231,137	1,220,079	19	11,039
Bank loans – secured	806,917	836,090	405,081	7,185	423,824
Bank loans – unsecured	174,654	189,310	120,397	10,094	58,819
Brazil unsecured notes	77,122	91,234	7,095	84,139	–
Senior unsecured notes	689,605	967,170	39,652	39,652	887,866
Other loans – unsecured	4,723	4,723	1,342	3,381	–
Lease liabilities – secured	12,852	93,638	1,628	1,906	90,104
Derivative financial liabilities					
Derivatives used for hedging:					
Outflow	–	–	–	–	–
Inflow	–	–	–	–	–
Other derivative contracts:					
Outflow	1,182	460,120	460,120	–	–
Inflow	–	(456,546)	(456,546)	–	–
Derivative financial assets					
Derivatives used for hedging:					
Outflow	–	–	–	–	–
Inflow	–	–	–	–	–
Other derivative contracts:					
Outflow	–	649,811	649,811	–	–
Inflow	(3,829)	(657,546)	(657,546)	–	–
	2,994,363	3,409,141	1,791,113	146,376	1,471,652

31 Financial risk management and financial instruments continued

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

Market risk

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

Currency risk

The group uses 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, and the New Zealand Dollar. 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.

On 26 April 2018 the group completed the refinancing of the US$325m senior unsecured notes due in October 2019. 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 2020 was a $14.374 million liability (2019: $2.647 million liability) comprising assets of $3.373 million (2019: $3.829 million) and liabilities of $17.747 million (2019: $1.182 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 2020	**AUD $000**	**USD $000**	**Euro $000**	**GBP $000***
Functional currency of group operation				
Australian dollars	–	(2,622)	(6,439)	(5,060)
US dollars	2,463	–	(110)	(21)
Euro	(494)	23,822	–	6,255
British pound	(268)	23,937	24,132	–
	1,701	45,137	17,583	1,174

	Net financial assets/(liabilities) – by currency of denomination			
Consolidated 2019	AUD $000	USD $000	Euro $000	GBP $000*
Functional currency of group operation				
Australian dollars	–	12,235	9,006	(419)
US dollars	2,467	–	(187)	(23)
Euro	(1,358)	6,658	–	4,727
British pound	(268)	7,905	7,754	–
Brazilian real	–	(22,964)	–	–
	841	3,834	16,573	4,285

Sensitivity analysis

Based on the aforementioned group's net financial assets/(liabilities) at 31 July 2020, a 1 percent strengthening or weakening of the following currencies at 31 July 2020 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 2019.

	Strengthening	Weakening	Strengthening	Weakening
Currency movement	Profit or (loss) after tax 2020 $000	Profit or (loss) after tax 2020 $000	Profit or (loss) after tax 2019 $000	Profit or (loss) after tax 2019 $000
1% change in the Australian dollar exchange rate	110	(111)	(138)	140
1% change in the US dollar exchange rate	300	(297)	172	(170)
1% change in the Euro exchange rate	(84)	83	46	(45)
1% change in the GBP exchange rate	(326)	323	(78)	77
1% change in the BRL exchange rate	–	–	161	(159)

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	2020	2019	2020	2019
US Dollar	0.670	0.715	0.719	0.689
Euro	0.605	0.627	0.606	0.619
GBP	0.531	0.553	0.548	0.564
BRL	3.036	2.761	3.707	2.593

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 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$555 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% (2019: 3.90%).

31 Financial risk management and financial instruments continued

Profile

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

	Consolidated Carrying amount	
	2020 $000	2019 $000
Variable rate instruments		
Financial assets	10,888	81,413
Financial liabilities	(477,517)	(1,065,803)
	(466,629)	(1,065,556)
Fixed rate instruments		
Financial assets	–	–
Financial liabilities	(660,548)	(700,070)
	(660,548)	(700,070)

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 2020. 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 2019.

	Profit or loss	
2020	**100bp increase $000**	**100bp decrease $000**
Variable rate instruments	(4,666)	4,666
Total sensitivity	(4,666)	4,666

	Profit or loss	
2019	100bp increase $000	100bp decrease $000
Variable rate instruments	(10,656)	10,656
Total sensitivity	(10,656)	10,656

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 $660.548 million (2019: $700.070 million), the fair value at 31 July 2020 is $662.199 million (2019: $663.238 million).

Consolidated 2020	Note	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	–	–	686,552	686,552
Trade and other receivables excluding derivatives	16	–	–	985,260	985,260
Forward exchange contracts:					
Assets	16	3,373	–	–	3,373
Liabilities	24	(17,747)	–	–	(17,747)
Interest Rate Swaps:					
Assets	16	–	–	–	–
Liabilities	24	–	–	–	–
Trade and other payables excluding derivatives	24	–	–	(920,493)	(920,493)
Bank overdraft	15	–	–	–	–
Secured bank loans	25	–	–	(314,127)	(314,127)
Unsecured bank loans	25	–	–	(9,565)	(9,565)
Brazil unsecured notes	25	–	–	–	–
Senior unsecured notes	25	–	–	(660,548)	(660,548)
Other loans	25	–	–	(8,829)	(8,829)
Lease liabilities	25	–	–	(144,996)	(144,996)
		(14,374)	–	(386,746)	(401,120)

Consolidated 2019	Note	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	–	–	505,687	505,687
Trade and other receivables excluding derivatives	16	–	–	1,476,899	1,476,899
Forward exchange contracts:					
Assets	16	3,493	–	–	3,493
Liabilities	24	(1,182)	–	–	(1,182)
Interest Rate Swaps:					
Assets	16	336	–	–	336
Liabilities	24	–	–	–	–
Trade and other payables excluding derivatives	24	–	–	(1,231,137)	(1,231,137)
Bank overdraft	15	–	–	247	247
Secured bank loans	25	–	–	(806,917)	(806,917)
Unsecured bank loans	25	–	–	(174,654)	(174,654)
Brazil unsecured notes	25	–	–	(77,122)	(77,122)
Senior unsecured notes	25	–	–	(689,605)	(689,605)
Other loans	25	–	–	(4,723)	(4,723)
Lease liabilities	25	–	–	(12,852)	(12,852)
		2,647	–	(1,014,177)	(1,011,530)

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			
2020	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Derivative financial assets	–	3,373	–	3,373
	–	3,373	–	3,373
Derivative financial liabilities	–	(17,747)	–	(17,747)
	–	(17,747)	–	(17,747)

	Consolidated			
2019	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Derivative financial assets	–	3,829	–	3,829
	–	3,829	–	3,829
Derivative financial liabilities	–	(1,182)	–	(1,182)
	–	(1,182)	–	(1,182)

There have been no transfers between levels in either 2020 or 2019.

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 for the year ended 31 July 2020 was 1.2 per cent (2019: 4.6 per cent).

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

32 Leases

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.

The group also leases IT equipment which have short term contracts and/or are low value items. The group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Right-of-use assets

Right-of-use assets included in property, plant and equipment (see Note 22) are as follows:

	Land and buildings $000	Plant and machinery $000	Total $000
Balance at 1 August 2019	–	10,260	10,260
Recognition on initial application of AASB 16	106,722	16,377	123,099
Additions to right-of-use assets	11,456	2,225	13,681
Depreciation charge for the year	(17,216)	(7,307)	(24,523)
Disposals and write-offs	(9,175)	(1,725)	(10,900)
Foreign exchange adjustment	(630)	(250)	(880)
Balance at 31 July 2020	91,157	19,580	110,737

Amounts recognised in profit or loss	2020 $000
Depreciation on right of use assets	24,523
Interest on lease liabilities	7,821
Expenses relating to short-term leases	1,227
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	48

Amounts recognised in statement of cash flows	
Operating cashflows	
Lease liability interest payments	7,821
Short-term and low-value lease payments	1,275
Financing cashflows	
Lease liability principal payments	21,502

	Consolidated
Non-cancellable lease rentals are payable as follows:	2019 $000
Not later than one year	27,218
Later than one year but not later than two years	22,269
Later than two years but not later than five years	33,875
Later than five years	158,129
	241,491

33 Capital commitments

The group had contractual obligations to purchase plant and equipment for $6.413 million at 31 July 2020 (2019: $22.064 million).

The group has agreed to make capital contributions in proportion to its interest in the Leshan Nong Fu Trading Co., Ltd joint venture to make up any losses if required or at the latest within five years after incorporation, up to a maximum of RMB 100 million. Also refer to Note 19.

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	
	2020 $000	2019 $000
Environmental guarantee given to the purchaser of land and buildings at Genneviliers for EUR 8.5 million	14,050	13,732
Insurance bond for EUR 2.789 million established to make certain capital expenditures at Gaillon plant in France	–	4,506
Brazilian taxation proceedings	11,041	20,546
Brazilian taxation proceedings – hedge costs deductibility	–	8,537
Brazilian taxation proceedings – goodwill deductibility	–	29,615
Other bank guarantees	182	221
Contingent liabilities	25,273	77,157

Obligations may arise in the future due to currently unknown lawsuits and claims including those pertaining to product liability, safety and health, environmental and tax matters which may be instituted or asserted against the group. While the amounts claimed may be substantial, the ultimate liability cannot now be determined because of the considerable uncertainties that existed at balance date. Nonetheless, it is possible that results of Nufarm's operations or liquidity in a particular period could be materially affected by such claims.

Brazilian taxation proceedings

Following the sale of the Brazilian business to Sumitomo, Nufarm retains a contingent liability in respect of certain pre-sale tax assessments that are being challenged and other potential tax liabilities.

As at 31 July 2020, the total contingent liability relating to future potential tax liabilities in Brazil is $11.041 million (2019: $20.546 million). The group considers that it is not probable that a liability will arise in respect of these 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).

Under the terms of the sale of the Brazilian business to Sumitomo, Nufarm has been released from any further rights or obligations in respect of this matter (2019: $29.615million).

Brazilian taxation proceedings – hedge costs deductibility

The Brazilian tax authorities challenged the deductibility of hedge costs incurred in 2008. Under the terms of the sale of the Brazilian business to Sumitomo, this case has ultimately been settled. Nufarm's contribution to the settlement is $0.947m and the group has no further obligations in respect of this matter (2019: $8.537 million).

35 Group entities

	Notes	Place of incorporation	Percentage of shares held 2020	2019
Company				
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
Agtrol International SE DE CV		Mexico	100	100
Ag-seed Research Pty Ltd	(a)	Australia	100	100

Subsidiaries (continued)	Notes	Place of incorporation	Percentage of shares held 2020	2019
Ag-turf SA DE CV		Mexico	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	100
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
COCRF Investor 177, LLC		USA	–	–
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
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
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 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
Muni Strategies Sub-CDE 29, LLC		USA	–	–
NF Agriculture Inc		USA	100	100
Nufarm Africa SARL AU		Morocco	100	100
Nufarm Agriculture (Pty) Ltd		South Africa	100	100
Nufarm Agriculture Inc		Canada	100	100
Nufarm Agriculture Zimbabwe (Pvt) Ltd		Zimbabwe	100	100
Nufarm Americas Holding Company		USA	100	100
Nufarm Americas Inc		USA	100	100
Nufarm Asia Sdn Bhd		Malaysia	100	100
Nufarm Australia Limited	(a)	Australia	100	100
Nufarm Bulgaria		Bulgaria	–	100
Nufarm BV		Netherlands	100	100

35 Group entities continued

Subsidiaries (continued)	Notes	Place of incorporation	Percentage of shares held 2020	2019
Nufarm Canada Receivables Partnership		Canada	100	100
Nufarm Chemical (Shanghai) Co Ltd		China	100	100
Nufarm Chile Limitada	(b)	Chile	–	100
Nufarm Colombia S.A.	(b)	Colombia	–	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 Inc		USA	100	100
Nufarm Finance Pty Ltd		Australia	100	100
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	(b)	Brazil	–	100
Nufarm Insurance Pte Ltd		Singapore	100	100
Nufarm Investments Cooperatie WA		Netherlands	100	100
Nufarm Investments Pty Ltd		Australia	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 Middle East Operations		Egypt	100	100
Nufarm NZ Limited		New Zealand	100	100
Nufarm Paraguay SA		Paraguay	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		Poland	100	100
Nufarm Portugal LDA		Portugal	100	100
Nufarm Romania SRL		Romania	100	100

Subsidiaries (continued)	Notes	Place of incorporation	Percentage of shares held 2020	2019
Nufarm s.a.s		France	100	100
Nufarm SA	(b)	Argentina	–	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		Turkey	100	100
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	100
Nuseed Europe Holding Company Ltd		United Kingdom	100	100
Nuseed Europe Ltd		United Kingdom	100	100
Nuseed Global Holdings Pty Ltd	(a)	Australia	100	100
Nuseed Global Innovation		United Kingdom	100	100
Nuseed Global Management USA Inc		USA	100	–
Nuseed Holding Company		USA	100	100
Nuseed International Holdings Pty Ltd	(a)	Australia	100	100
Nuseed Mexico SA De CV		Mexico	100	100
Nuseed Omega Holdings Pty Ltd	(a)	Australia	100	100
Nuseed Pty Ltd	(a)	Australia	100	100
Nuseed Russia LLC		Russia	100	100
Nuseed SA		Argentina	100	100
Nuseed Serbia d.o.o.		Serbia	100	100
Nuseed South America Sementes Ltda		Brazil	100	100
Nuseed Ukraine LLC		Ukraine	100	100
Nuseed Uruguay		Uruguay	100	100
Nutrihealth Grains Pty Ltd	(a)	Australia	100	100
Nutrihealth Pty Ltd	(a)	Australia	100	100
Opti-Crop Systems Pty Ltd		Australia	75	75
Pharma Pacific Pty Ltd	(a)	Australia	100	100
PT Agrow		Indonesia	100	100
PT Crop Care		Indonesia	100	100
PT Nufamindo Agro Mukmur		Indonesia	100	100
PT Nufarm Indonesia		Indonesia	100	100
Richardson Seeds Ltd		USA	100	100
Selchem Pty Ltd	(a)	Australia	100	100
Societe Des Ecluses la Garenne s.a.s		France	100	100
3 Rivers Sub-CDE 5, LLC		USA	–	–

(a): These entities have entered into a deed of cross guarantee dated 21 June 2006, varied by an Assumption Deed dated 13 February 2013, 29 May 2013 and 26 July 2019 with Nufarm Limited which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding-up of that company. As a result of a class order issued by the Australian Securities and Investment Commission, these companies are relieved from the requirement to prepare financial statements.

(b): These entities were disposed on 1 April 2020 as part of the sale of the South American business. They ceased being subsidiaries of the group from this date and were not consolidated into the group after this date.

36 Company disclosures

	Consolidated	
	2020 $000	2019 $000
Result of the company		
Profit/(loss) for the period	(5,841)	(20,135)
Other comprehensive income	267	518
Total comprehensive profit/(loss) for the period	(5,574)	(19,617)
Financial position of the company at year end		
Current assets	1,462,458	1,799,327
Total assets	2,360,633	2,135,552
Current liabilities	393,498	168,384
Total liabilities	396,087	167,701
Total equity of the company comprising of:		
Share capital	1,834,934	1,834,594
Reserves	40,538	38,342
Accumulated losses	(57,512)	(51,671)
Retained Earnings [(a)]	146,586	146,586
Total equity	1,964,546	1,967,851

(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. No dividends (2019: $19.662 million) were distributed from the retained earnings during the year.

Company contingencies

The company 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 company also provides guarantees to support several of the regional working capital facilities located in Europe, and the senior unsecured notes.

Company capital commitments for acquisition of property, plant and equipment

There are no capital commitments for the company in 2020 or 2019.

37 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 company 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 2020 is set out below.

	Consolidated	
	2020 $000	2019 $000
Summarised income statement and retained profits		
Profit/(loss) before income tax expense	121,420	(64,623)
Income tax expense	(130,758)	831
Net profit attributable to members of the closed group	(9,338)	(63,792)
Retained profits at the beginning of the period	(152,311)	(60,076)
Adjustment on initial application of AASB 15 (net of tax)	–	(6,379)
Adjustment on initial application of AASB 9 (net of tax)	–	(2,402)
Dividends paid	–	(19,662)
Retained profits at the end of the period	(161,649)	(152,311)
Balance sheet		
Current assets		
Cash and cash equivalents	293,031	47,387
Trade and other receivables	1,264,583	1,083,750
Inventories	199,875	244,299
Current tax assets	7,501	8,242
Total current assets	1,764,990	1,383,678
Non-current assets		
Investments in equity accounted investees	549	451
Other investments	914,209	1,548,458
Deferred tax assets	52,926	44,454
Property, plant and equipment	117,574	114,441
Intangible assets	176,315	163,919
Total non-current assets	1,261,573	1,871,723
TOTAL ASSETS	3,026,563	3,255,401
Current liabilities		
Trade and other payables	741,005	658,832
Loans and borrowings	2,110	36,065
Employee benefits	8,022	7,505
Current tax payable	7,728	1,172
Provision	26,900	9,360
Total current liabilities	785,765	712,934
Non-current liabilities		
Loans and borrowings	374,017	674,372
Deferred tax liabilities	42,583	13,173
Employee benefits	10,098	10,212
Total non-current liabilities	426,698	697,757
TOTAL LIABILITIES	1,212,463	1,410,691
NET ASSETS	1,814,100	1,844,710
Equity		
Share capital	1,901,425	1,901,084
Reserves	74,324	95,937
Retained earnings	(161,649)	(152,311)
TOTAL EQUITY	1,814,100	1,844,710

38 Related parties

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

The group 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 2020 $000	Consolidated 2019 $000
Sumitomo Chemical Company Ltd		
sales to	156,445	57,262
purchases from	145,382	175,605
trade receivable	144,125	34,319
trade payable	13,630	62,382
preference securities receivable	–	97,500

These transactions were undertaken on commercial terms and conditions.

On 1 April 2020 the group completed the sale of the South American business to Sumitomo Chemical Company Ltd – see note 12.

c) Key management personnel compensation

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

	Consolidated 2020 $	Consolidated 2019 $
Short term employee benefits	6,084,465	6,004,339
Post employment benefits	344,163	310,699
Equity compensation benefits	360,969	1,097,920
Termination benefits	–	–
Other long term benefits	(74,950)	220,013
	6,714,647	7,632,971

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 2020 (2019: nil).

39 Auditors' remuneration

	Consolidated 2020 $	2019 $
Audit services		
KPMG Australia		
Audit and review of group financial report	677,000	571,000
Overseas KPMG firms		
Audit and review of group and local financial reports	2,343,870	2,045,211
	3,020,870	2,616,211
Other auditors		
Audit and review of financial reports	179,266	379,586
Audit services remuneration	3,200,136	2,995,797
Other services		
KPMG Australia		
Other assurance services	35,000	105,709
Other advisory services	221,905	75,656
Overseas KPMG firms		
Other assurance services	8,768	1,221
Other advisory services	70,336	98,866
Other firms		
Other assurance services	–	–
Other advisory services	420,837	389,981
Other services remuneration	756,846	671,433

40 Subsequent events

No matters or circumstances have arisen in the interval between 31 July 2020 and the date of this report that, in the opinion of the directors, 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 2020 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 2020.

4 The directors draw attention to note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Melbourne this 23rd day of September 2020

DG McGauchie AO
Director

GA Hunt
Director

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 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 2020 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:

- Consolidated balance sheet as at 31 July 2020
- Consolidated statement of profit or loss and other 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 (including Independence Standards)* (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.

KPMG

Key Audit Matters

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

- Recoverability of non-current assets, including property, plant and equipment and intangible assets
- Recoverability of deferred tax assets in relation to tax losses
- Accounting for the South American business disposal

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 ($439.6m) and intangible assets ($1,339.0m)

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)(ii) Significant accounting policies – Impairment – Non-financial assets, Note 22 Property, plant and equipment, 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"), noting that the Group prepares a separate discounted cash flow model for each CGU. • The diverse nature of regional agricultural markets in which the Group operates, noting that each geographic and product market segment experiences the following factors 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 - technological advancements by the Group 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 overall audit effort in this area. We focus on the authority and knowledge of the sources of	Our procedures included: • 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 for CGU identification in accordance with accounting standards. • Testing the design and implementation of key controls over the cash flow models, including Board consideration and approval of key assumptions and business unit budgets which form the basis of the cash flow forecasts. • Assessing the Group's discounted cash flow models and key assumptions by: - comparing forecast cash flows to historical trends and performance, by CGU, to inform our evaluation of the forecasts incorporated into the models; - comparing the relevant cash flow forecasts to the Board approved budgets and FY21-FY23 business plans; - involving our valuation specialists to assess the discount rates and terminal growth rates against comparable market information and the economic assumptions relating to cost of debt and cost of equity; and - using our industry knowledge, information

judgements incorporated into the cash flow models, evidence of bias and consistency of application of judgements. • The above factors increase the complexity in auditing both the assessed useful lives for individual intangible assets, and also the forward-looking assumptions contained in the Group's discounted cash flow models for each CGU. Additional key assumptions we focused on included growth rates during the forecast period, terminal value growth rates and discount rates. • These same conditions impact our audit effort associated with assessing the capitalised development costs intangible asset, in particular the recoverable amount of new products in development phases. Products in early stages of development, compared to those closer to product launch, are prone to a wider range of forecast outcomes and projections can contain highly judgemental assumptions. We focused on the authority and knowledge of the sources of judgements incorporated into the valuation, common market practices and consistency of judgements. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter. In addition to the above, the Group recorded an impairment charge of $188.3m (before tax) against goodwill and intangible assets in the Europe 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 area. An impairment loss of $22.7m was also recognised in relation to property, plant and equipment as a result of asset rationalisation decisions in Europe and Australia.	published by regulatory and other bodies and information obtained through inquiries with the Group to challenge key assumptions. This included the forecast cash flows and growth assumptions in light of recent operating performance, the useful lives associated with specific intangible assets 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 included in the financial report 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 assessment of the recoverable amount of the ANZ Crop Protection CGU and the Europe CGU 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. • Recalculating the impairment charge, assessing the allocation of the impairment charge against specific intangible assets and goodwill, and assessing the adequacy of the Group's disclosures in respect of the impairment in accordance with accounting standards.

Recoverability of deferred tax assets in relation to tax losses ($40.1m)

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 tax losses is a key audit matter due to the: • Complexity in auditing the forward-looking assumptions applied to the Group's tax loss utilisation models, especially given the multiple tax jurisdictions and their bespoke tax regimes. Further details on the significant forward-looking assumptions and implications for the audit are contained in the Key Audit Matter relating to the recoverability of non-current assets, including property, plant and equipment and intangible assets. Additional auditor attention is focused on the reconciliation of forecast cash flows to forecasts of taxable income for each tax jurisdiction. • 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. This necessitated involvement of our tax specialists to supplement our senior audit team members in relevant jurisdictions. The Group recorded a write-off of carry-forward tax losses in Europe of $41.5 million. As noted above, the results of the European region were below expectations, which impacted forward-looking earnings assumptions. This further increased our audit effort in this key audit area.	Our procedures included: • Testing design and implementation of key controls over the taxable income forecasts underpinning the tax loss utilisation models, including Board consideration 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 Key Audit Matter relating to the recoverability of non-current assets, including property plant and equipment and intangible assets, and also comparing the reconciliation of these budgets to taxable income concepts. • Assessing the Group's tax loss utilisation models and key assumptions, by significant jurisdiction, by: - comparing taxable income to historical trends and performance to inform our evaluation of the current taxable profit forecasts; - evaluating the key assumptions in the Group's forecast tax loss utilisation models, including the identification of areas of estimation uncertainty to focus further procedures; - understanding the timing of future taxable income 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 relevant jurisdictions to assess the tax loss utilisation expiry dates and annual utilisation allowances for consistency with local practice, regulatory parameters and legislation. • Recalculating the amount of previously recognised tax losses written off against the recorded amount disclosed and assessing the adequacy of the Group's disclosures in respect of the tax assets de-recognised, in accordance with accounting standards.

KPMG

Accounting for the South American business disposal

Refer to the following notes to the financial report: Note 12 Discontinued operation

The key audit matter	How the matter was addressed in our audit
During the year the Group completed the disposal of certain entities comprising the majority of the Latin American crop protection segment and the South American seed treatment business (together referred to the South American business). The Group's accounting for these disposals, in particular the calculation of the post-tax loss on sale and presentation of discontinued versus continuing operations in the statement of profit or loss, is a key audit matter due to: • The size and significance of the disposal to the Group's financial statements. • The audit effort applied responding to the complexity of the Sale Agreement, in particular with respect to interpreting clauses relating to the accounting for transferred or retained obligations for on-going taxation litigation matters in Brazil. • The pervasive impact on the presentation of the financial statements due to the accounting standard requirement to restate financial information relating to previous periods into continuing and discontinuing operations. We focused on the attribution to continuing or discontinuing, and the consistency of application of management judgements. We involved tax specialists in Australia and Brazil to supplement our senior audit team members in assessing this key audit matter.	Our procedures included: • Reading the transaction documents, including the Sale Agreement, to understand the structure and key terms and conditions of the disposal. • Comparing the Group's identification of assets and liabilities disposed of to the relevant clauses of the Sale Agreement and underlying financial records. • Checking the consideration received in the Group's bank records to the Sale Agreement. • Checking the calculation of the post tax loss on disposal, including the treatment of foreign currency gains and losses previously deferred in the foreign currency translation reserve. • Using our tax specialists, evaluating the tax implications of the disposal for the Group against the requirements of the tax legislation in the various jurisdictions. • Assessing the accounting treatment for retained obligations, including obligations relating to ongoing tax litigation, with reference to the Sale Agreement and the requirements of accounting standards. • Assessing the adequacy of the Group's disclosures in respect of the disposal in accordance with accounting standards, including the restatement of prior period information as relating to either continuing or discontinuing operations.

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.

The Other Information we obtained prior to the date of this Auditor's Report was the Operating and Financial Review, the Corporate Governance Statement and the Directors' Report. The Chairman's Message, Managing Director's Message, information on the Board of Directors and Key Management Personnel, and the Shareholder and Statutory Information are expected to be made available to us after the date of the Auditor's Report.

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
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. 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 and Company 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 2020 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 2020.

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

KPMG

KPMG

Chris Sargent
Partner
Melbourne
23 September 2020

Annual Report for 2 months ended 30 September 2020

Contents

Operating and Financial Review

Following the divestment of the South American crop protection businesses on 1 April 2020 Nufarm changed financial year end to better align reporting periods with key sales periods and enable improved comparison with industry peers. This Operating and Financial Review includes financial information for the two months ended 30 September 2020 to complete the transition to the new reporting period. The information is based on financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and audited by KPMG. The information is presented on a continuing operations basis unless otherwise specified. The Review also includes non-IFRS measures and pro-forma comparatives for the two months ended 30 September 2019 which have been provided for additional insight to performance. Non-IFRS measures and pro-forma figures have not been subject to audit or review.

Earnings summary

Group earnings

Summary financial results (continuing operations unless specified)	**2 months ended 30 Sep 2020 $000**	Proforma 2 months ended 30 Sep 2019 $000	12 months ended 31 Jul 2020 $000	Change 30 Sep 2020 vs 30 Sep 2019 %
Revenue	267,320	181,195	2,847,375	47.5%
Revenue excluding corporate revenue	222,136	181,195	2,761,988	22.6%
Gross profit	39,920	36,778	734,729	8.5%
Underlying SG&A	(119,801)	(122,921)	(706,570)	2.5%
Underlying EBITDA	(43,379)	(52,816)	235,767	17.9%
Underlying EBIT	(78,815)	(86,373)	34,355	8.8%
Operating profit/(loss)	(85,677)	n/a	(214,315)	n/a
Net external interest	(9,348)	(12,161)	(72,626)	23.1%
Foreign exchange (gains)/losses	(4,659)	(1,979)	(23,565)	large
Underlying net profit/(loss) after tax	(85,934)	n/a	(80,605)	n/a
Net profit/(loss) after tax	(91,345)	n/a	(362,412)	n/a
Net profit/(loss) after tax – discontinued operations	–	n/a	(93,667)	n/a
Net profit/(loss) after tax – total group	(91,345)	n/a	(456,079)	n/a
Statutory effective tax rate	8.4%	n/a	(16.7)%	n/a
Basic earnings per share – excluding material items (cents)	(22.6)	n/a	(24.8)	n/a
Basic earnings per share (cents)	(24.1)	n/a	(99)	n/a
Total dividend per share declared in respect of period (cents)	–	n/a	–	n/a

The two months to 30 September are a period of lower demand for crop protection and seed technologies, consistent with seasonal agricultural cycles. Nufarm revenues (excluding the divested South American crop protection businesses) for this period typically reflect around 10% of annual sales.

Within this context, improved demand relative to the proforma comparative period and cost savings from the performance improvement program delivered increased revenue and earnings for the two month period with the business showing continued resilience to the impact of COVID-19.

Revenue (excluding corporate sales) increased 23% relative to the proforma comparative period with improved demand in all crop protection regions. Revenue in the seed technologies segment declined slightly on the proforma comparative period due primarily to a change in timing of revenue recognition relating to a new licensing agreement for sorghum and sunflower sales in Australia.

Gross profit increased 9% on the proforma comparative period and underlying selling, general and administrative costs (SG&A) reduced $3 million reflecting initial benefits of the performance improvement program commenced in the prior financial year and some shift in timing of discretionary expenditure.

Underlying EBITDA increased 18% reflecting both increased sales and reduced SG&A costs.

Net interest expense reduced $3 million on the proforma comparative period reflecting lower net debt while foreign exchange losses increased $3 million due to increased currency volatility in Eastern European countries.

The statutory effective tax rate of 8.4% includes the impact of non-recognition of the tax benefit for losses in certain countries and a provision of $3 million for withholding tax to be paid in relation to the repatriation of offshore earnings.

Segment earnings

Revenue

($000s)	2 months ending Sep-20	Proforma 2 months ending Sep-19	Change	12 months ending Jul-20	Change
Crop protection					
Australia and New Zealand	71,179	51,963	19,216	562,897	(491,718)
Asia	21,284	15,046	6,238	165,947	(144,663)
North America	74,323	71,322	3,001	1,051,285	(976,962)
Europe	48,293	35,117	13,176	783,028	(734,735)
Total Crop protection	*215,079*	*173,448*	*41,631*	*2,563,157*	*(2,348,078)*
Seed Technologies – global	7,057	7,747	(690)	198,831	(191,774)
Non-operating corporate	45,184	–	45,184	85,387	(40,203)
Nufarm Group – continuing operations	**267,320**	**181,195**	**86,125**	**2,847,375**	**(2,580,055)**
Discontinued operations	–	201,208	(201,208)	643,630	(643,630)
Nufarm Group	**267,320**	**382,403**	**(115,083)**	**3,491,005**	**(3,223,685)**

Underlying EBITDA

($000s)	2 months ending Sep-20	Proforma 2 months ending Sep-19	Change	12 months ending Jul-20	Change
Crop protection					
Australia and New Zealand	(2,143)	(7,789)	5,646	38,800	(40,943)
Asia	2,834	1,778	1,056	30,481	(27,647)
North America	(6,224)	(10,745)	4,521	92,333	(98,557)
Europe	(19,119)	(22,047)	2,928	99,255	(118,374)
Total Crop protection	*(24,652)*	*(38,803)*	*14,151*	*260,869*	*(285,521)*
Seed Technologies – global	(4,515)	(2,536)	(1,979)	31,471	(35,986)
Non-operating corporate (costs)	(14,212)	(11,477)	(2,735)	(56,573)	42,361
Nufarm Group – continuing operations	**(43,379)**	**(52,816)**	**9,437**	**235,767**	**(279,146)**
Discontinued operations	–	30,833	(30,833)	58,918	(58,918)
Nufarm Group	**(43,379)**	**(21,983)**	**(21,396)**	**294,685**	**(338,064)**

Revenues in Australia and New Zealand increased 37% relative to the proforma comparative period with improved seasonal conditions in Australia driving good demand for herbicides. Stronger revenues and improved recoveries of manufacturing overhead costs contributed to the increase of $6 million (72%) in underlying EBITDA.

Revenues in Europe increased 38% on the proforma comparative period with strong growth in herbicide sales. Revenues in Europe during this two month period typically represent approximately 5% of annual revenue and the product mix is not considered indicative of the full year outlook. EBITDA improved $3 million (13%) on the pro-forma comparative period due to both increased sales and a reduction in SG&A costs of $2 million which partially offset an increase in stock obsolescence costs.

Revenues in North America increased 4% relative to the proforma comparative period with demand building in September after a slow August in which demand was impacted by storms and bushfires. Reduced SG&A costs also contributed to the underlying EBITDA improvement of $5 million (42%), including a shift in timing of some discretionary expenditure.

Improved seasonal conditions in Indonesia drove increased herbicide sales and earnings for the Asia business with revenues up 41% and underlying EBITDA up $1 million (59%) relative to the proforma comparative period.

Revenues in the Seed Technologies segment for the months of August and September typically represent around 5% of annual revenue. Revenues for the two months to 30 September 2020 declined slightly on the proforma comparative period with a shift from direct sales of sorghum and sunflower in Australia to a licencing agreement under which the first royalty income will be recognised in the new financial year. Revenue from the first sale of omega-3 canola oil was recognised in October 2020 in line with the timing of the initial shipment. Increased costs associated with the commercialisation of omega-3 canola and carinata contributed to the decline in underlying EBITDA of $2 million (78%).

Corporate revenues represent zero margin sales made to Sumitomo under the transitional services agreement for procurement services to the South American businesses. Corporate costs increased $3 million primarily due to one-off costs associated with the change in financial year end.

Material items

	2 months ended 30 September 2020 Pre-tax $000	Post-tax $000
Material items by category		
Asset rationalisation and restructuring	(1,926)	(961)
South American business disposal		
– high yield bond	(4,936)	(4,450)
Total material items	**(6,862)**	**(5,411)**

Material items excluded from the underlying result related to restructuring costs for the implementation of the performance improvement program and the cost of obtaining the exemption associated with the sale of the South American crop protection businesses in April 2020 described in more detail below.

Balance sheet and financial position

	As at 30 Sep 2020 $000	As at 31 Jul 2020 $000	Change %
Net debt	606,207	441,264	37.4%
Net working capital	1,044,934	981,979	6.4%
ANWC/sales excluding external corporate (%)	44.7%	46.4%	(165) bps
Leverage – continuing operations (includes lease liabilities)	2.47	1.87	32.2%
Gearing %	22.9%	17.1%	578 bps

The increase in net working capital and net debt from July to September is typical of the annual trading pattern. Relative to 30 September 2019, net working capital improved by $134 million (11%). Average net working capital as a percentage of sales continues to track toward the target of 35% to 40%, with the improvement in the two month period reflecting both increased sales and reduced average net working capital balances.

The sale of the group's South American crop protection businesses in April 2020 would have triggered a requirement for unutilised sale proceeds remaining at 31 March 2021 to be used to either make a tender offer to noteholders at par for the group's senior unsecured notes (due in April 2026) or cancel other debt facilities. The group chose to approach current noteholders in September 2020 to seek exemption from this requirement in order to maintain the group's liquidity. Majority consent was provided by the noteholders on 14 September 2020. The terms and conditions of the 2026 notes remain unchanged and the exemption has provided greater flexibility regarding future options for further capital management.

The Company's reduced leverage following the sale of the South American businesses, along with substantial undrawn facilities, cash on the balance sheet and capacity in the debtor securitisation facility also provides excellent liquidity to manage inherent industry volatility and withstand a range of scenarios.

Basis of preparation of selected Proforma financial information for 2 months ended 30 September 2019 ('Proforma')

The Proforma financial information presented in this report has been measured using the accounting policies of the group in place at 1 August 2019. In this respect, the adoption of the revision to lease accounting as described in the 31 July 2020 annual report has been adopted. The information is presented on a continuing basis and adopts certain non-IFRS measures of the group, defined herein. The Proforma information does not provide information regarding material items or tax due to the inherent complications arising to reliably measure statutory measures on a continuing basis, at a point in time in a financial year that had not been subject to review or audit.

Reconciliation and definition of non-IFRS measures

The non-IFRS measures Underlying EBIT and Underlying EBITDA are used internally by management to assess business performance, make decisions on the allocation of resources and assess operational management. We believe 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, or as an alternative to cash flow as a measure of liquidity.

Underlying EBIT: earnings before net finance costs, taxation and material items.

Underlying EBITDA: Underlying EBIT before depreciation and amortisation.

Underlying SG&A: sales, marketing and distribution expenses plus general and administrative expenses and research and development expenses less material items.

Underlying net profit after tax: profit/(loss) attributable to Nufarm Limited equity holders less material items.

Net external interest expense: interest income less interest expense, debt establishment transaction costs, lease amortisation and finance charges as described in Note 10.

Net debt: total debt less cash and cash equivalents.

Net working capital: current trade and other receivables, non-current trade receivables/trade finance receivables, and inventories less current trade and other payables.

Average net working capital: net working capital measured at each month end as an average.

Underlying free cash flow: net cash from operating activities excluding material items less net cash from investing activities excluding material items.

Summary financial results (continuing operations)	**2 months ended 30 Sep 2020 $000**	12 months ended 31 Jul 2020 $000
Underlying EBITDA	(43,379)	235,767
add Depreciation and amortisation excluding material items	(35,436)	(201,412)
Underlying EBIT	(78,815)	34,355
Material items impacting operating profit	(6,862)	(248,670)
Operating profit	(85,677)	(214,315)

Our strategy, business model and risk management

Information relating to our business, strategy, business model and risk management is provided on pages 4-7 and 14-17 of the 2020 Annual Report and page 139 of this Annual Report.

Corporate Governance Statement

1 Introduction

Nufarm is committed to ensuring that its policies and practices reflect a high standard of corporate governance. The Board considers that Nufarm's governance framework and adherence to that framework are fundamental in demonstrating that the Directors are accountable to shareholders, are appropriately overseeing the management of risk and promoting a culture of ethical, lawful and responsible behaviour within Nufarm.

This section of the Annual Report outlines the governance framework of Nufarm Limited and its controlled entities (**Nufarm** or **Company**) for the two months ended 30 September 2020 (**reporting period**). This reporting period is a result of Nufarm changing its financial year end from 31 July to 30 September.

During the reporting period, there were no major changes to any of the Board governance practices or policies as this had been undertaken during FY20. Nufarm, as a listed entity, is required to comply with the Corporations Act (Cth), the ASX Listing Rules and other Australian and international laws and is required to report on the extent to which it has complied with the ASX Principles. During the reporting period, Nufarm complied with the fourth edition of the ASX Corporate Governance Principles and Recommendations (**ASX Principles**) released in February 2019.

Nufarm's key governance documents, including the Constitution, Board and Board Committee Charters and key policies are available on the Company's website at nufarm.com/investor-centre/corporate-governance/.

This Corporate Governance Statement has been approved by the Board.

2 Board of directors

2.1 Board role and responsibilities

The Constitution provides that the business and affairs of Nufarm are to be managed by or under the direction of the Board. Ultimate responsibility for governance and strategy rests with the Board. The role of the Board is to represent shareholders and to demonstrate leadership and approve the strategic direction of Nufarm. The Board is accountable to the shareholders for the Company's performance and governance.

The Board has adopted a formal Board Charter which sets out the Board's role, key responsibilities, matters the Board has reserved for its own consideration and decision making and the authority it has delegated to the Managing Director and Chief Executive Officer (**CEO**). The Board's responsibilities, as set out in the Board Charter, include:

- Appointment and termination of the CEO and the Company Secretary and ratification of the appointment of the Chief Financial Officer (**CFO**) and Key Management Personnel (**KMP**) and the terms of their employment contracts including termination payments;
- Approving the remuneration policies and practices of the Board, the CEO and the CEO's direct reports;
- Approving commitments, capital and non-capital items, acquisitions and divestments above authority levels delegated to the CEO;
- Approving the overall capital structure of Nufarm including any equity related transactions and major financing arrangements;
- Approving the annual and half year financial and director reports including the full year operating and financial review, remuneration report and corporate governance statement;
- Approving the dividend policy and determining the dividends to be paid;
- Approving management's development of corporate strategy;
- Reviewing and approving the annual budget, strategic business plans, balance sheet and funding strategy;
- Approving the succession plans and processes for the Chairman, Directors, CEO and the CEO's direct reports;
- Approving the Diversity and Inclusion Policy and measurable objectives for achieving diversity across Nufarm and monitoring progress in achieving those objectives;
- Approving Board governance policies including the Continuous Disclosure Policy, Code of Conduct, Anti-Bribery Policy and Whistleblower Policy;
- Approving ASX releases as set out in the Continuous Disclosure Policy;
- Appointing the Chairman of the Board; and
- Appointing Directors to casual vacancies and recommending their election to shareholders at the next Annual General Meeting.

A copy of the Board Charter which sets out the role and responsibilities of the Board in more detail can be found in the Corporate Governance section of Nufarm's website.

Delegation to management

The Board has delegated to the CEO responsibility for the day-to-day management of the Company's affairs and implementation of the strategic objectives, the annual budgets and policy initiatives. The CEO is accountable to the Board for all authority delegated to management and for the Company's performance. The CEO is required to operate in accordance with Board approved policies and delegations of authority and management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. The CEO is required to report to the Board in a spirit of openness and trust and is required to ensure that all decisions are made lawfully, ethically and responsibly.

2.2 Board meetings and attendance

The Board meets as often as required. During the reporting period, the Board met 3 times. Regularly scheduled meetings are generally held face to face on one day. Due to COVID-19 related restrictions, these meetings were held electronically.

In addition to the Company Secretary, the CFO regularly attends all Board meetings by invitation. Other members of management attend meetings by invitation. During regularly scheduled meetings, the Board holds a closed session (attended by Non-executive Directors only), which provides Non-Executive Directors with an opportunity to raise issues in the absence of management.

Details of attendance at Board and standing Board committee meetings during the reporting period are set out in the following table:

Board and Board Committee attendance in the reporting period

	Board		Audit		Risk and Compliance		Nomination and Governance		Human Resources Committee	
	A	B	A	B	A	B	A	B	A	B
Anne Brennan	3	3	2	2					1	1
Gordon Davis	3	3	2	2	1	1			1	1
Frank Ford	3	3	2	2			2	2		
John Gillam	3	3		2		1	2	2		1
Greg Hunt	3	3		2		1				1
Peter Margin	3	3		2	1	1	2	2	1	1
Marie McDonald	3	3	2	2	1	1	2	2		1
Donald McGauchie[1]	3	3		2		1	2	1	1	1
Toshikazu Takasaki	3	3		1	1	1				

Column A: indicates the number of meetings held during the period of each Director's tenure. Where a Director is not a member but attending meetings during the period, then only the number of meetings attended rather than held is shown.

Column B: indicates the number of meetings attended by each Director.

1. Donald McGauchie retired as a Non-executive Director and Chairman on 24 September 2020.

Key activities undertaken by the Board during the reporting period

The Board considered a range of matters during the reporting period, including overseeing the financial performance and key metrics of the Company; agreeing to an impairment charge of $215 million to be recorded for the European Cash Generating Unit, approving the FY20 financial results for release to the ASX; undertaking a review of the CEO performance for FY20 and considering the outcome of the FY20 Short Term Incentive Plan.

2.3 Board composition

As at 30 September 2020, the Board had seven Non-executive Directors and the CEO. Donald McGauchie retired from the Board on 24 September 2020. The Constitution provides that the Company is not to have more than 11 or less than three directors.

Details of the Directors, including their qualifications, experience, date of appointment and independent status can be found in the Director's Report at pages 145 to 146.

Sumitomo Chemical Company, as a major shareholder in the Company, is entitled to have one nominee Director on the Board. Toshikazu Takasaki is Sumitomo's current nominee and is therefore not considered independent.

In assessing the composition of the Board, regard is given to the following principles:

- the roles of the Chairman and the CEO should not be filled by the same person;
- the Chairman must be an independent Non-executive Director;
- the CEO must be a full-time employee of the Company;
- the majority of the Board must be independent Non-executive Directors; and
- the Board should represent a broad range of qualifications, experience, expertise and diversity.

Changes during the reporting period

During the reporting period, Donald McGauchie retired as a Non-executive Director and Chairman of the Board on 24 September 2020. John Gillam was appointed Chairman on 24 September 2020.

2.4 Director skills, experience and attributes

The key attributes that Directors must possess are set out in the Board Charter and include:

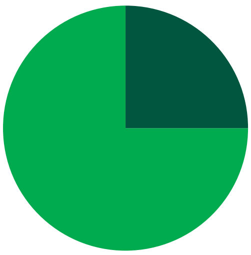
- honesty, integrity and a proven track record of creating value for shareholders;
- an ability to apply strategic thought;
- a preparedness to debate issues openly and constructively and to question, challenge and critique;
- a willingness to understand and commit to the governance framework of the Company; and
- an ability to devote sufficient time to properly carry out the role and responsibilities of the Board.

Skills matrix

The Board has a skills matrix which takes into consideration the skills and experience the Board currently requires but also the skills and experience that will be required for the Company during its next phase of development. The Board skills matrix and the assessment of the current Directors is included below.

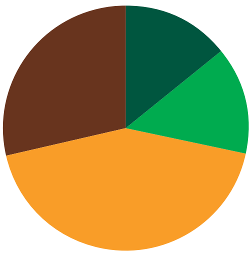
Skills/Experience	No of Directors with skill
Manufacturing & Integrated Supply Chain Management in High Risk Environment Relevant experience in international manufacturing and/or integrated supply chain management including demonstrated ability to improve production systems.	6
Customer Relations Relevant international experience in customer service delivery and/or marketing of products, including brand marketing, e-commerce and use of digital technology.	5
R&D, Innovation, Seed Technologies and Commercialisation Experience in R&D, seed technologies or emerging technologies including commercialisation.	4
Agricultural experience Experience in crop protection or the agricultural industry obtained through a large international company.	5
Finance Board audit experience or senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls/audit.	8
Risk Relevant experience and understanding of risk management frameworks and controls, including HSEC and sustainability, and the ability to oversee mitigation strategies and identify emerging risks.	8
Mergers, Acquisitions, JVs, Partnerships, Alliances, Divestments & Integrations Relevant experience in merger and acquisition transactions (including JVs etc) raising complex financial, regulatory and operational issues.	7
Strategy and Transformation Experience in developing and implementing successful strategies and/or transformation in a complex environment to deliver a sustained and resilient business.	6
Corporate Governance and Compliance Experience serving on boards in different industries, including publicly listed companies. Awareness of leading practice in corporate governance and compliance, with a demonstrated commitment to achieving those standards.	7
Regulatory, Government & Public Policy Relevant experience identifying and managing legal, regulatory, public policy and corporate affairs issues.	6
People, culture and remuneration Relevant experience overseeing or implementing a company's culture and people management framework, including succession planning and setting and applying remuneration policy and frameworks linked to strategy.	7

Diversity
(as at 30 September 2020)



Female	2
Male	6

Tenure of non-executive directors
(as at 30 September 2020)



0-3 years	1
3–6 years	1
6–9 years	3
9+ years	2

2.5 Chairman

The Chairman of the Board is John Gillam, an independent Non-executive director who succeeded Donald McGauchie on his retirement on 24 September 2020.

The Chairman is responsible for the leadership of the Board and for encouraging a culture of openness and debate amongst the directors to foster a high performing and collegiate Board. The Chairman also serves as the primary link between the Board and management.

2.6 Board succession planning

The Board manages succession planning for non-executive directors with the assistance of the Nomination and Governance Committee and for the CEO with the assistance of the Human Resources Committee.

The Board has a non-executive tenure policy that provides for non-executive directors to retire after nine years (or twelve years in the case of a Chairman who has served in the role of Chair for less than six years) from the first date of election by shareholders. The Board, may in exceptional circumstances, exercise discretion to extend the maximum term where it considers such an extension is in the best interests of the Company. When introducing the tenure policy in FY2020, the Board determined the tenure policy should not apply to restrict a director who will have served for nine years from seeking election for one additional term.

All non-executive directors are required to stand for re-election every three years. The Nomination and Governance Committee will undertake a review of the directors retiring by rotation and make a recommendation to the Board on whether their re-election is to be supported. The Company provides all material information in its possession concerning the director standing for re-election in the notice of meeting and accompanying explanatory notes.

Anne Brennan has advised her intention to retire as a director at the 2020 Annual General Meeting. Both Gordon Davis and Peter Margin have been on the Board for a period of nine years and have advised that they will stand for re-election at the 2020 Annual General Meeting but do not intend to serve the full term to allow for a period of Board renewal.

In undertaking the Board renewal and identifying suitable candidates for appointment to the Board, the Nomination and Governance Committee considers the gaps identified in the Board skills matrix as well as the requirement to replace appropriate skills of directors who are retiring from the Board.

2.7 Director independence

The Board is committed to ensuring the majority of non-executive directors are independent. The Board considers Directors to be independent where they are independent of management and free from any interest, position, association or relationship that might influence or might reasonably be perceived to interfere with the exercise of their unfettered and independent judgement.

During the reporting period, all non-executive directors except Toshikazu Takasaki, who is a nominee of Sumitomo, a substantial shareholder in the Company, were considered to be independent.

2.8 Conflict of interest

The Board has in place a procedure to ensure Directors disclose any conflicts of interest and if appropriate, the conflict can be authorised. In the event a Director does have an actual or potential conflict, the Director does not receive the relevant Board or Committee papers and must absent themselves from the room when the Board or Committee discusses and votes on matters subject to the conflict. This protocol continues unless the other directors resolve otherwise. The Director cannot access the minutes of the Board or Committee meeting in relation to the conflict.

The Board has in place an information exchange protocol with Sumitomo Chemical Company to ensure that the Sumitomo nominee Director can discharge their duties as a Director while also ensuring that they do not receive any competitive information or participate in discussions regarding competitive information.

2.9 Director appointment, induction training and continuing education

When considering new appointments to the Board, the Nomination and Governance Committee oversees the preparation of a role description which includes the key attributes identified in the Board Charter and the relevant skills considering the principles set out in section 2.3 and any gaps identified in the Board skills matrix. This role description is provided to an external search firm that assists in undertaking the search.

When suitable candidates are identified, the Nomination and Governance Committee will interview a short list of candidates before making a recommendation to the Board. All directors will interview the candidate prior to the Board considering the formal appointment.

All non-executive directors on appointment are required to sign a letter of appointment which sets out the terms and conditions of their appointment including;

- duties and responsibilities of a director;
- participation in induction training and continuing education;
- remuneration;
- expectation around time commitments for the Board and relevant Committee meetings;
- the requirement to disclose directors' interests on an ongoing basis;
- access to professional advice; and
- indemnity, access and insurance arrangements.

Prior to appointment all Directors, including any new executive Directors, are subject to extensive background and screening checks. All new senior executive appointments are also subject to extensive background and screening checks.

With the exception of the CEO, all directors appointed by the Board to a casual vacancy are required to stand for shareholder election at the next AGM. The Company provides all material information in its possession concerning the director standing for re-election in the notice of meeting and accompanying explanatory notes.

Induction training is provided to all new directors. This includes discussions with the CEO, CFO, Company Secretary and other senior executives and the option to visit the Company's sites in Australia on appointment or with the Board during an overseas Board meeting. Induction materials include information on the Company's strategy and financial performance, full information on the Board including all Board and Committee Charters, recent Board and Committee minutes, information on the risk management framework and the risk appetite statement approved by the Board and, all Board policies including the Code of Conduct and the obligations of directors.

All Directors are expected to undertake ongoing professional development to develop and maintain the skills and knowledge required to discharge their responsibilities. Directors are provided with information papers and presentations on developments in the law including continuous disclosure, industry related matters and any new emerging developments that may affect the Company.

2.10 Remuneration

Details of the Company's remuneration policy and practices and the remuneration paid to directors and key management personnel are set out in the Remuneration Report on pages 149 to 161 of this Annual Report.

2.11 Board performance evaluation

The Board undertook a review conducted by an external provider during FY2020. This review focused on Chairman succession, Board succession planning and Board capabilities, Board calendar and papers, executive succession planning and the structure of the Board Committees. The review included interviews and feedback with all directors including the CEO, CFO and the Company Secretary. All actions from this review have been implemented. Due to the short two month period, a Board performance evaluation did not occur during the reporting period.

An assessment of director performance was undertaken by the Nomination and Governance Committee with feedback sought from all Directors prior to the Board considering recommending a director for re-election to shareholders at the Annual General Meeting.

2.12 Independent professional advice

The Board and its Committees may access independent experts and professional counsel for advice where appropriate and may invite any person from time to time to attend meetings.

2.13 Company Secretary

The details of the Company Secretary, including their qualifications, are set out in the Annual Report on page 19. The appointment and removal of the Company Secretary is a matter for the Board. The Company Secretary is accountable to the Board for the effectiveness of the implementation of the corporate governance processes, adherence to the Board's principles and procedures and co-ordinates all Board and Board Committee business, including agendas, papers, minutes, communications and filings. All Directors have direct access to the Company Secretary.

3 Committees

To assist the Board to carry out its responsibilities, the Board has established an Audit Committee, a Nomination and Governance Committee, a Human Resources Committee and a Risk and Compliance Committee.

Each of the permanent Committees has a Charter which sets out the membership structure, roles and responsibilities and meeting procedures.

Generally, these Committees review matters on behalf of the Board and, as determined by the relevant Charter:

- refer matters to the Board for decision, with a recommendation from the Committee; or
- determine matters (where the Committee acts with delegated authority), which the Committee then reports to the Board.

The Company Secretary provides secretarial support for each Committee.

3.1 Audit Committee

The key responsibilities and functions of the Audit Committee are:

- the integrity of the financial statements and financial reporting systems and processes of the Company and its related bodies corporate;
- the effectiveness of external audit including the external auditor's qualifications, performance, independence and fees;
- the effectiveness of the internal audit function and systems of internal control;
- compliance with tax obligations;
- the Company's systems for compliance with applicable legal and regulatory requirements within the Committee's area of responsibility; and
- other matters referred by the Board from time to time.

A copy of the Audit Committee Charter which sets out role and responsibility of the Committee in more detail can be found in the Corporate Governance section of Nufarm's website.

Membership and meetings

The Audit Committee consists of:

- a minimum of 3 members of the Board, all of whom are non executive directors;
- a majority of independent directors (as defined in the Board Charter); and
- an independent chair, who is not Chair of the Board.

The members of the Audit Committee during the reporting period are:

Name	Membership status
Frank Ford (Chair)	Member for the entire period
Anne Brennan	Member for the entire period
Gordon Davis	Member for the entire period
Marie McDonald	Member for the entire period

At least one member of the Committee must have formal accounting qualifications with recent and relevant experience.

The Committee as a whole is to have sufficient understanding of the industry in which Nufarm operates. The Board is satisfied that the current composition of the Committee satisfies this requirement.

The external auditors, the Chairman, the CEO, the CFO, the Group Financial Controller, the General Manager, Group Risk and Assurance, the external internal audit partner and the Global Head of Taxation attend meetings of the Committee at the invitation of the Committee Chair. All Board members are invited to attend the Audit Committee meetings at which the half year and annual financial statements and reports are considered.

The details of the relevant Committee meetings are included on page 133.

Activities during the reporting period

The key activities undertaken by the Audit Committee during the reporting period were reviewing and recommending to the Board the approval of the FY2020 financial statements, including recommending to the Board an impairment charge of $215 million be recorded for the Europe Cash Generating Unit and approving the internal audit plan for FY2021.

External Audit

The Audit Committee reviews the External Auditor's scope of work, including the external audit plan, to ensure it is appropriate having regard to the Company's key risks. The External Auditor reports to the Committee at each meeting and is given an opportunity to raise issues with the Committee in the absence of management. The Committee also reviews the performance and independence of the External Auditor on an annual basis. KPMG is the External Auditor.

The Committee has also adopted a policy on the provision of non-audit related services by the External Auditor which sets out the Company's approach to engaging the External Auditor for the performance of non-audit related services with a view to ensuring their independence is maintained.

A copy of the policy on the provision of non-audit related services by the External Auditor can be found in the Corporate Governance Section of Nufarm's website.

The External Auditor attends the Company's Annual General Meeting and is available to answer questions from shareholders relevant to the audit.

3.2 Nomination and Governance Committee

The role of the Nomination and Governance Committee is to assist the Board to oversee the composition, performance and succession planning of the Board as well as the induction and ongoing training for directors. The Committee also advises and makes recommendation to the Board in relation to the Company's corporate governance practices.

A copy of the Nomination and Governance Committee Charter can be found in the Corporate Governance section of Nufarm's website.

Membership and meetings

The Nomination and Governance Committee consists of:

- at least three independent non-executive directors; and
- where the Board Chairman is the Committee Chair, he or she will not chair the Committee when it is dealing with the appointment of a successor to the Chair.

Marie McDonald is the Chair of the Committee.

The members of the Nomination and Governance Committee during the reporting period are:

Name	Membership status
Marie McDonald (Chair)	Member for the entire period
Donald McGauchie	Member up to 24 September 2020
Frank Ford	Member for the entire period
John Gillam	Member from 24 September 2020
Peter Margin	Member for the entire period

Activities during the reporting period

The key activities undertaken by the Nomination and Governance Committee during the reporting period included:

- overseeing the process of succession planning for the Board including the identification of suitable non-executive director candidates;

- undertaking a performance review of directors seeking re-election at the 2020 Annual General Meeting and making recommendations to the Board regarding their endorsement to shareholders; and
- making a recommendation to the Board to adopt a new Constitution to be considered by shareholders at the 2020 Annual General Meeting.

3.3 Human Resources Committee

The role of the Human Resources Committee is to assist the Board to perform its functions in relation to remuneration policies and practices, development, retention and termination arrangements for the CEO and KMP.

The Committee's key responsibilities and functions are to:

- oversee the Company's remuneration, recruitment, retention and termination policy and procedures and its application to the CEO and the KMPs;
- assess the performance of the CEO and assist the Chair with reviews of the CEO's performance;
- review and make recommendations to the Board on the CEO succession plans;
- review and make recommendations to the Board regarding the remuneration and benefits of non-executive directors;
- review the annual remuneration report;
- review and make recommendations to the Board on the Inclusion and Diversity Policy and the measurable objectives for achieving the inclusion and diversity outcomes; and
- make recommendations to the Board on the adoption of the Company's Code of Conduct including receiving reports on any material breaches of the Code of Conduct.

The process to engage remuneration consultants is included in the Human Resources Charter. Consultants provide independent remuneration advice, as appropriate, on director fees and KMP remuneration, structure, practice and disclosure. Remuneration consultants are engaged directly by the Chair of the Human Resources Committee and report directly to the Committee.

A copy of the Human Resources Committee Charter which sets out further details on the roles and responsibilities of the Committee is available in the Corporate Governance Section of Nufarm's website.

Membership and meetings

The Committee must consist of:

- a minimum of 3 members of the Board, all of whom are Non-executive Directors;
- a majority of independent Directors; and
- an independent Director as Chair.

The members of the Human Resources Committee during the reporting period are:

Name	Membership status
Peter Margin (Chair)	Member for the entire period
Donald McGauchie	Member until 24 September 2020
Anne Brennan	Member for the entire period
Gordon Davis	Member for the entire period

Non-Committee members, including members of management, may attend meetings of the Committee at the invitation of the Committee Chair.

Activities during the reporting period

The key activities undertaken by the Committee during the reporting period in relation to the Company's remuneration framework, the policies and practices regarding the remuneration of directors, as well as the contractual arrangements, remuneration and performance evaluation of other members of Key Management Personnel, are reflected in the Remuneration Report on pages 149 to 161.

The progress against the Company's Inclusion and Diversity objectives are detailed in the Inclusion and Diversity section of this statement on pages 142 to 144.

3.4 Risk and Compliance Committee

The key responsibilities and functions of the Risk and Compliance Committee are:

- overseeing the risk profile and approving the risk appetite for the Company;
- considering and recommending to the Board the Risk Management Framework in respect of both financial and non-financial risk, (including the Health, Safety and Environment Framework);
- recommending for approval by the Board the Company's Risk Management Policy and Health, Safety and Environment Policy;
- overseeing the Company's insurance program;
- overseeing compliance management; and
- receiving reports of any material breaches of the Anti-Bribery and Whistleblower Policies.

Membership and meetings

The Committee consists of:

- a minimum of 3 members of the Board, all of whom are non-executive directors;
- a majority of independent directors; and
- an independent director as Chair.

The members of the Risk and Compliance Committee during the reporting period were:

Name	Membership status
Gordon Davis (Chair)	Member for the entire period
Peter Margin	Member for the entire period
Marie McDonald	Member for the entire period
Toshikazu Takasaki	Member for the entire period

Non-Committee members, including members of management, attended meetings of the Committee at the invitation of the Committee Chair.

Activities during the reporting period

The key activities undertaken by the Committee during the reporting period included receiving a report on compliance with health, safety and environment policies and procedures, a status risk report confirming that management was operating within the risk appetite statement set by the Board and a report on the FY2021 insurance renewal.

4 Risk management and internal control

4.1 Approach to risk management and internal control

The Board recognises that the effective identification and management of risk reduces the uncertainty associated in executing the Company's business strategies.

The Company has introduced a risk management framework and policies and procedures which are based on concepts and principles identified in the Australia/New Zealand standard on Risk Management (AS/NZ ISO 31000:2009). The risk framework, policies and procedures set out the roles, responsibilities and guidelines for managing financial and non-financial risks associated with the Company's business and have been designed to provide effective management of material risks at a level appropriate to the Company's global business and have continued to be enhanced as the Group's operations develop and its range of activities expand. These risks include contemporary and emerging risks such as COVID-19, cyber-security, privacy and data breaches, increased geo-political risk and climate change.

The Risk Management Policy is available in the Corporate Governance Section of Nufarm's website.

Nufarm is committed to continuing to improve its enterprise risk management practices to protect and enhance shareholder value. During FY2020 an Executive Risk, Health, Safety and Environment Committee was established to assist with overseeing, directing and supporting the implementation and operation of the risk management framework and internal compliance and control system across the Company. The members of the Committee are the CEO (Chair), Chief Financial Officer, Group Executive Supply Chain Operations, Group Executive People and Performance, Group Company Secretary and General Counsel, General Manger Global Risk Management and Assurance, General Manager, Global Sustainability and Quality and a Regional General Manager (on a rotational basis).

More information on Nufarm's financial and non-financial risks, including environmental, the approach to climate change and social related risks, is set out in the Annual Report 2020 on pages 14 to 17 and the Sustainability Report on page 7.

4.2 Risk management responsibilities

The Board is responsible for overseeing Nufarm's risk management framework, including both financial and non-financial risks, and setting the risk appetite within which the Board expects management to operate. The Board is also responsible for satisfying itself that management has developed and implemented a sound system of internal controls.

The Board has delegated oversight of the ongoing risk management program, procedures, auditing and adequacy and effectiveness of the enterprise risk management to the Risk and Compliance Committee, and oversight of evaluating the adequacy and effectiveness of the internal control systems associated with financial risk to the Audit Committee.

The Company's risk management framework, policies and procedures set out the roles, responsibilities and guidelines for managing financial and non-financial risks associated with the business. The framework, policies and procedures have been designed to provide effective management of material risks at a level appropriate to Nufarm's global business. The risk framework, policies and procedures will continue to be enhanced as the Group's operations develop and its range of activities expand.

Nufarm's Group risk management department, led by the General Manager Global Risk and Assurance, manages the implementation of this framework across the Company. The framework aims to deal adequately with contemporary and emerging risks, such as conduct risk, digital disruption, cyber-security, privacy and data breaches, sustainability and climate change.

Detailed risk profiles for key operational business units have been developed. These risk profiles identify the:

- nature and likelihood of specific material risks;
- key controls in place to mitigate and manage the risk;
- sources and level of assurance provided on the effective operation of key controls; and
- responsibilities for managing these risks.

The Risk and Compliance Committee Charter requires the Committee and the General Manager Global Risk and Assurance to review, at least annually, the Risk Management Framework. This was last undertaken during FY2020 and will be undertaken during FY2021.

4.3 Internal audit

Nufarm has an internal audit function which is part of the global risk and assurance function that reports to the Group General Counsel and Company Secretary.

Nufarm's internal audit model is a co-sourced model, with PWC engaged to provide internal audit services under this model. Nufarm's General Manager Risk and Assurance is accountable to both the Committee and the CEO for the performance of the internal audit function and manages the relationship with PWC.

The internal audit function supports management efforts to:

- manage and control risks;
- improve the efficiency and effectiveness of key business processes and internal control systems;
- monitor compliance with Company-wide requirements, policies and procedures; and
- provide the Committee with assurance on the operating effectiveness of controls.

The scope of internal audit work (including the annual internal audit plan) is prepared with a view to providing coverage of all major functional units and identified key risks. The Audit Committee reviewed the internal audit plan to ensure it was appropriate. During the reporting period the Audit Committee approved the FY2021 internal audit plan, which reflects the ongoing impact of COVID-19 restrictions with a focus on the use of data analytics.

The General Manager Risk and Assurance, together with PWC representatives, reported directly to the Committee on the progress against the internal audit plan, as well as detailed findings and corresponding management actions in relation to reviews undertaken in accordance with the internal audit plan. They also were given an opportunity to raise issues with the Committee in the absence of management, in a closed session held during each Committee meeting. The internal audit function had unfettered access to the Chair of the Audit Committee.

4.4 CEO and CFO assurance

Before adoption by the Board of the reporting period financial statements, the CEO and the CFO provided written declarations to the Board in respect of the Company's transition period financial statements that, in their opinion, the financial records of the Company have been properly maintained, the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, and that the opinion has been formed on the basis of an adequate system of risk management and internal control which is operating effectively.

The declaration of the CEO and CFO is supported by written statements by all executives and key finance personnel relating to the financial position of the Company, market disclosure, the application of Company policies and compliance with internal controls and external obligations.

5 Promoting responsible and ethical behaviour

Code of Conduct

Nufarm has in place a Code of Conduct which applies to all Directors, employees, contractors, agents and representatives of the Company.

The key values underpinning the Code of Conduct are:

- actions must be governed by the highest standards of integrity and fairness;
- all decisions must be made in accordance with the spirit and letter of applicable law; and
- business must be conducted honestly and ethically, with skill and best judgement, and for the benefit of customers, employees, investors and the Company alike.

The Code of Conduct provides clear direction and advice on general workplace behaviour and how to conduct business both domestically and internationally, interacting with investors, business partners and the communities in which the Company operates.

Material breaches of the Code of Conduct are reported to the Human Resources Committee.

Anti-bribery Policy

Nufarm has in place an Anti-bribery policy that applies to all Directors, officers and employees of Nufarm. The policy strictly prohibits the making of unlawful or improper payments to any individual or entity. The Policy also outlines the process for ensuring that appropriate controls are implemented in relation to third parties who are engaged to act on behalf of Nufarm. Nufarm provides targeted training to managers and employees that are likely to be exposed to bribery and corruption regarding the policy and its application.

Breaches of the Anti-bribery Policy are reported to the Risk and Compliance Committee.

Whistleblower Policy

Nufarm has a Whistleblower Policy that provides a clear and transparent way for employees and contractors to report unethical, unlawful or irresponsible behaviour without fear of intimidation or recrimination.

The purpose of the Whistleblower Policy is to help detect and address any conduct that is:

- corrupt, illegal, unlawful or fraudulent including bribery or any other act in breach of the Company's Antibribery Policy;
- contrary to or in breach of any Company policy or the Company's Code of Conduct, including harassment, bullying, discrimination or victimisation;
- seriously harmful or potentially seriously harmful activity that poses a threat to the Company's employees, shareholders, clients or third parties, such as deliberate unsafe work practices with wilful disregard for the safety of others;
- activity that could cause significant financial loss to the Company or damage its reputation or be otherwise detrimental to the Company's interests;
- a substantial mismanagement of Company resources; and
- any act which endangers the public or the financial system.

The Whistleblower Policy sets out protections that will be afforded to whistleblowers as well as the option to make an anonymous report.

Material incidents of the Whistleblower Policy are reported to the Risk and Compliance Committee.

Securities Trading Policy and Insider Trading

The Board has adopted a Securities Trading Policy that covers dealings by directors, KMP and relevant employees and complies with the ASX Listing Rules requirements for a trading policy. The Securities Trading Policy aims to ensure that public confidence is maintained in the reputation of Nufarm, the reputation of its Directors and employees and in the trading of Nufarm securities.

The Securities Trading Policy restricts dealings by directors, KMPs and relevant employees in Nufarm securities except for a period of four weeks from the first trading day after half and full year results are announced and following the AGM. No dealing is allowed at any time that they are in possession of unpublished price sensitive information. Directors, KMP and relevant employees are required to get pre-approval to trade during these applicable windows.

The Nufarm Code of Conduct, Anti-Bribery Policy, Whistleblower Policy and the Securities Trading Policy are available in the Corporate Governance Section of Nufarm's website.

6 Continuous disclosure and communications with shareholders

6.1 Continuous disclosure and market communications

Nufarm is committed to timely, open and effective communication with its shareholders and the general investment community.

The Board has adopted a Continuous Disclosure Policy which establishes procedures aimed at ensuring that Nufarm complies with the legal and regulatory requirements under the Corporations Act and the ASX Listing Rules. These procedures include the establishment of a Market Disclosure Committee, which monitors the continuous disclosure framework and is responsible for ensuring that Nufarm complies with its obligations.

The Market Disclosure Committee is constituted by the CEO, CFO, Group General Counsel and Company Secretary and the General Manger, Investor Relations and External Communications and is responsible for implementing and monitoring reporting processes and controls to ensure there is an adequate system in place for the disclosure of all material information to the ASX.

The Group General Counsel and Company Secretary reports to the Board on the matters considered by the Market Disclosure Committee at each meeting. The Board approves any announcement which is within the matters reserved for decision by the Board including annual and half year financial reports, any profit update or earnings guidance, matters which could have significant financial or reputational risks, Company transforming transactions or events, significant corporate transactions including any equity related transactions and any other matters that the Market Disclosure Committee considers is of fundamental significance to the Company.

In addition to approving any announcements reserved for decision by the Board, Directors are provided with copies of all announcements that are made to the ASX immediately after they have been released on the Market Announcements Platform.

The Continuous Disclosure Policy is available in the Corporate Governance Section of Nufarm's website.

6.2 Shareholder communication

The Company places a high priority on communication with shareholders and other stakeholders and aims to ensure they are kept informed of all major developments affecting Nufarm. The Company has an investor relations program to facilitate a direct two way dialogue with shareholders and the Company believes it is important not only to provide relevant information as quickly and efficiently as possible, but also to listen and understand shareholders' perspectives and respond to their feedback.

Nufarm holds briefings on the annual and half year financial results and on other new and significant information. Presentation material or speeches that provide any new and substantive information are first disclosed to the ASX through the Market Announcements Platform and then posted to the Nufarm website prior to any discussion.

One of the key communication tools is the Company's website. The website contains the key governance documents, market announcements, the Annual Report and half-yearly and full year financial statements and a calendar of events relating to shareholders and other communications to key stakeholders. The website also contains a facility for shareholders to direct inquiries to the Company.

Shareholders are provided with an update on the Company's performance at the Annual General Meeting, as well as an opportunity to vote on important matters affecting Nufarm and ask questions of the Board and key members of management. All substantiative resolutions at the AGM are decided by a poll rather than a show of hands. Copies of the Chairman's speech and the meeting presentation are released to the ASX and posted on the Company's website as the meeting commences. A summary of proceedings and outcome of voting on the items of business are also released to the ASX and posted to the website as soon as they are available after the meeting. All Directors are expected to attend the AGM.

Nufarm's external auditor attends the AGM to answer any shareholder questions concerning the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by Nufarm and the independence of the external auditor in relation to the audit.

The Company encourages shareholders to receive communications electronically. Shareholders may elect to receive all or some of their communications electronically. This election can be made directly with the Share Registry, Computershare Investor Services Pty Limited.

The Board obtains the views of shareholders by either formal or informal means. The Board receives a regular report from the General Manager Investor Relations and External Communications which contains feedback from investors. The CEO and CFO are accessible to shareholders, analysts, fund managers and others with a potential interest in the Company. The Chairman and the Chair of the Human Resources Committee are also accessible to shareholders and institutional investors.

6.3 Verification of periodic reports

Nufarm is committed to ensuring that all the information contained in its corporate reports is accurate, effective and clear. Nufarm has put in place a process to verify the integrity of its periodic reports that are not subject to audit or reviewed by the external auditor. This includes the annual Directors' Report, the Annual Report and the Sustainability Report.

A statement on the processes undertaken to verify the information not audited or verified by the external auditor is available in the Corporate Governance Section of Nufarm's website.

7 Inclusion and diversity

Nufarm is a global organisation that aims to provide an inclusive work environment where individuals are valued for their diversity and empowered to reach their full potential. We believe we are stronger when our plans and operations reflect the thinking of all our people, representing a broad range of backgrounds, cultures and experience.

During the two month period ended 30 September 2020 (reporting period) we continued to keep inclusion and diversity a priority. Our goal is to embed inclusion and diversity in the way we conduct our business, wherever we operate around the world. Activities included:

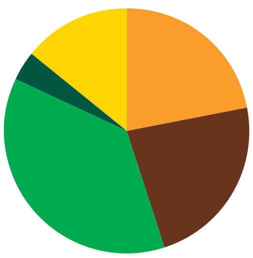
- Nufarm's continued effort to respond to Covid-19 with flexibility and inclusion. While we are privileged to be working in an essential industry we also recognise that this is a very trying time for all our employees. During this reporting period we introduced a Health and Wellbeing intranet site for all employees focusing on staying connected, work life balance, flexible working and building resilience to name a few.
- The NLT Inclusion and Diversity Steering Committee appointed two new Committee members as part of the steering committee rules to ensure continued diversity of this Committee.

Nufarm's workforce

At the end of this reporting period we employed 2,668 people (2020 2,702) across five regions, a decrease of 34 full time equivalents.

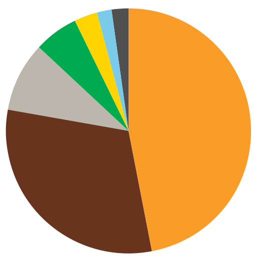
Most of our workforce remain full time with 88 per cent permanent employees (2020: 88 per cent) and 12 per cent contract or non-permanent employees (2020, 12 per cent). Where the nature of the role allows it, we support flexible work arrangements with 3 per cent of our workforce operating with part-time arrangements, we continue to operate with significant flexible working arrangement to support our workforce capability during Covid-19.

Two-month period ended 30 September 2020



Asia	22%
ANZ	23%
Europe	37%
LATAM	4%
NA	14%

Two-month period ended 30 September 2020



Supply Chain	47%
Sales	31%
Portfolio Solutions	9%
Finance	6%
Corporate	3%
Information Technology	2%
Human Resources	2%

Organisation Functions

Two-month period ended 30 September 2020 v 2020FY FTE by function	30 September 2020	2020 FY
Supply Chain	1,265	1,272
Sales	827	847
Portfolio Solutions	238	241
Finance	168	160
Corporate	73	77
Information Technology	56	64
Human Resources	41	41

Organisation Levels Two-month period ended 30 September 2020	FTE	Female	Male
Key management personnel (CEO and CEO-1)	4	0%	100%
Exec and senior management (CEO-1 and CEO-2)	92	21%	79%
People manager	472	21%	79%
Professionals	1,212	29%	71%
Manufacturing shop floor	654	10%	90%
Administration	202	70%	30%
Other	32	22%	78%

*Key Management Personnel as listed in the annual report and include CEO and some direct reports.

**CEO-1 refers to the layer of senior executives reporting directly to the CEO, CEO-2 the next layer of management reporting to those senior executives.

Women at Nufarm

Nufarm's focus on gender diversity is designed to empower all employees by actively addressing the barriers to equality and creating a level playing field and inclusive culture for both men and women. To this end we are committed to working towards a target of not less than 30 per cent of either gender making up our workforce.

We are focused on improving female representation across all areas of the business and continue to recruit above our female representation of 25 percent (2020). During this reporting period, 29 percent (2020, 32 per cent) of new hires were female and 18 percent of people leaving the business were female (2020: 24 per cent).

Female representation increased in Finance by 2 percent (2020: 51 per cent) and decreased in Corporate (by 4 percent) and Human Resources (by 3 percent). Portfolio, Finance and Corporate are functions that already meet our target of no less than 30 per cent of either gender. Geographically North America achieves our goal with ANZ and LATAM making gradual progress closer to our no less than 30 per cent of either gender goal. People Manager and Professionals went up in female representation by 1 per cent while Administration went down by 1 per cent.

The Board considers gender diversity an important factor in its succession planning. The percentage of female Non-executive Directors is back to 29 percent following Donald McGauchie's resignation (2020: 25 per cent).

Gender by region

Two-month period ended 30 September 2020	Female	Male
ANZ	27%	73%
ASIA	19%	81%
Europe	26%	74%
LATAM	19%	81%
NA	31%	69%

Gender by function

Two-month period ended 30 September 2020	Female	Male
Supply Chain	20%	80%
Sales	19%	81%
Portfolio Solutions	42%	58%
Finance	53%	47%
Corporate	49%	51%
Information Technology	13%	87%
Human Resources	75%	25%

Cultural diversity

Our global footprint enables a culturally diverse workforce of leaders and teams, representing local cultures and customers in over 100 countries. 12.5 percent of board members reside outside Australia (2020: 11 per cent). Our executive and senior management team remains culturally diverse with at least 15 different cultural backgrounds represented. Nufarm's employee self-disclosed data indicates that our workforce originates from no less than 63 different countries and speaks at least 37 different languages. Nufarm also has at least 5 per cent of employees working in a different country to their birth country.

Progress against 2021 objectives

Nufarm believes that inclusion and diversity are both critical to our sustainable growth. A key enabler to achieving growth is to develop our talent and continue to build an inclusive culture.

As a continuation of our efforts we now continue into year three of our inclusion and diversity strategy through extending our themes and objectives from last year deeper into the organisation; focusing additional efforts towards developing greater gender equality with our internal talent pipeline; and conducting our interim regional inclusion and diversity audit.

FY2021 objectives

Inclusion and diversity strategy goals	2021 inclusion and diversity objectives and progress
1 Vision and Purpose Goal Diversity is actively understood and represented by all employees who promote an inclusive culture. Difference is celebrated across the company and there is a solid understanding of how inclusion and diversity can contribute to achieving business objectives. By 2022	Continue with the communications plan and regular inclusion and diversity articles. Refresh the NLT Inclusion and Diversity Steering Committee, minimum 2 year term and maximum 3-year term to ensure diversity of the group. **Progress**: Rotation of 2 new executives to the NLT steering committee have been appointed.
2 Policy Goal Inclusion and diversity policy underpins other HR strategies. Policies and procedures are regularly reviewed, and where special circumstances allow, alternative solutions are put in place to ensure attraction and retention of a diverse workforce. By 2020	Conduct a progress Global (regional) Inclusion and Diversity diagnostic by March 2021 to demonstrate progress and review Inclusion and Diversity Strategy.
3 Knowledge and Capability Goal All employees understand what diversity and inclusion is and the competitive advantages it brings, are aware of their responsibilities in contributing to a diverse and inclusive environment, and how to do so effectively. By 2022	Deliver unconscious bias trainings to the European Senior Leadership team and the next level. 100% employees have access to Inclusive Leadership Framework. Deploy a Voice of the Business program 'Nufarm Voice' to improve engagement through continuous listening and data driven actions. **Progress**: Nufarm Voice and platform has now been designed and will be launched November 2020. The inclusive Leadership Framework continues to be deployed through online training to staff in their national language.
4 Remuneration Goal Remuneration practices ensure there is no bias based on difference. By 2022	Incorporate business as usual, gender analysis by region into the remuneration review signoff process, to be led by regional leads and signed off by RGM. Global to support development of analysis. **Progress**: Our planned annual gender pay analysis for FY20 did not occur due to a salary freeze. Nufarm's short term incentive 2020 plan included a non-financial team component that aims to drive a collaborative growth mindset culture. This component is measured based on team performance, contribution and behaviour and minimises manager bias associated to individual performance decisions.
5 Talent Goal The Board to have not less than 30 per cent of directors of each gender by 2022. The senior leadership team and workforce generally to have not less than 30 percent of people of each gender by 2025. Succession plan coverage reflects the diversity of the organisation. By 2025	Continue to have one female on the panel for all senior leadership level appointments and the commitment of having one female on the shortlist for all senior Leadership roles. Succession plan coverage reflects the diversity of the SLT population. **Progress**: NEW gender diversity KPI has been introduced to the CEO and executive team for the 2021 FY and will be included in their team performance scorecard.

These objectives are in addition to the ongoing activities under Nufarm's inclusion and diversity policy and current practices that are already yielding meaningful results.

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 two month financial year ended 30 September 2020 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 and Director until 24 September 2020)

GA Hunt (Managing Director)

AB Brennan

GR Davis

FA Ford

JC Gillam (appointed Chairman from 24 September 2020)

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 are set out below.

Name, qualifications and responsibilities	Tenure and Experience
Donald McGauchie AO Independent Non-executive Chairman (until 24 September 2020) Member of the Nomination and Governance Committee Member of the Human Resources Committee	Donald McGauchie AO joined the board in 2003 and was appointed chairman on 13 July 2010. Donald retired from the Board with effect from 24 September 2020. Donald has wide commercial experience within the agricultural, food processing, commodity trading, finance and telecommunication sectors. He also has extensive public policy experience, having previously held several high-level advisory positions to the government including the Prime Minister's Supermarket to Asia Council, the Foreign Affairs Council and the Trade Policy Advisory Council. He is a former member of the board of the Reserve Bank of Australia. Other directorships and offices (current and recent): • Chairman of Australian Agricultural Company Limited (since 2010) • Director of Graincorp Ltd. (since December 2009)
John Gillam BCom, MAICD, FAIM Non-executive Chairman (from 24 September 2020) Member of the Nomination and Governance Committee	John Gillam joined the Board on 31 July 2020 and was appointed Chairman on 24 September 2020. John has extensive commercial and leadership experience from a 20-year career with Wesfarmers where he held various senior leadership roles including CEO of the Bunnings Group, Managing Director of CSBP and Chairman of Officeworks. Other directorships and offices (current and recent): • Chairman of CSR Limited (Director since December 2017 and Chairman since 1 June 2018) • Chairman of BlueFit Pty Limited (since February 2018) • Director of Trinity Grammar School (since June 2018) • Director of the Heartwell Foundation (since 2009) • Director of Clontarf Foundation (since 2017)
Greg Hunt Managing Director and CEO	Greg Hunt joined the Board on 5 May 2015. Greg joined Nufarm in 2012 and was Group Executive Commercial Operations prior to being appointed acting chief executive officer in February 2015 and Managing Director and Chief Executive Officer in May 2015. Greg has considerable executive and agribusiness experience. Greg had a successful career at Elders before being appointed managing director of Elders Australia Limited, a position he held between 2001-2007. After leaving Elders, Greg worked with various private equity firms focussed on the agriculture sector and has acted as a corporate advisor to Australian and international organisations in agribusiness related matters.
Anne Brennan BCom(Hons), FCA, FAICD Independent Non-executive Director Member of the Audit Committee Member of the Human Resources Committee	Anne Brennan joined the Board on 10 February 2011. Anne was formerly the Executive Finance Director for the Coates Group and Chief Financial Officer for CSR. Prior to this Anne was a partner in professional services firms Ernst & Young, Andersen and KPMG. Other directorships (current and recent): • Director of Charter Hall Group (since October 2010) • Director Argo Investments Limited (since September 2011) • Director of Rabobank New Zealand Limited (since November 2011) • Director of NSW Treasury Corporation (since October 2018) • Director of Spark Infrastructure Trust (since June 2020) • Director of Tabcorp Holdings Limited (since July 2020) • Former Director of Rabobank Australia Limited (from November 2011 to September 2020) • Former Director of Myer Holdings Limited (from September 2009 to November 2017)

Name, qualifications and responsibilities	Tenure and Experience
Gordon Davis BForSc, MAgSc, MBA Independent Non-executive Director Chairman of the Risk and Compliance Committee Member of the Audit Committee Member of the Human Resources Committee	Gordon Davis joined the Board on 31 May 2011. Gordon was Managing Director of AWB Limited (from 2006 to 2010) and has held various senior executive positions with Orica Limited, including General Manager of Orica Mining Services (Australia, Asia) and General Manager of Incitec Fertilisers. He has also served in a senior capacity on various industry associations. Other directorships (current and recent): Director of Healius Limited (formerly Primary Health Care Limited) (since August 2015) Director of Midway Limited (since April 2016)
Frank Ford MTax, BBus, FCA Independent Non-executive Director Chairman of the Audit Committee Member of the Nomination and Governance Committee	Frank Ford joined the Board on 10 October 2012. Frank is a former Managing Partner of Deloitte Victoria after a long and successful career as a professional advisor spanning some 35 years. During that period, Mr Ford was also a member of the Deloitte Global Board, Global Governance Committee and National Management Committee
Peter Margin BSc(Hons), MBA Independent Non-executive Director Chairman of the Human Resources Committee Member of the Risk and Compliance Committee Member of the Nomination and Governance Committee	Peter Margin joined the Board on 3 October 2011. Peter has many years of leadership experience in major Australian and international food companies including Executive Chairman of Asahi Holdings (Australia) Pty Ltd, Chief Executive of Goodman Fielder Ltd and before that Chief Executive and Chief Operating Officer of National Foods Ltd. Other directorships (current and recent): • Non-Executive Chairman of Asahi Holdings (Australia) Pty Ltd • Deputy Chairman of Bega Cheese Limited (since September 2020) • Former Director of PACT Group Holdings Limited (from November 2013 to August 2019) • Director of Costa Group Holdings Limited (since June 2015) • Director of Bega Cheese Limited (from June 2011 to January 2019)
Marie McDonald LLB(Hons), BSc(Hons) Independent Non-executive Director Chairman of the Nomination and Governance Committee Member of the Audit Committee Member of the Risk and Compliance Committee	Marie McDonald joined the Board on 22 March 2017. Marie is widely recognised as one of Australia's leading corporate and commercial lawyers having been a Senior Partner at Ashurst until 2014 where she specialised in mergers and acquisitions, corporate governance and commercial law. Marie was Chair of the Corporations Committee of the Business Law Section of the Law Council of Australia from 2012 to 2013, having previously been the Deputy Chair, and was a member of the Australian Takeovers Panel from 2001 to 2010. Other directorships (current and recent): • Director of CSL Limited (since 14 August 2013) • Director of Nanosonics Limited (since 24 October 2016) • Director of Walter and Eliza Hall Institute of Medical Research (since October 2016)
Toshikazu Takasaki BBA Non-Independent Non-executive Director Member of the Risk and Compliance Committee	Toshikazu Takasaki joined the Board on 6 December 2012. Mr Takasaki represents the interests of shareholder Sumitomo Chemical Company (SCC). He is a former executive of SCC holding senior management positions in businesses relating to crop protection, both within Japan and in the US. He is now a business consultant with a national qualification registered by the Japanese Ministry of Economy, Trade and Industry as a small and medium sized Enterprise Consultant. He brings broad industry and international experience to the Board.

Company secretary

Fiona Smith (BSc, LLB, GDipGov, FGIA) joined the company on 20 June 2019 and was appointed company secretary on 27 June 2019. Fiona is a senior legal and governance professional with 20 years' experience in company secretarial roles arising from her time spent in such roles in listed companies. Fiona reports directly to the Board. She holds a Bachelor of Science and Bachelor of Law from the Australian National University and a Graduate Diploma in Applied Governance.

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	14,156	—
GR Davis	71,609	—
FA Ford	51,400	—
GA Hunt	544,812	—
JC Gillam	185,000	
DG McGauchie[1]	76,761	—
ME McDonald	34,827	—
PM Margin	3,480	—
T Takasaki	—	—

1. Donald McGauchie ceased to be a Director of the Company on 24 September 2020.

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:

Board and Board Committee attendance in the reporting period

	Board		Audit		Risk and Compliance		Nomination and Governance		Human Resources Committee	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Anne Brennan	3	3	2	2					1	1
Gordon Davis	3	3	2	2	1	1			1	1
Frank Ford	3	3	2	2			2	2		
John Gillam	3	3		2		1	2	2		1
Greg Hunt	3	3		2		1				1
Peter Margin	3	3		2	1	1	2	2	1	1
Marie McDonald	3	3	2	2	1	1	2	2		1
Donald McGauchie[1]	3	3		2		1	2	1	1	1
Toshikazu Takasaki	3	3		1	1	1				

Column A: indicates the number of meetings held during the period of each Director's tenure. Where a Director is not a member but attending meetings during the period then only the number of meetings attended rather than held is shown.

Column B: indicates the number of meetings attended by each Director.

1. Donald McGauchie retired as a non-executive Director and Chairman on 24 September 2020

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 2,700 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 2 months to 30 September 2020 is $(91.3) million. The comparable figure for the 12 months to 31 July 2020 was $(456.1) 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 on pages 128 to 131 and forms part of this Directors' Report.

Dividends

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

No dividend paid for the 2 months ended 30 September 2020	$000
No final dividend for 2019-2020 was paid	$000

Nufarm Step-up Securities distributions

No Nufarm Step-up Securities distributions have been paid since the end of the preceding financial year:

	$000
Distribution for the period 15 October 2019 – 14 April 2020 at the rate of 4.85 per cent paid 15 April 2020	6,102

State of Affairs

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

Events subsequent to reporting date

On 15 October 2020 a distribution was paid by Nufarm Finance (NZ) Ltd on the Nufarm Step-up Securities. The distribution rate was 4.14% resulting in a gross distribution of $5.216 million.

Other than noted above, the Directors are not aware of any matter or circumstance that has arisen since the end of the two month financial year that, in their opinion, has significantly affected, or may significantly affect in future years, Nufarm's operations or the state of Nufarm's operations.

Remuneration Report

The Remuneration Report set out on pages 149 to 161 forms part of this Directors' Report

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 two month 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 35 on page 233 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 to the extent allowed by law. There are no monetary limits to the extent of this indemnity.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 162 and forms part of the Directors' Report for the two month financial year ended 30 September 2020.

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.

John Gillam
Director

Greg Hunt
Director

Melbourne
19 November 2020

Remuneration Report for the 2 months ended 30 September 2020

A letter from the Chairman of the Human Resources Committee (HRC)

Dear fellow shareholder,

On behalf of the Board I am pleased to present the Remuneration Report for the two months ended 30 September 2020.

This reporting period has arisen as a result of the change of the Company's financial year end from 31 July to 30 September.

Due to the brevity of the reporting period, Key Management Personnel agreed to forfeit entitlement to any short-term incentive during the reporting period and fixed annual remuneration has remained frozen at 2019 levels.

The testing period for the financial year 2019 and 2020 long term incentive (LTI) plan threshold targets has been extended to include an additional two months in the final performance calculations to align the testing with the new financial year end. As a result, the next testing period will be 30 September 2021.

The Chairman's fee and non-executive director fees also remained frozen at 2019 levels, however Directors' Committee fees were adjusted on 1 August 2020 to reflect changes to the structure of the Board Committees.

Peter Margin

Peter Margin
Chair – Human Resources Committee

Remuneration Report for the 2 months ended 30 September 2020 continued

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 reporting period (1 August 2020 – 30 September 2020). The report has been prepared in accordance with section 300A of the Corporations Act 2001 (Corporations Act).

Section	What it covers
1. Remuneration snapshot	
1.1 Key Management Personnel	• Lists the names and roles of the Executive KMP whose remuneration details are disclosed in this report.
1.2 Executive KMP remuneration outcomes	• Details the key remuneration outcomes between 1 August 2020 – 30 September 2020.
1.3 Actual total remuneration earned by executives in the reporting period (unaudited)	• Additional voluntary disclosure of cash and benefits actually earned by KMPs between 1 August 2020 – 30 September 2020.
1.4 Summary of the reporting period non executive director (NED) fees	• Details the NED fee changes between 1 August 2020 – 30 September 2020.
1.5 Changes for the reporting period	• Outlines the changes to remuneration arrangements between 1 August 2020 – 30 September 2020.
1.6 Outlook for FY21	• Outlines the changes to remuneration in FY21.
2. Setting Senior Executive remuneration	
2.1 Remuneration governance	• Explains Nufarm's remuneration policy, and how the Board and Human Resources committee (HRC) make decisions, including the use of external consultants.
2.2 Remuneration strategy	• Explains Nufarm's remuneration strategy for FY21.
2.3 Remuneration components	• Shows how executive remuneration is structured to support business objectives and explains the executive remuneration mix.
3. Executive remuneration outcomes	
3.1 Financial performance	• Provides a breakdown of Nufarm's performance over the past five years.
3.2 Short Term Incentive performance	• Details the historical STI plan performance relative to Nufarm's uNPAT results.
3.3 Long Term Incentive performance	• Historical LTI plan performance relative to Nufarm's share price.
3.4 Senior executive contract details	• Lists the key contract terms governing the employment of Executive KMP (including termination entitlements where relevant).
4. Non-Executive Director remuneration	• Provides details of the fee structure for Board and Committee roles.
5. Remuneration tables	
5.1 Remuneration of Directors and disclosed executives	• Provides the remuneration disclosures required by the Corporations Act and in accordance with relevant Australian Accounting Standards.
5.2 Equity instruments held by disclosed executives	
5.3 Shares held in Nufarm	

1 Remuneration snapshot

1.1 Key Management Personnel

This Remuneration Report is focused on the KMP of Nufarm, being those persons with authority and responsibility for planning, directing and controlling the activities of Nufarm. KMP includes the non-executive directors and senior executives (referred to as executive KMPs throughout this report). Unless otherwise indicated, the KMP were classified as KMP for the reporting period.

Current non-executive directors	
Donald McGauchie	Chairman and independent, non-executive director (until 24 September 2020)
John Gillam	Chairman (effective 24 September 2020) and independent, non-executive director (effective 31 July 2020)
Anne Brennan	Independent, non-executive director
Frank Ford	Independent, non-executive director
Gordon Davis	Independent, non-executive director
Marie McDonald	Independent, non-executive director
Peter Margin	Independent, non-executive director
Toshikazu Takasaki	Non-executive director
Current executive KMPs	
Greg Hunt	Managing director and chief executive officer
Paul Binfield	Chief financial officer
Elbert Prado	Group executive supply chain operations
Brent Zacharias	Group executive Nuseed

1.2 Executive KMP remuneration outcomes

The overall structure and philosophy of Nufarm's approach to remuneration remained consistent between 1 August 2020 – 30 September 2020. The organisation's remuneration philosophy continues to be based on linking financial rewards directly to employee contributions and Company performance.

Fixed annual remuneration (FAR)	All executive KMPs did not receive an increase to their FAR between 1 August 2020 – 30 September 2020.
Short term incentive (STI)	All executive KMPs have forfeited an STI between 1 August 2020 – 30 September 2020.
Long term incentive (LTI)	All executive KMPs have forfeited an LTI between 1 August 2020 – 30 September 2020.

Remuneration Report for the 2 months ended 30 September 2020 continued

1.3 Actual total remuneration earned by executives in the reporting period (unaudited)

The table below details actual pay and benefits for Executive KMPs who were employed between 1 August 2020 to 30 September 2020. This table aims to assist shareholders in understanding the cash and other benefits received by executive KMPs from the various components of their remuneration between 1 August 2020 to 30 September 2020.

As a general principle, Australian Accounting Standards require the value of share-based payments to be calculated at the time of grant and accrued over the performance period and restriction period. The Corporations Act and Australian Accounting Standards also require that pay and benefits be disclosed for the period that a person is an executive KMP. This may not reflect what executive KMPs received or became entitled to during the reporting period (especially if they became KMP part way through the reporting period). The figures in this table have not been prepared in accordance with Australian Accounting Standards. They provide additional voluntary disclosures to Table 5.1 (which provides a breakdown of executive KMPs remuneration in accordance with statutory requirements and Australian Accounting Standards). The treatment of the remuneration elements in this disclosure are as follows:

- Fixed remuneration earned between 1 August 2020 and 30 September 2020. This includes superannuation.
- Restricted STI or LTI that has been earned as a result of performance in previous financial years but was subject to a restriction period that ended between 1 August 2020 and 30 September 2020.
- Benefits received between 1 August 2020 and 30 September 2020.

		Fixed remuneration				At risk remuneration (Realised)			Total		
In AUD	Period[1]	Salary and Fees $	Non-monetary benefits $	Super-annuation $	Total $	STI cash[2] $	STI deferred shares vested $	LTI rights vested $	Other long term $	Total Re-muneration $	LTI rights forfeited $
Directors' Non-executive											
Sub total non-executive directors remuneration (realised)	Sept	272,873	–	23,604	296,477	–	–	–	–	**296,477**	–
	July	1,467,005	–	120,051	1,587,056	–	–	–	–	**1,587,056**	–
Executive Director											
GA Hunt	Sept	215,781	–	4,167	219,948	–	–	–	–	**219,948**	–
	July	1,294,688	100	25,000	1,319,788	330,000	–	–	–	**1,649,788**	(463,956)
Total Directors' remuneration (realised)	**Sept**	**488,654**	**–**	**27,771**	**516,425**	**–**	**–**	**–**	**–**	**516,425**	**–**
	July	**2,761,693**	**100**	**145,051**	**2,906,844**	**330,000**	**–**	**–**	**–**	**3,236,844**	**(463,956)**
Group Executives											
PA Binfield[3]	Sept	137,037	–	4,167	141,204	–	–	–	–	**141,204**	(636,320)
	July	822,223	100	25,000	847,323	212,000	–	–	–	**1,059,323**	(198,580)
N Poerksen[4]	Sept	–	–	–	–	–	–	–	–	**–**	–
	July	444,606	21,990	15,426	482,022	–	–	–	–	**482,022**	(121,601)
E Prado	Sept	122,329	10,326	–	132,655	–	–	–	–	**132,655**	–
	July	791,548	67,351	99,292	958,191	38,823	–	–	–	**997,014**	(141,335)
B Zacharias	Sept	74,909	7,608	8,240	90,757	–	–	–	–	**90,757**	–
	July	538,741	55,290	59,394	653,425	–	11,678	–	–	**665,103**	(88,938)
Sub total – total executive remuneration (realised)	**Sept**	**334,275**	**17,934**	**12,407**	**364,616**	**–**	**–**	**–**	**–**	**364,616**	**(636,320)**
	July	**2,597,118**	**144,731**	**199,112**	**2,940,961**	**250,823**	**11,678**	**–**	**–**	**3,203,462**	**(550,454)**
Total directors and executive remuneration (realised)	**Sept**	**822,929**	**17,934**	**40,178**	**881,041**	**–**	**–**	**–**	**–**	**881,041**	**(636,320)**
	July	**5,358,811**	**144,831**	**344,163**	**5,847,805**	**580,823**	**11,678**	**–**	**–**	**6,440,306**	**(1,014,410)**

1. 'Sept' in this table represents the 2 months ended 30 September 2020; 'July' in this table represents the 12 months ended 31 July 2020.
2. STI Cash for the 12 months ended 31 July 2020 includes a cash payment paid for the successful completion of the sale of the South American business.
3. Mr PA Binfield resigned on 14 September 2020 and therefore forfeited his rights under the Long-term incentive program.
4. Mr N Poerksen ceased to be a KMP on 28 February 2020.

Note: Vested STI deferred shares and LTI rights are valued at the Nufarm share price prevailing upon the vesting or forfeiture date ($3.85 at 30 September 2020 and $4.02 at 31 July 2020).

1.4 Summary of the reporting period Non-Executive Director (NED) fees

NED fees are fixed and do not have any variable components. The Chairman receives a fee for chairing the Nufarm Board and is not paid any other fees. Other NEDs receive a base fee and additional fees for each additional Committee chairmanship and membership. NED fees did not change between 1 August 2020 and 30 September 2020. No additional retirement benefits were paid. Fees paid to NEDs are subject to a maximum annual non-executive director fee pool of $2 million approved by shareholders at the 2017 AGM.

1.5 Changes for the reporting period

- John Gillam – Joined the Board on 31 July 2020 and assumed the role of Chairman effective 24 September 2020 following Mr McGauchie's retirement as Chairman and Non-executive Director.
- Effective 1 August 2020 Committee fees changed to align with the revised Board Committee structure.

1.6 Outlook for FY21

Fixed annual remuneration (FAR)	Following a year of disappointing profit results, the executive KMPs forfeited an increase to their FAR (for the second year in a row) for the reporting period to 30 September and FY21 as a demonstration of their continued commitment to turning the Company's financial health around.
Short term incentive (STI)	The FY21 STI plan will be simplified with a targeted focus on a single profit measure, aligned with cash flow and cost measures, with the continuation of a non-financial component based on team/individual performance.
Long term incentive (LTI)	A review of the LTI plan will be undertaken during FY21.
Non-executive director fees and pool	In line with the executive KMP stance, non-executive directors elected not to increase board fees for FY21 and decided that it was not necessary to seek any increase to the fee pool previously approved by shareholders.

2 Setting senior executive remuneration

2.1 Remuneration governance

The HRC is responsible for reviewing and making recommendations to the Board on remuneration policies and practices applicable to disclosed executives. The HRC is comprised of a minimum of three independent non-executive directors and has responsibility for ensuring that remuneration policies and practices are aligned to the overall strategy, values and risk appetite of Nufarm while also providing competitive rewards to attract, retain and motivate highly skilled executives and has a clear relationship between executive remuneration and value creation for shareholders. The HRC charter can be found at www.nufarm.com.

In addition to reviewing and recommending the remuneration policies and practices to the Board, the HRC has responsibility for

- overseeing the succession plans and process for the CEO and direct reports to the CEO;
- assisting the Board in the annual performance review of the CEO and overseeing the annual performance review of the Executive KMPs;
- approving the appointment of Executive KMPs and the general terms of their employment contracts including termination payments;
- overseeing the implementation of the Inclusion and Diversity Policy and assessing progress in achieving measurable objectives; and
- overseeing Nufarm's key people and performance strategies, policies and programs to ensure there is alignment with Nufarm's overall strategy and values.

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 benchmarks, 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 Nufarm Board have absolute discretion regarding the amount and timing of any incentive payment made or not made to any eligible employee. In addition, a 'clawback' provision applies to both LTI and STI plans (cash and equity) as follows:

- where payment is contrary to the financial soundness of the Company;
- in circumstances where the financial performance of Nufarm over the relevant reporting 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 have reflected 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.

From FY21 onwards, the remuneration strategy is further refined to incorporate the following:

- An STI plan which rewards year on year growth, with an equal focus on profitability and cashflow, as well as a non-financial component.
- An LTI plan which rewards plan participants for creating long term value for the organisation and shareholders.

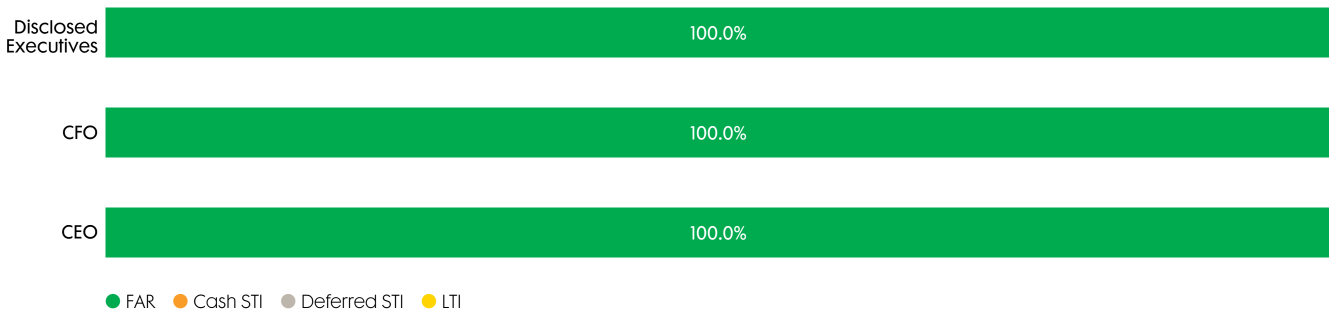
FAR	STI		LTI
Attract, motivate, and retain highly skilled employees	Reward achievement if financial and personal/team strategic objectives are met		Align to long term shareholder value creation
Cash		Equity	
Base salary plus superannuation	50% of STI paid annually after financial year end	50% of the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

2.3 Remuneration components

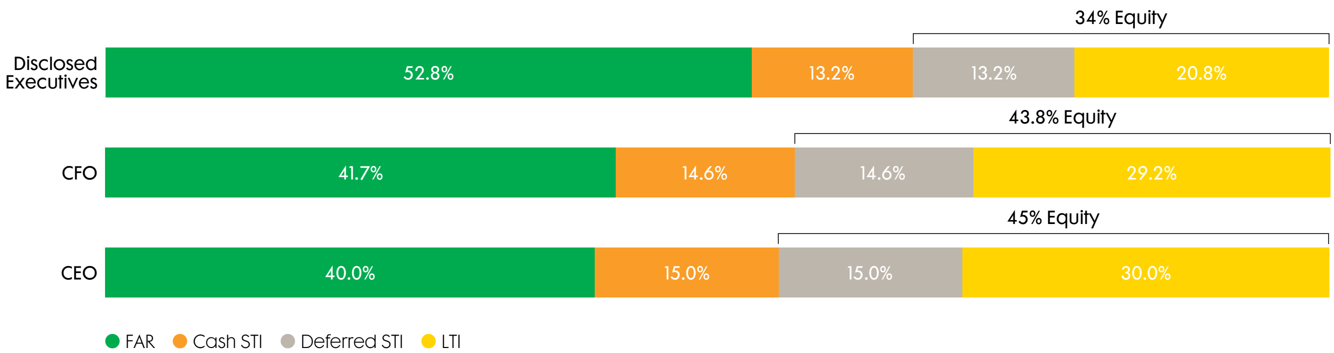
a) Remuneration structure

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. Australian based executive KMPs are employed on this basis. Those located overseas in Canada and US, also receive benefits as per local employment conditions.

The graph below outlines the target remuneration mix for executive KMPs between 1 August 2020 – 30 September 2020. There are no applicable performance conditions relating to STI and LTI in the relevant reporting period.



The graph below outlines the target remuneration mix for executive KMPs for FY21. The variable components of STI (including potential restricted shares) and LTI are expressed at target.



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:

		Continuing group[1]		Total Group (continuing and discontinued operations)		
Performance measures		Sept 20[2]	FY20	FY19	FY18	FY17
Earnings						
Underlying EBITDA *	$m	(43.4)	235.8	300.1	385.7	390.0
ANWC/Sales***	%	44.7	46.4	47.7	40.3	36.8
Underlying NPAT**	$m	(85.9)	(80.6)	39.6	98.4	135.8
Shareholder value						
TSR	%	(4.2)	(49.2)	(31.0)	(13.9)	3.5
Dividends declared	Cents	–	–	–	11.0	13.0
Closing share price	$m	3.85	4.02	4.88	7.03	8.10

1. Performance measures for FY19, FY20 and the 2 months ended 30 September 2020 are presented on a continuing operations basis.
2. 'Sept 20' in this table represents the 2 months ended 30 September 2020.

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

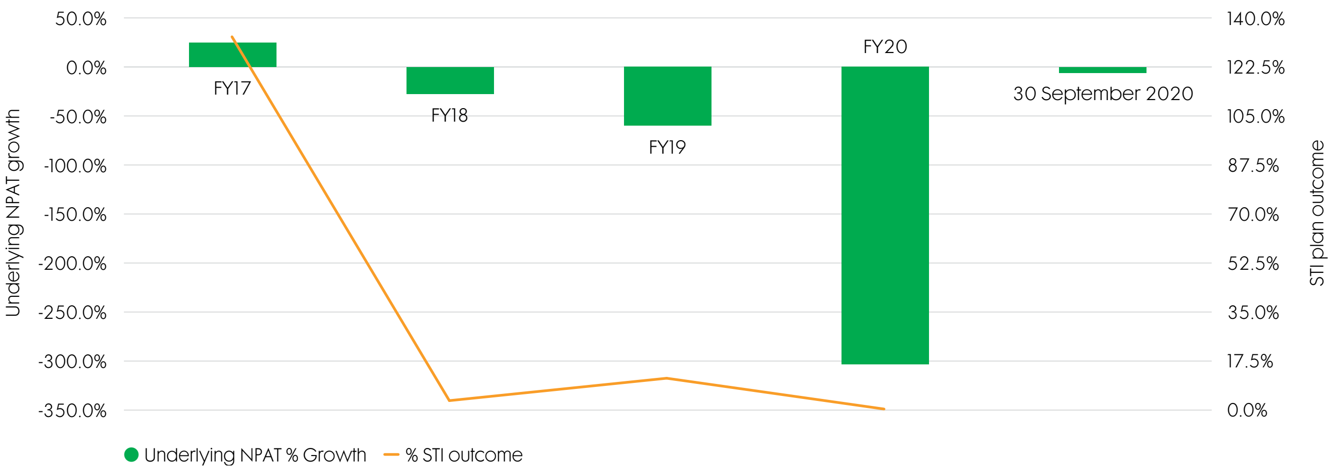
*** Average Net Working Capital/Sales is used throughout the business and highlights the management of working capital over the full year.

3.2 Short Term Incentive outcomes

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. There are no applicable performance conditions relating to STI in the relevant reporting period.

Underlying NPAT growth vs STI outcomes



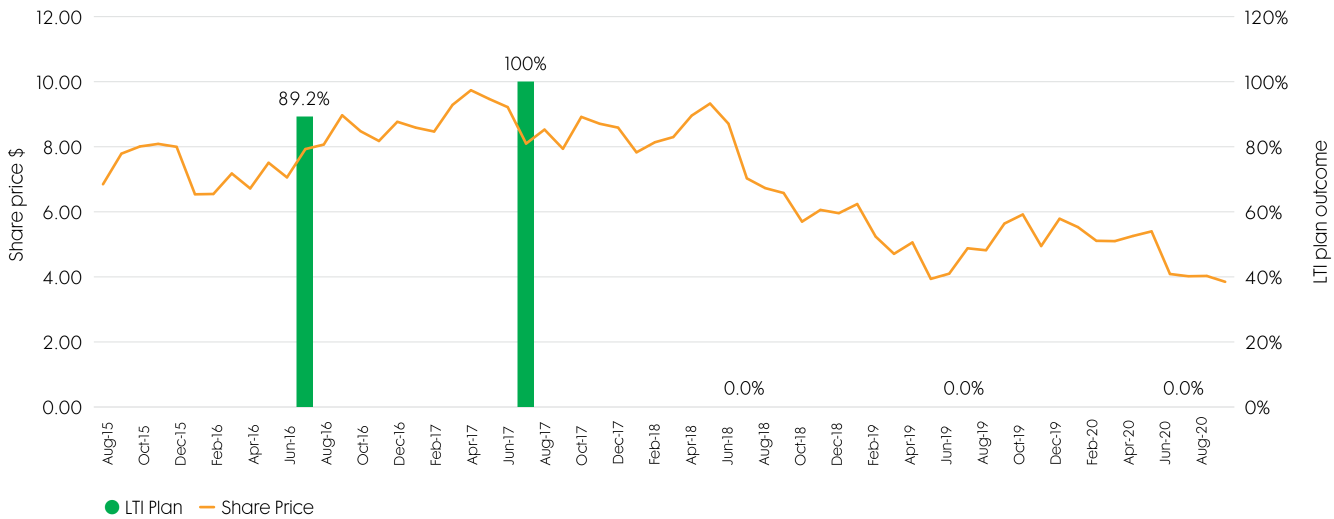
3.3 Long Term Incentive outcomes

The results of Nufarm's RTSR are 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 Board approves the vesting outcomes in accordance with the LTI plan rules.

Historical LTI plan performance relative to Nufarm's share price

The following chart compares Nufarm's LTI plan vesting results for the past six LTI plans (as a percentage of plan maximum) to the share price history during the same period. The FY16, FY17 and FY18 LTI plans did not meet hurdle and therefore are not depicted. There are no applicable performance conditions relating to LTI in the relevant reporting period.

Nufarm historical share price vs LTI outcome



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 other disclosed executives by giving 6 months notice, in which case the CEO and other disclosed executives 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 and other disclosed executives may terminate the contract by giving the Company 6 months notice.

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

4 Non-Executive Directors (NED) remuneration

Nufarm's business and affairs are managed by or under the direction of the Board. The Board oversees the performance of Nufarm management in seeking to deliver superior business and operational performance and long-term growth in shareholder value. The Board recognises that providing strong leadership and strategic guidance to management is important to achieve our goals and objectives.

Fees for non-executive directors are set at a level to attract and retain Directors with the necessary skills and experience to allow the board to have a proper understanding of, and competence to deal with, current and emerging issues for Nufarm's business. The Board seeks to attract directors with different skills, experience, expertise, and diversity. Additionally, when setting non-executive director fees, the Board takes into account factors such as external market data on fees and the size and complexity of Nufarm's operations. The non-executive directors' fees are fixed, and non-executive directors do not participate in any Nufarm incentive plan.

The Board's policy with regard to NED remuneration is to position Board remuneration at the market median with comparably 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 FY20 remained within the approved cap.

The Board fees are reviewed every 12 months with the last increase of 3.75% effective August 2018.The next review is due in September 2021. Effective 1 August 2020 Board fees changed to align with the revised sub-committee structure.

Fees applicable from 1 August 2020	($) per annum
Chairman	392,567
Director	160,597
Audit committee Chair	27,000
Audit committee Member	13,500
Risk and Compliance committee Chair	27,000
Risk and Compliance committee Member	13,500
HR committee Chair	27,000
HR committee Member	13,500
Nominations and Governance committee Chair	20,250
Nominations and Governance committee Member	10,125

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

Remuneration Report for the 2 months ended 30 September 2020 continued

5 Remuneration tables

5.1 Remuneration of directors and disclosed executives

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

		Short Term				Post-employment		Share based payments		Total[3]		
In AUD	Period[1]	Salary and Fees $	Cash Bonus (Vested)[2] $	Non-monetary benefits $	Total $	Super-annuation $	Termin-ation benefits $	Equity settled $	Other long term $	Total Re-muneration $	Percen-tage of remun-eration perfor-mance based $	Value of options as a proportion of total remun-eration $
Directors' Non-executive												
DG McGauchie	Sept	59,480	–	–	59,480	5,948	–	–	–	65,428		
	July	356,879	–	–	356,879	35,688	–	–	–	392,567		
J Gillam[4]	Sept	24,862	–	–	24,862	2,486	–	–	–	27,348		
	July	–	–	–	–	–	–	–	–	–		
AB Brennan	Sept	28,424	–	–	28,424	2,842	–	–	–	31,266		
	July	172,973	–	–	172,973	17,297	–	–	–	190,270		
GR Davis	Sept	32,515	–	–	32,515	3,251	–	–	–	35,766		
	July	190,139	–	–	190,139	19,014	–	–	–	209,153		
F Ford	Sept	31,429	–	–	31,429	3,143	–	–	–	34,572		
	July	190,138	–	–	190,138	19,014	–	–	–	209,152		
P Margin	Sept	36,822	–	–	36,822	–	–	–	–	36,822		
	July	215,086	–	–	215,086	–	–	–	–	215,086		
M McDonald	Sept	32,963	–	–	32,963	3,296	–	–	–	36,259		
	July	187,210	–	–	187,210	13,580	–	–	–	200,790		
T Takasaki	Sept	26,378	–	–	26,378	2,638	–	–	–	29,016		
	July	154,580	–	–	154,580	15,458	–	–	–	170,038		
Sub total non-executive directors remuneration	Sept	272,873	–	–	272,873	23,604	–	–	–	296,477		
	July	1,467,005	–	–	1,467,005	120,051	–	–	–	1,587,056		

		Short Term				Post-employment		Share based payments		Total[3]		
In AUD	Period[1]	Salary and Fees $	Cash Bonus (Vested)[2] $	Non-monetary benefits $	Total $	Super-annuation $	Termin-ation benefits $	Equity settled $	Other long term $	Total Re-muneration $	Percen-tage of remun-eration perfor-mance based $	Value of options as a proportion of total remun-eration $
Executive Director												
GA Hunt	Sept	215,781	–	–	215,781	4,167	–	47,556	–	267,504	18%	124%
	July	1,294,688	330,000	100	1,624,788	25,000	–	256,718	–	1,906,506	31%	14%
Total Directors' remuneration	Sept	488,654	–	–	488,654	27,771	–	47,556	–	563,981		
	July	2,761,693	330,000	100	3,091,793	145,051	–	256,718	–	3,493,562		
Group Executives												
PA Binfield[5]	Sept	137,037	–	–	137,037	4,167	–	(244,547)	–	(103,343)	237%	237%
	July	822,223	212,000	100	1,034,323	25,000	–	136,806	–	1,196,129	21%	11%
N Poerksen[6]	Sept	–	–	–	–	–	–	–	–	–		
	July	444,606	–	21,990	466,596	15,426	–	(157,902)	–	324,120	18%	9%
E Prado[7]	Sept	122,329	–	10,326	132,655	–	–	19,072	–	151,727	13%	68%
	July	791,548	38,823	67,351	897,722	99,292	–	106,007	–	1,103,021	19%	5%
B Zacharias[8]	Sept	74,909	–	7,608	82,517	8,240	–	3,647	4,146	98,550	8%	0%
	July	538,741	–	55,290	594,031	59,394	–	19,340	(74,950)	597,815	30%	1%
Sub total – total executive remuneration	Sept	334,275	–	17,934	352,209	12,407	–	(221,828)	4,146	146,934		
	July	2,597,118	250,823	144,731	2,992,672	199,112	–	104,251	(74,950)	3,221,085		
Total directors and executive remuneration	Sept	822,929	–	17,934	840,863	40,178	–	(174,272)	4,146	710,915		
	July	5,358,811	580,823	144,831	6,084,465	344,163	–	360,969	(74,950)	6,714,647		

1. 'Sept' in this table represents the 2 months ended 30 September 2020; 'July' in this table represents the 12 months ended 31 July 2020.
2. Cash Bonus (Vested) for the 12 months ended 31 July 2020 includes a cash payment paid for the successful completion of the sale of the South American business.
3. Represents total remuneration paid in the financial period.
4. Mr J Gillam joined the Board on 31 July 2020.
5. Mr PA Binfield resigned on 14 September 2020 and therefore forfeited his equity based compensation, resulting in negative remuneration from the reversal of prior awards.
6. Mr N Poerksen ceased to be a KMP on 28 February 2020. Upon departure, Mr Poerksen forfeited his equity based compensation, resulting in negative remuneration from the reversal of prior awards for the 12 months ended 31 July 2020.
7. Mr E Prado's fixed remuneration and other long-term remuneration for the 12 months ended 31 July 2020 includes fees and long service leave amounts paid with respect to the relocation of Mr Prado from Australia to the United States of America during 2019.
8. Included in Other long-term remuneration for B Zacharias for the 12 months ended 31 July 2020 is the fair value expense for the financial year relating to the Nuseed LTI plan (refer section 2.3c). In FY20, negative income arises as the rights associated with the 2019 grant are no longer expected to vest.

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 2020	Granted as remun-eration	Exercised	Forfeited or lapsed	Net change other	**Balance at 30 Sept 2020**[b]	Vested during 2020	Vested at 30 Sept 2020[a]	Value at date of forfeiture
Directors										
G Hunt	LTI performance	322,389	–	–	–	–	322,389	–	–	–
	STI deferred	–	–	–	–	–	–	–	–	–
Executives										
Current KMP										
P Binfield[c]	LTI performance	165,278	–	–	–	–	165,278	–	–	–
	STI deferred	–	–	–	–	–	–	–	–	–
E Prado	LTI performance	100,266	–	–	–	–	100,266	–	–	–
	STI deferred	12,456	–	–	–	–	12,456	–	–	–
B Zacharias	LTI performance	–	–	–	–	–	–	–	–	–
	STI deferred	10,575	–	–	–	–	10,575	–	–	–
Total	LTI performance	587,933	–	–	–	–	587,933	–	–	–
	STI deferred	23,031	–	–	–	–	23,031	–	–	–
Non-KMP Officers										
F Smith	LTI performance	36,248	–	–	–	–	36,248	–	–	–
	STI deferred	–	–	–	–	–	–	–	–	–
Total		**647,212**	**–**	**–**	**–**	**–**	**647,212**	**–**	**–**	**–**

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

(b) 308,479 of total LTIP performance rights held by KMPs are due to vest in the period ending 30 September 2021, with the remaining unvested balance due to vest in the period ending 30 September 2022.

(c) On 14 September 2020, Mr Binfield announced his resignation from Nufarm. Upon leaving Nufarm, in accordance with the long-term incentive plan rules, Mr Binfield will forfeit all of his LTI rights.

5.3 Shares held in Nufarm Ltd

	Balance at 1 August 2020	Granted as remuneration	On exercise of of rights	Net change other	**Balance at 30 September 2020**
Directors					
DG McGauchie[1]	76,761	–	–	–	76,761
J Gillam	–	–	–	185,000	185,000
AB Brennan	14,156	–	–	–	14,156
GR Davis	71,609	–	–	–	71,609
FA Ford	51,400	–	–	–	51,400
G Hunt	494,812	–	–	50,000	544,812
PM Margin	3,480	–	–	–	3,480
ME McDonald	22,327	–	–	–	22,327
T Takasaki	–	–	–	–	–
Executives					
Current KMP					
P Binfield	198,348	–	–	–	198,348
E Prado	40,471	–	–	353	40,824
B Zacharias	41,907	–	–	536	42,443
Total	**1,015,271**	**–**	**–**	**159,128**	**1,174,399**

1. Mr DG McGauchie retired from the board 24 September 2020

Shares issued as a result of the exercise of options

There were nil (2020: nil) shares issued as a result of the exercise of options during the year.

Unissued shares under option

There are nil (2020: nil) unissued shares under option. The unissued shares under option have been provided to Nufarm employees as performance rights and the exercise price of such options is nil.

Loans to key management personnel

There were no loans to key management personnel at 30 September 2020 (2019: 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.

John Gillam
Director

Greg Hunt
Director

Melbourne
19 November 2020

Auditors' Independence Declaration

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 period ended 30 September 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Chris Sargent
Partner
Melbourne
19 November 2020

Financial statements for the 2 months ended 30 September 2020

Contents

Consolidated statement of profit or loss and other comprehensive income

For the 2 months ended 30 September 2020

	Note	Consolidated 2 months to 30 Sep 2020 $000	Consolidated 12 months to 31 Jul 2020 $000
Continuing operations			
Revenue		267,320	2,847,375
Cost of sales		(227,400)	(2,112,646)
Gross profit		39,920	734,729
Other income	7	1,114	5,833
Sales, marketing and distribution expenses		(78,337)	(486,357)
General and administrative expenses		(42,194)	(446,231)
Research and development expenses		(6,132)	(22,652)
Share of net profits/(losses) of equity accounted investees	17	(48)	363
Operating profits/(losses)		(85,677)	(214,315)
Financial income	10	467	3,405
Financial expenses excluding foreign exchange gains/(losses)	10	(9,815)	(76,031)
Net foreign exchange gains/(losses)	10	(4,659)	(23,565)
Net financial expenses		(14,474)	(99,596)
Net financing costs		(14,007)	(96,191)
Profit/(loss) before income tax		(99,684)	(310,506)
Income tax benefit/(expense)	11	8,339	(51,906)
Profit/(loss) for the period from continuing operations		(91,345)	(362,412)
Discontinued operation			
Loss from discontinued operation, net of tax	12	–	(93,667)
Profit/(loss) for the period		(91,345)	(456,079)
Attributable to:			
Equity holders of the group		(91,345)	(456,079)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the attached notes.

		Consolidated	
	Note	2 months to 30 Sep 2020 $000	12 months to 31 Jul 2020 $000
Profit/(loss) for the period from continuing operations		(91,345)	(362,412)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences for foreign operations		(4,088)	(96,656)
Effective portion of changes in fair value of cash flow hedges		(78)	(86)
Effective portion of changes in fair value of net investment hedges		(1,426)	6,117
Items that will not be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plans		(417)	(8,349)
Income tax on share based payment transactions		–	167
Other comprehensive profit/(loss) for the period, net of income tax from continuing operations		(6,009)	(98,807)
Total comprehensive profit/(loss) for the period from continuing operations		(97,354)	(461,219)
Loss from discontinued operation, net of tax		–	(93,667)
Foreign exchange translation differences for disposal group reclassified to profit/(loss)		–	417,842
Total comprehensive profit/(loss) for the period		(97,354)	(137,044)
Attributable to:			
Equity holders of the group		(97,354)	(137,044)
Earnings per share			
Basic earnings/(loss) per share	26	(24.1)	(123.7)
Diluted earnings/(loss) per share	26	(24.1)	(123.3)
Earnings per share – Continuing			
Basic earnings/(loss) per share	26	(24.1)	(99.0)
Diluted earnings/(loss) per share	26	(24.1)	(98.7)

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

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the attached notes.

Consolidated balance sheet

As at 30 September 2020

	Note	Consolidated 30 Sep 2020 $000	Consolidated 31 Jul 2020 $000
Current assets			
Cash and cash equivalents	13	423,914	686,552
Trade and other receivables	14	859,035	982,169
Inventories	15	1,046,929	932,806
Current tax assets	16	22,593	15,950
Total current assets		2,352,471	2,617,477
Non-current assets			
Trade and other receivables	14	3,119	3,091
Investments in equity accounted investees	17	2,259	2,250
Other investments		394	389
Deferred tax assets	16	141,731	133,302
Property, plant and equipment	18	436,685	439,644
Intangible assets	19	1,328,906	1,339,016
Total non-current assets		1,913,094	1,917,692
TOTAL ASSETS		4,265,565	4,535,169
Current liabilities			
Trade and other payables	20	861,030	932,996
Loans and borrowings	21	234,313	338,861
Employee benefits	22	16,703	16,038
Current tax payable	16	11,113	12,354
Provisions	24	33,557	37,389
Total current liabilities		1,156,716	1,337,638
Non-current liabilities			
Payables	20	5,995	5,244
Loans and borrowings	21	795,808	788,955
Deferred tax liabilities	16	148,146	145,886
Employee benefits	22	112,165	113,823
Total non-current liabilities		1,062,114	1,053,908
TOTAL LIABILITIES		2,218,830	2,391,546
NET ASSETS		2,046,735	2,143,623
Equity			
Share capital		1,834,934	1,834,934
Reserves		74,679	79,805
Retained earnings		(109,810)	(18,048)
Equity attributable to equity holders of the group		1,799,803	1,896,691
Other securities	25	246,932	246,932
TOTAL EQUITY		2,046,735	2,143,623

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

Consolidated statement of cash flows

For the 2 months ended 30 September 2020

		Consolidated	
	Note	2 months to 30 Sep 2020 $000	12 months to 31 Jul 2020 $000
Cash flows from operating activities			
Profit/(loss) for the period – after tax		(91,345)	(456,079)
Adjustments for:			
Tax expense/(benefit)		(8,339)	186,102
Net finance expense		9,348	88,470
Depreciation & amortisation		35,436	208,031
Asset rationalisation and restructuring	6	1,926	50,461
Europe impairment loss	6	–	188,275
South American business disposal – high yield bond	6	4,936	–
Pre tax (profit)/loss on sale of discontinued operations	6	–	(13,860)
Pre tax (profit)/loss on sale of fixed assets		(69)	(77)
Inventory write down	8	6,628	19,051
Share of (profits)/losses of associates net of tax	17	48	(363)
Other		–	8
Movements in working capital items:			
(Increase)/decrease in receivables		123,105	(93,702)
(Increase)/decrease in inventories		(120,751)	(3,026)
Increase/(decrease) in payables		(82,986)	(61,896)
Exchange rate change on foreign controlled entities working capital items		6,215	(142,086)
Cash generated from operations		(115,848)	(30,691)
Interest received		467	7,721
Dividends received		–	–
Interest paid		(2,132)	(90,296)
Taxes paid		(8,664)	(118,248)
Net operating cash flows	6	(126,177)	(231,514)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		90	854
Payments for plant and equipment		(2,895)	(69,811)
Proceeds from sale of business and investments		–	1,283,641
Payments for acquired intangibles and major product development expenditure		(18,112)	(99,092)
Net investing cash flows	6	(20,917)	1,115,592
Cash flows from financing activities			
Share issue proceeds (net of costs)		–	–
Preference securities proceeds received net of costs		–	97,000
Preference securities redeemed		–	(97,500)
Debt establishment transaction costs	21	(131)	(1,471)
Proceeds from borrowings	21	13,629	1,721,216
Repayment of borrowings	21	(124,326)	(2,351,291)
Lease liability payments	21	(3,996)	(21,502)
Distribution to other securities holders	25	–	(17,135)
Dividends paid	25	–	–
Net financing cash flows	6	(114,824)	(670,683)
Net increase/(decrease) in cash and cash equivalents		(261,918)	213,395
Cash at the beginning of the period		686,552	505,687
Exchange rate fluctuations on foreign cash balances		(720)	(32,530)
Cash and cash equivalents at period end date	13	423,914	686,552

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

Consolidated statement of changes in equity

For the 2 months ended 30 September 2020

Consolidated	Attributable to equity holders of the group Share capital $000	Translation reserve $000	Capital profit reserve $000	Other reserve $000	Retained earnings $000	Total $000	Other securities $000	Non-controlling interest $000	Total equity $000
Balance at 1 August 2019	1,834,594	(270,302)	33,627	(12,833)	460,016	2,045,102	343,932	–	2,389,034
Profit/(loss) for the period from continuing operations	–	–	–	–	(362,412)	(362,412)	–	–	(362,412)
Profit/(loss) for the period from discontinued operations	–	–	–	–	(93,667)	(93,667)	–	–	(93,667)
Other comprehensive income									
Actuarial gains/(losses) on defined benefit plans	–	–	–	–	(8,349)	(8,349)	–	–	(8,349)
Foreign exchange translation differences for disposal groups	–	417,842	–	–	–	417,842	–	–	417,842
Foreign exchange translation differences	–	(96,656)	–	–	–	(96,656)	–	–	(96,656)
Gains/(losses) on cash flow hedges taken to equity	–	–	–	(86)	–	(86)	–	–	(86)
Gains/(losses) on net investment hedges taken to equity	–	–	–	6,117	–	6,117	–	–	6,117
Income tax on share based payment transactions	–	–	–	167	–	167	–	–	167
Total comprehensive income/(loss) for the period	–	321,186	–	6,198	(464,428)	(137,044)	–	–	(137,044)
Transactions with owners, recorded directly in equity									
Employee share award entitlements and share issuances	340	–	–	1,929	–	2,269	–	–	2,269
Dividends paid to shareholders	–	–	–	–	–	–	–	–	–
Dividend reinvestment plan	–	–	–	–	–	–	–	–	–
Distributions to other security holders	–	–	–	–	(13,636)	(13,636)	–	–	(13,636)
Preference securities redeemed	–	–	–	–	–	–	(97,000)	–	(97,000)
Balance at 31 July 2020	1,834,934	50,884	33,627	(4,706)	(18,048)	1,896,691	246,932	–	2,143,623

Consolidated	Share capital $000	Translation reserve $000	Capital profit reserve $000	Other reserve $000	Retained earnings $000	Total $000	Other securities $000	Non-controlling interest $000	Total equity $000
	Attributable to equity holders of the group								
Balance at 1 August 2020	1,834,934	50,884	33,627	(4,706)	(18,048)	1,896,691	246,932	–	2,143,623
Profit/(loss) for the period from continuing operations	–	–	–	–	(91,345)	(91,345)	–	–	(91,345)
Other comprehensive income									
Actuarial gains/(losses) on defined benefit plans	–	–	–	–	(417)	(417)	–	–	(417)
Foreign exchange translation differences	–	(4,088)	–	–	–	(4,088)	–	–	(4,088)
Gains/(losses) on cash flow hedges taken to equity	–	–	–	(78)	–	(78)	–	–	(78)
Gains/(losses) on net investment hedges taken to equity	–	–	–	(1,426)	–	(1,426)	–	–	(1,426)
Income tax on share based payment transactions	–	–	–	–	–	–	–	–	–
Total comprehensive income/(loss) for the period	–	(4,088)	–	(1,504)	(91,762)	(97,354)	–	–	(97,354)
Transactions with owners, recorded directly in equity									
Employee share award entitlements and share issuances	–	–	–	466	–	466	–	–	466
Dividends paid to shareholders	–	–	–	–	–	–	–	–	–
Dividend reinvestment plan	–	–	–	–	–	–	–	–	–
Distributions to other security holders	–	–	–	–	–	–	–	–	–
Balance at 30 September 2020	1,834,934	46,796	33,627	(5,744)	(109,810)	1,799,803	246,932	–	2,046,735

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

The consolidated 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 2 months ended 30 September 2020 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 comparative period is presented as at and for the 12 months ended 31 July 2020 due to a change in financial year for the group. 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).

Changes to significant accounting policies are described in note 3.

The consolidated financial statements were authorised for issue by the Board of Directors on 19 November 2020.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value, 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 and presentation currency. The company is of a kind referred to in ASIC Corporations (Rounding in Financial/ Director's Reports) Instrument 2016/191 and, in accordance with that Instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars 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.

(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 the higher of 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.

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 19 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 incorporating assumptions including expected revenues from products, the return on assets, future costs, growth rates and useful lives.

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 22 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 measures the expected credit losses (ECLs) using key assumptions to determine a probability weighted basis including the 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.

(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.

(viii) Coronavirus (COVID-19)

The group has carefully considered the effect of the Coronavirus in preparing its financial statements for the 2 months ended 30 September 2020. The group did not identify any material financial effects, including on the application of critical estimates and judgements.

(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 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.

(a) Changes in significant accounting policies

Amendments made to existing standards that are not yet effective are not expected to result in a material effect on the group's financial position or its performance.

(b) 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.

3 Significant accounting policies continued

(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 recognised 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.

(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.

(c) 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.

(d) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Non-derivative financial assets

Financial assets are classified, at initial recognition, as either measured at amortised cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. With the exception of trade receivables, the group initially measures a financial asset at its fair value plus transaction costs on trade date at which the group becomes a party to the contractual provisions of the instrument. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under AASB 15 Revenue from Contracts with Customers. Refer to note 3 (m).

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.

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.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Amortised cost
- Fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Fair value through profit or loss

Financial assets at amortised cost
This category is the most relevant to the group. Financial assets are measured at amortised cost if both of the following conditions are met and is not designated as FVTPL:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The group's financial assets at amortised cost includes trade receivables.

Financial assets at fair value through OCI (FVOCI) – debt instruments
The group measures debt instruments at fair value through OCI if both of the following conditions are met and is not designated as FVTPL:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The group does not currently have any financial assets classified as FVOCI.

Financial assets at fair value through OCI (FVOCI) – equity instruments
Upon initial recognition, the group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, gains are recorded in OCI.

The group has elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss (FVTPL)
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. Financial assets with cash flows that are not 'solely payments of principal and interest' (SPPI) are classified and measured at fair value through profit or loss, irrespective of the business model.

In assessing whether the contractual cash flows are SPPI, the group considers the contractual terms of the instrument by considering events, terms and prepayment/extension features that could change the timing or amount of contractual cash flows such that it would not meet this condition.

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.

(ii) Non-derivative financial liabilities

At initial recognition, financial liabilities are classified at FVTPL, loans and borrowings, or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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.

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 period which are unpaid.

The group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts and trade and other payables.

3 Significant accounting policies continued

(iii) Share capital

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

(iv) Other securities

Sumitomo preference securities
The Sumitomo Preference Securities (SPS) are classified as non-controlling equity instruments as no voting rights have been attached to the SPS.

After-tax distributions thereon are recognised as distributions within equity. Further details can be found in note 25.

Nufarm step-up 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 25.

(v) 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 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.

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 documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an 'economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the group actually hedges and the quantity of the hedging instrument that the group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

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.

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

(e) 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. 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.

(f) Intangible assets

(i) Goodwill

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

(ii) Research and development

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

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

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

(iii) Intellectual property

Intellectual property consists of product registrations, product access rights, trademarks, task force seats, product distribution rights and product licences acquired from third parties. Intellectual property is assessed as to whether it has a finite or indefinite life. Finite life intellectual property is amortised over its useful life but not longer than 30 years. Intellectual property intangibles acquired by the group are measured at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is expensed when incurred.

(iv) Other intangible assets

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

(v) Subsequent expenditure

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

(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.

3 Significant accounting policies continued

(g) Leases

Lease liability

Lease liabilities are initially measured at the present value of lease payments that are not paid at that date. The lease payments are discounted using either the interest rate implicit in the lease, where that rate can be readily determined, or the incremental borrowing rate.

The lease payments included in the measurement of the lease liability comprise the following (where applicable):

(a) fixed payments, less any lease incentives receivable;

(b) variable lease payments, measured using the index or rate as at the commencement;

(c) amounts expected to be paid by the lessee under residual value guarantees;

(d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in the above.

Lease liabilities are measured at amortised cost using the effective interest method.

Interest is recognised as part of the financial expenses in the Income Statement.

Right of use asset

The right-of-use asset is initially measured at cost, and comprises the following (where applicable):

(a) the amount of the initial measure of the lease liability, as described above;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the lessee; and

(d) an estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lease terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the useful life.

Determining the lease term

The lease term is the non-cancellable period of a lease, together with both:

(a) periods covered by an option to extend the lease, if the lessee is reasonably certain to exercise that option; and

(b) periods covered by an option to terminate the lease, if the lessee is reasonably certain not to exercise that option.

The lease term is revised if there is a change in the non-cancellable period of a lease.

Short term/low value leases

Leases with a short term (duration of a year or less at the time of commencement) and leases which are low value are expensed on a straight line basis over the lease term.

(h) 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.

(i) Impairment

(i) Non-derivative financial assets

The group recognises an allowance for expected credit losses (ECLs) for all financial assets at amortised cost and debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The group considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the group may also consider a financial asset to be in default when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recorded in OCI.

(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 19 for further information.

(j) Assets held for sale

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

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

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

(k) 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 comprises 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.

(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.

3 Significant accounting policies continued

(vi) Share-based payment transactions

The group has a global share plan for employees whereby matching and loyalty shares are granted to employees. The fair value of matching and loyalty shares granted is recognised as an expense in the profit or loss over the respective service period, with a corresponding increase in equity. Refer to note 23 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 23 for further details on this plan.

The group has a long term incentive plan (LTIP) which is available to key executives and certain selected senior managers. Performance rights have been granted to acquire ordinary shares in the group 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 23 for further details on this plan.

(l) 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.

(m) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods or services. The group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

(i) Goods sold

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

(ii) Variable consideration

If the consideration in a contract includes a variable amount, the group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of certain products provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The group uses the expected value method, including applying any constraints, to determine variable consideration to which the group will be entitled. For goods that are expected to be returned, instead of revenue, the group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Rebates and sales incentives

The group provides rebates and sales incentives to certain customers once thresholds specified in the contract are met or exceeded. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the group applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

(iii) End point royalties

The group receives royalty revenue from growers for certain varieties of seed. Sales or usage based royalties are recognised as revenue 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.

(iv) Significant financing components

The group may receive short-term advances from its customers. Using the practical expedient in AASB 15, the group does not adjust the promised amount of consideration for the effects of a significant financing component as it is expected, at contract inception, that the period between the transfer of the good and when the customer pays for that good will be one year or less.

(n) 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.

(o) 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, 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 or losses 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.

(p) 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 period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. 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.

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.

(q) 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.

(r) Earnings per share

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

(s) Segment reporting

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.

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) Intangible 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.

(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 period end results announcement. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility, expected term of the instruments, dividends, and the risk-free rate (based on Government bonds).

5 Operating segments

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

Operating segments

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

The crop protection business deals in the manufacture and sale of crop protection products used by farmers to protect crops from damage caused by weeds, pests and disease. It is managed by major geographic segments, being Australia and New Zealand, Asia, Europe and North America. During the 12 months ended 31 July 2020 the majority of the former geographic segment of Latin America was divested, and this segment is classified as a discontinued operation. The remaining Latin American operations (Mexico) are now managed via the North America segment along with the USA and Canada.

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 EBITDA, as defined on following page, as included in the internal management reports that are reviewed by the group's CEO. Underlying EBITDA 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. From April 2020, the non-operating corporate segment revenue represents revenue earned on delivering products under a two year supply agreement with Sumitomo Chemical Company Ltd as the purchaser of the group's South American business, that was divested in April 2020.

	Crop Protection								
2 months ended 30 Sep 2020 Operating Segments	**Australia and New Zealand $000**	**Asia $000**	**Europe $000**	**North America $000**	**Total $000**	**Seed Technologies Global $000**	**Non-Operating Corporate $000**	**Continuing Total $000**	**Group Total $000**
Revenue									
Total segment revenue	71,179	21,284	48,293	74,323	215,079	7,057	45,184	267,320	267,320
Results									
Underlying EBITDA [a]	(2,143)	2,834	(19,119)	(6,224)	(24,652)	(4,515)	(14,212)	(43,379)	(43,379)
Depreciation & amortisation excluding material items	(2,469)	(698)	(21,675)	(5,359)	(30,201)	(5,053)	(182)	(35,436)	(35,436)
Underlying EBIT [a]	**(4,612)**	**2,136**	**(40,794)**	**(11,583)**	**(54,853)**	**(9,568)**	**(14,394)**	**(78,815)**	**(78,815)**
Material items included in operating profit (refer note 6)								(6,862)	
Material items included in net financing costs (refer note 6)								–	
Total material items (refer note 6)								(6,862)	
Net financing costs (excluding material items)								(14,007)	
Profit/(loss) before tax								**(99,684)**	

5 Operating segments continued

12 months ended 31 July 2020 Operating Segments	Crop Protection									
	Australia and New Zealand $000	Asia $000	Europe $000	North America $000	Total $000	Seed Technologies Global $000	Non-Operating Corporate $000	Continuing Total $000	Discontinued operation Total $000	Group Total $000
Revenue										
Total segment revenue	562,897	165,947	783,028	1,051,285	2,563,157	198,831	85,387	2,847,375	643,630	3,491,005
Results										
Underlying EBITDA [(a)]	38,800	30,481	99,255	92,333	260,869	31,471	(56,573)	235,767	58,918	294,685
Depreciation & amortisation excluding material items	(16,281)	(4,563)	(124,169)	(32,608)	(177,621)	(22,203)	(1,588)	(201,412)	(6,619)	(208,031)
Underlying EBIT [(a)]	**22,519**	**25,918**	**(24,914)**	**59,725**	**83,248**	**9,268**	**(58,161)**	**34,355**	**52,299**	**86,654**
Material items included in operating profit (refer note 6)								(248,670)		
Material items included in net financing costs (refer note 6)								–		
Total material items (refer note 6)								(248,670)		
Net financing costs (excluding material items)								(96,191)		
Profit/(loss) before tax								**(310,506)**		

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

As at 30 September 2020 Operating Segments	Crop protection: Australia and New Zealand $000	Crop protection: Asia $000	Crop protection: Europe $000	Crop protection: North America $000	Crop protection: Total $000	Seed Technologies Global $000	Non-Operating Corporate $000	Group Total $000
Assets								
Segment assets	451,428	229,645	1,565,962	906,288	3,153,323	532,666	577,317	4,263,306
Equity accounted investments	–	1,710	–	–	1,710	549	–	2,259
Total assets	451,428	231,355	1,565,962	906,288	3,155,033	533,215	577,317	4,265,565
Liabilities								
Segment liabilities	184,415	299,782	288,218	222,089	994,504	30,572	1,193,754	2,218,830
Total liabilities	184,415	299,782	288,218	222,089	994,504	30,572	1,193,754	2,218,830
Other segment information								
Capital expenditure	2,140	258	9,453	4,123	15,974	8,983	–	24,957

As at 31 July 2020 Operating Segments (restated)	Crop protection: Australia and New Zealand $000	Crop protection: Asia $000	Crop protection: Europe $000	Crop protection: North America $000	Crop protection: Total $000	Seed Technologies Global $000	Non-Operating Corporate $000	Group Total $000
Assets								
Segment assets	453,977	194,299	1,655,277	871,939	3,175,492	532,109	825,318	4,532,919
Equity accounted investments	–	1,701	–	–	1,701	549	–	2,250
Total assets	453,977	196,000	1,655,277	871,939	3,177,193	532,658	825,318	4,535,169
Liabilities								
Segment liabilities	204,700	234,856	334,628	269,610	1,043,794	53,134	1,294,618	2,391,546
Total liabilities	204,700	234,856	334,628	269,610	1,043,794	53,134	1,294,618	2,391,546
Other segment information								
Capital expenditure	18,266	1,170	65,802	29,284	114,522	42,519	–	157,041

5 Operating segments continued

Geographical information – revenue by location of customer	Revenue 2 months to 30 Sep 2020 $000	Revenue 12 months to 31 Jul 2020 $000
United States of America	69,721	898,486
Australia	57,508	517,681
Brazil	40,882	92,769
Rest of world [b]	99,209	1,338,439
Total continuing operations	267,320	2,847,375
Brazil – discontinuing	–	553,332
Rest of world – discontinuing	–	90,298
Total	267,320	3,491,005

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

Geographical information – non-current assets by location of asset	Non-current assets 30 Sep 2020 $000	Non-current assets 31 Jul 2020 $000 restated
Germany	528,822	539,985
United States of America	429,716	426,203
United Kingdom	318,791	320,848
Australia	292,017	292,043
Rest of world [c]	207,996	211,648
Unallocated [d]	135,752	126,965
Total	1,913,094	1,917,692

(c) Other than Germany, Australia, United States of America, and the 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 period are detailed below.

	Consolidated		Consolidated	
	2 months to 30 Sep 2020 $000 pre-tax	**2 months to 30 Sep 2020 $000 after-tax**	12 months to 31 Jul 2020 $000 pre-tax	12 months to 31 Jul 2020 $000 after-tax
Material items by category:				
Asset rationalisation and restructuring	(1,926)	(961)	(50,461)	(50,461)
Legal costs	–	–	(9,934)	(9,934)
Europe impairment loss	–	–	(188,275)	(179,941)
South American business disposal				
– high yield bond	(4,936)	(4,450)	–	–
– gain/(loss) on disposal	–	–	52,324	(77,383)
– other associated net expenses	–	–	(38,464)	(38,464)
Net tax assets write-off	–	–	–	(32,941)
Total	(6,862)	(5,411)	(234,810)	(389,124)
Material items from continuing operations	(6,862)	(5,411)	(248,670)	(281,807)
Material items from discontinuing operations	–	–	13,860	(107,317)

30 September 2020 Material items

South American business disposal – high yield bond

The sale of the group's South American crop protection businesses would have triggered a requirement for unutilised sale proceeds remaining at 31 March 2021 to be used to either make a tender offer to noteholders at par for the group's senior unsecured notes due in April 2026 (2026 notes) (refer note 27) or cancel other debt facilities.

The group chose to approach current noteholders in September 2020 to seek exemption from this requirement in order to maintain the group's liquidity. Majority consent was provided by the noteholders on 14 September 2020. The terms and conditions of the 2026 notes remain unchanged. The cost of obtaining the exemption was $4.936 million including consent fees, advisor and legal fees.

Asset rationalisation and restructuring

Expenses continue to be incurred on the group wide performance improvement program, relating to asset rationalisation and organisational restructuring.

31 July 2020 Material items

Legal costs

During the prior period the group incurred additional legal costs associated with the enforcement of Omega-3 canola trademark and patent matters.

Asset rationalisation and restructuring

A performance improvement program commenced in the ANZ business and has been extended across the group. This program includes assessing the group's organisational structure and its assets. Asset rationalisation and organisational restructuring costs amounting to $50.461 million mainly relate to the rationalisation of Australian and European manufacturing assets, including the decision to close 2,4-D synthesis in Linz, Austria and Nufarm's insecticide and fungicide facility in Laverton, Australia.

Europe impairment loss

The group completed an assessment of the carrying value of its European assets, following recent operating performance and a moderated outlook of future earnings. The expectation of continuing margin pressure in the European base product portfolio due to higher manufacturing costs and increased competition has been reflected in the carrying value assessment, resulting in the recognition of an impairment charge.

Net tax asset write-off

The group assessed recognised and unrecognised deferred tax assets and determined that specific deferred tax assets recognised in the balance sheet should be derecognised, and that specific unrecognised deferred tax assets should be recognised in the balance sheet, reflecting changing expectations of the geographic distribution of assessable income. The net impact of the assessment is a reduction in the carrying value of the group's deferred tax assets of $32.941 million for continuing and discontinued operations. This includes a write down in European tax assets of $41.471 million ($24.592 million in July and $16.879 million in January 2020) impacting continuing operations. Additionally Brazilian tax assets of $8.529 million were recognised in January 2020 impacting discontinued operations.

South American business disposal

On 30 September 2019, the group publicly announced the decision of its Board of Directors to divest its shares in certain entities, that together, comprise the majority of the Latin American crop protection segment and the South American seed treatment business (together known as the South American business).

The sale was successfully completed on 1 April 2020, resulting in a loss on disposal after tax (see note 12).

As at 31 July 2020, other associated net expenses of $38.464 million to effect the disposal have been incurred. Included in this balance are costs of $11.554 million relating to a contract signed as part of the disposal that subsequently became onerous. Additionally there are costs amounting to $8.514 million which were incurred during the period as the group advanced a debt restructuring alongside the sale of the South American business. This initiative was focused on strengthening Nufarm's balance sheet, but was ceased post the announcement of the divestment. The remaining costs include, but are not limited to, advisor fees and other separation costs.

Notes to the consolidated financial statements continued

6 Individually material income and expense items continued

Material items are classified by function as follows:

2 months ended 30 September 2020 $000	Cost of sales	Selling, marketing and distribution expense	General & administrative expense	Net financing costs	Total Pre-tax
Continuing Operations					
South American business disposal – high yield bond	–	–	(4,936)	–	(4,936)
Asset rationalisation and restructuring	–	–	(1,926)	–	(1,926)
Total material items	–	–	(6,862)	–	(6,862)
Total material items included in operating profit	–	–	(6,862)	–	(6,862)

12 months ended 31 July 2020 $000	Cost of sales	Selling, marketing and distribution expense	General & administrative expense	Net financing costs	Total Pre-tax
Continuing Operations					
Legal costs	–	–	(9,934)	–	(9,934)
Asset rationalisation and restructuring	–	–	(50,461)	–	(50,461)
Europe impairment loss	–	–	(188,275)	–	(188,275)
Total material items	–	–	(248,670)	–	(248,670)
Total material items included in operating profit	–	–	(248,670)	–	(248,670)
Discontinued Operations					
South American business disposal					
– gain/(loss) on disposal	–	–	52,324	–	52,324
– other associated net expenses	–	–	(38,464)	–	(38,464)
Total material items – discontinued operations	–	–	13,860	–	13,860

Material items impacting cash flows are as follows:

2 months ended 30 September 2020	Underlying $000	Material items $000	Total group $000
Cash flows from operating activities			
Net operating cash flows	(115,871)	(10,306)	(126,177)
Cash flows from investing activities			
Net investing cash flows	(20,917)	–	(20,917)
Net operating and investing cash flows	(136,788)	(10,306)	(147,094)

12 months ended 31 July 2020	Underlying continuing $000	Material items continuing $000	Discontinued operations $000	Total group $000
Cash flows from operating activities				
Net operating cash flows	216,553	(30,510)	(417,557)	(231,514)
Cash flows from investing activities				
Proceeds from sale of business and investments	–	–	1,283,641	1,283,641
Other investing activities	(161,514)	–	(6,535)	(168,049)
Net investing cash flows	(161,514)	–	1,277,106	1,115,592
Net operating and investing cash flows	55,039	(30,510)	859,549	884,078

7 Other income

	Consolidated	
	2 months to 30 Sep 2020 $000	12 months to 31 Jul 2020 $000
Rental income	6	48
Sundry income	1,108	5,785
Total other income	1,114	5,833

8 Other expenses

The following expenses were included in the period result:

	Consolidated	
	2 months to 30 Sep 2020 $000	12 months to 31 Jul 2020 $000
Depreciation and amortisation	35,436	201,412
Impairment loss [1]	–	210,996
Inventory write down	6,628	19,051

(1) Impairment losses incurred during the 12 months ended 31 July 2020 relate to Europe impairment loss of $188.275 million, and asset rationalisation activities. These expenses are included in material items in note 6

9 Personnel expenses

	Consolidated	
	2 months to 30 Sep 2020 $000	12 months to 31 Jul 2020 $000
Wages and salaries	50,529	296,824
Other associated personnel expenses	7,713	50,277
Contributions to defined contribution superannuation funds	2,204	12,605
Expense/(gain) related to defined benefit superannuation funds	417	3,637
Short-term employee benefits	1,555	6,399
Other long-term employee benefits	140	1,302
Restructuring	1,091	12,623
Personnel expenses	63,649	383,667

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

10 Finance income and expense

	Consolidated	
	2 months to 30 Sep 2020 $000	12 months to 31 Jul 2020 $000
Other financial income	467	3,405
Financial income	467	3,405
Interest expense – external	(8,075)	(64,190)
Interest expense – debt establishment transaction costs	(569)	(4,020)
Lease amortisation – finance charges	(1,171)	(7,821)
Net foreign exchange gains/(losses)	(4,659)	(23,565)
Financial expenses	(14,474)	(99,596)
Net financing costs	(14,007)	(96,191)

11 Income tax expense

	Consolidated 2 months to 30 Sep 2020 $000	Consolidated 12 months to 31 Jul 2020 $000
Recognised in the income statement		
Current tax expense/(benefit)		
Current period	(2,981)	(63,338)
Tax free income and non-recognition of tax assets on material items	310	64,758
Adjustments for prior periods	635	(3,814)
Current tax expense/(benefit)	(2,036)	(2,394)
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences and tax losses	(21,612)	(22,354)
Effect of changes in tax rates	–	236
(Recognition)/non-recognition of tax assets	15,309	34,947
European tax assets write-down – material items	–	41,471
Deferred tax expense/(benefit)	(6,303)	54,300
Total income tax expense/(benefit) in income statement	(8,339)	51,906

Numerical reconciliation between tax expense and pre-tax net profit	Consolidated 2 months to 30 Sep 2020 $000	Consolidated 12 months to 31 Jul 2020 $000
Profit/(Loss) before tax	(99,684)	(310,506)
Income tax using the Australian corporate tax rate of 30%	(29,905)	(93,152)
Increase/(decrease) in income tax expense due to:		
Non-deductible expenses	1,131	6,864
Other taxable income	496	1,056
Effect of changes in tax rates	–	236
(Recognition)/non-recognition of tax assets	15,309	34,947
European tax asset write-down-material items	–	41,471
Tax free income and non-recognition of tax assets on material items	310	64,758
Effect of tax rate in foreign jurisdictions	3,997	763
Tax exempt income	(61)	32
Tax incentives not recognised in the income statement	(251)	(1,255)
	(8,974)	55,720
Under/(over) provided in prior periods	635	(3,814)
Income tax expense/(benefit)	(8,339)	51,906

Income tax recognised directly in equity	Consolidated 2 months to 30 Sep 2020 $000	Consolidated 12 months to 31 Jul 2020 $000
Nufarm step-up securities distribution	–	(3,499)
Income tax recognised directly in equity	–	(3,499)
Income tax recognised in other comprehensive income		
Relating to actuarial gains/(losses) on defined benefit plans	(105)	(3,776)
Relating to equity based compensation	–	(167)
Income tax recognised in other comprehensive income	(105)	(3,943)

12 Discontinued operation

On 1 April 2020, the group completed the divestment of certain entities that, together, comprise the majority of the Latin American crop protection segment and the South American seed treatment business (together known as the South American business).

Results of discontinued operation	12 months to 31 Jul 2020 $000
Revenue	643,630
Cost of sales	(487,538)
Gross profit	156,092
Net operating expenses	(103,793)
Operating profit/(loss)	52,299
Net financing costs	(25,631)
Profit/(loss) before tax	26,668
Income tax benefit/(expense)	(4,488)
Profit/(loss) from operating activities after tax	22,180
Loss on sale of discontinued operation, net of tax	(115,847)
Profit/(loss) from discontinued operation after tax	(93,667)
Foreign exchange translation differences for disposal group reclassified to profit or loss	417,842
Other comprehensive income from discontinued operations	324,175

	31 Jul 2020
Basic earnings per share (cents)	(24.7)
Diluted earnings per share (cents)	(24.6)

Cash flows from discontinued operation	31 Jul 2020 $000
Net proceeds used in operating activities	(417,557)
Net proceeds from investing activities	(6,535)
Net proceeds from sale of business	1,283,641
Net cash flow for the period	859,549

Notes to the consolidated financial statements continued

12 Discontinued operation continued

Details of the sale of the discontinued operation	12 months to 31 Jul 2020 $000
Total consideration received	1,283,641
Carrying amount of net assets sold	(813,475)
Other associated net expenses	(38,464)
Gain on sale before income tax and reclassification of foreign currency translation reserve	431,702
Reclassification of foreign currency reserve	(417,842)
Income tax benefit/(expense)	(129,707)
Loss on sale of discontinued operation after tax	(115,847)

Carrying amount of net assets sold as at the date of sale	As at 1 April 2020 $000
Trade and other receivables	763,135
Inventories	279,410
Current tax assets	13,503
Property plant and equipment	31,769
Deferred tax assets	57,193
Intangibles	131,986
Other	16
Total assets	1,277,012
Trade and other payables	(443,797)
Current tax liabilities	(1,991)
Provisions	(3,269)
Deferred tax liabilities	(14,480)
Total liabilities	(463,537)
Net assets	813,475

13 Cash and cash equivalents

	Consolidated	
	30 Sep 2020 $000	31 Jul 2020 $000
Bank balances	415,890	675,664
Call deposits	8,024	10,888
	423,914	686,552
Bank overdraft	–	–
Total cash and cash equivalents	423,914	686,552

14 Trade and other receivables

	Consolidated 30 Sep 2020 $000	Consolidated 31 Jul 2020 $000
Current		
Trade receivables	772,125	880,120
Provision for impairment losses	(28,423)	(28,689)
	743,702	851,431
Prepayments	27,880	36,152
Derivative financial instruments	5,980	3,373
Other receivables	81,473	91,213
Current receivables	859,035	982,169
Non-current		
Other receivables	3,119	3,091
Non-current receivables	3,119	3,091
Total trade and other receivables	862,154	985,260

15 Inventories

	Consolidated 30 Sep 2020 $000	Consolidated 31 Jul 2020 $000
Raw materials	233,320	256,646
Work in progress	25,968	16,243
Finished goods	804,456	674,879
	1,063,744	947,768
Provision for obsolescence of finished goods	(16,815)	(14,962)
Total inventories	1,046,929	932,806

16 Tax assets and liabilities

Current tax assets and liabilities

The current tax asset for the group of $22.593 million (31 July 2020: $15.950 million) represents the amount of income taxes recoverable in respect of prior periods and that 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 $11.113 million (31 July 2020: $12.354 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	
Consolidated	30 Sep 2020 $000	31 Jul 2020 $000	30 Sep 2020 $000	31 Jul 2020 $000	30 Sep 2020 $000	31 Jul 2020 $000
Property, plant and equipment	14,205	14,271	(7,971)	(7,690)	6,234	6,581
Intangible assets	6,637	6,540	(95,445)	(93,528)	(88,808)	(86,988)
Employee benefits	25,087	25,056	–	–	25,087	25,056
Provisions	21,257	19,059	(21,273)	(21,421)	(16)	(2,362)
Other items	29,818	28,253	(23,457)	(23,247)	6,361	5,006
Tax value of losses carried forward	44,727	40,123	–	–	44,727	40,123
Net tax assets/(liabilities)	141,731	133,302	(148,146)	(145,886)	(6,415)	(12,584)

Movement in temporary differences during the period

Consolidated	Balance 31 Jul 2020 $000	Recognised in income $000	Recognised in equity $000	Currency adjustment $000	Other movement $000	Balance 30 Sep 2020 $000
Property, plant and equipment	6,581	(354)	–	7	–	6,234
Intangibles assets	(86,988)	(1,412)	–	(408)	–	(88,808)
Employee benefits	25,056	147	105	(221)	–	25,087
Provisions	(2,362)	2,351	–	(5)	–	(16)
Other items	5,006	1,310	–	45	–	6,361
Tax value of losses carried forward	40,123	4,261	–	343	–	44,727
	(12,584)	6,303	105	(239)	–	(6,415)

Consolidated	Balance 1 Aug 2019 $000	Recognised in income $000	Recognised in equity $000	Currency adjustment $000	Disposal of South America business $000	Balance 31 Jul 2020 $000
Property, plant and equipment	5,353	(1,990)	–	390	2,828	6,581
Intangibles assets	(99,363)	647	–	3,915	7,813	(86,988)
Employee benefits	21,099	(740)	3,776	434	487	25,056
Provisions	23,710	(13,299)	–	(1,580)	(11,193)	(2,362)
Other items	2,495	(7,585)	(5,307)	1,475	13,928	5,006
Tax value of losses carried forward	131,872	(31,333)	–	(3,840)	(56,576)	40,123
	85,166	(54,300)	(1,531)	794	(42,713)	(12,584)

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 30 September 2020, a deferred tax liability of $28.463 million (31 July 2020: $34.534 million) relating to investments in subsidiaries has not been recognised because the group controls the repatriation of retained earnings and it is satisfied that it will not be incurred in the forseeable future. This amount represents the theoretical withholding tax payable if all overseas retained earnings were paid as dividends.

Unrecognised deferred tax assets

At 30 September 2020, there are unrecognised deferred tax assets in respect of tax losses and timing differences of $257.558 million (31 July 2020: $244.786 million).

17 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 period:

	Nature of relationship	Country	Balance date of associate	Ownership and voting interest As at 30 Sep 2020	Ownership and voting interest As at 31 Jul 2020
Seedtech Pty Ltd	Associate [1]	Australia	31 December	25.00%	25.00%
Leshan Nong Fu Trading Co., Ltd	Joint Venture [2]	China	31 December	35.00%	35.00%

	Carrying amount		Share of profit/(loss)	
	As at 30 Sep 2020 $000	As at 31 Jul 2020 $000	2 months ended 30 Sep 2020 $000	12 months ended 31 Jul 2020 $000
Seedtech Pty Ltd	549	549	–	98
Leshan Nong Fu Trading Co., Ltd	1,710	1,701	(48)	265
	2,259	2,250	(48)	363

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

(2) Leshan Nong Fu Trading is a joint venture in which the group has joint control and a 35 percent ownership interest. The joint venture is focused on sales and marketing of formulated crop protection products in the Chinese domestic market. It is structured as a separate vehicle. In accordance with the agreement under which Leshan Nong Fu Trading was established, the investors in the joint venture have agreed to make capital contributions in proportion to their ownership interests to make up any losses, if required, or at the latest within 5 years after incorporation, up to a maximum amount of RMB 100 million. This commitment has not been recognised in this consolidated financial report.

18 Property, plant and equipment

	Consolidated			
30 September 2020	**Land and buildings $000**	**Plant and machinery $000**	**Capital work in progress $000**	**Total $000**
Cost				
Balance at 1 August 2020	324,718	686,054	41,220	1,051,992
Additions	2,458	1,950	2,435	6,843
Disposals and write-offs	(481)	(1,656)	(59)	(2,196)
Other transfers	–	491	(491)	–
Foreign exchange adjustment	497	(1,092)	(116)	(711)
Balance at 30 September 2020	327,192	685,747	42,989	1,055,928
Accumulated depreciation and impairment losses				
Balance at 1 August 2020	(134,946)	(477,402)	–	(612,348)
Depreciation charge for the period	(3,469)	(5,996)	–	(9,465)
Impairment charge for the period			–	–
Disposals and write-offs	266	1,758	–	2,024
Other transfers	–	–	–	–
Foreign exchange adjustment	(222)	768	–	546
Balance at 30 September 2020	(138,371)	(480,872)	–	(619,243)
Net property, plant and equipment at 30 September 2020	188,821	204,875	42,989	436,685

18 Property, plant and equipment continued

31 July 2020	Consolidated			
	Land and buildings $000	Plant and machinery $000	Capital work in progress $000	Total $000
Cost				
Balance at 1 August 2019	322,974	673,057	79,075	1,075,106
Additions	12,121	12,748	39,996	64,865
Disposals and write-offs	(37,447)	(32,277)	(3,969)	(73,693)
Other transfers	35,815	37,238	(73,053)	–
Foreign exchange adjustment	(8,745)	(4,712)	(829)	(14,286)
Balance at 31 July 2020	324,718	686,054	41,220	1,051,992
Accumulated depreciation and impairment losses				
Balance at 1 August 2019	(123,029)	(435,396)	–	(558,425)
Depreciation charge for the period	(23,269)	(41,138)	–	(64,407)
Impairment charge for the period (1)	(2,529)	(20,192)	–	(22,721)
Disposals and write-offs	11,180	18,331	–	29,511
Other transfers	–	–	–	–
Foreign exchange adjustment	2,701	993	–	3,694
Balance at 31 July 2020	(134,946)	(477,402)	–	(612,348)
Net property, plant and equipment at 31 July 2020	189,772	208,652	41,220	439,644

(1) Impairment losses incurred during the 12 months ended 31 July 2020 relate to asset rationalisation activities. These expenses are included in material items in note 6.

19 Intangible assets

30 September 2020	Consolidated					
		Intellectual Property				
	Goodwill $000	indefinite life $000	finite life $000	Capitalised development costs $000	Computer software $000	Total $000
Cost						
Balance at 1 August 2020	382,559	1,767	1,123,161	534,059	158,984	2,200,530
Additions	–	–	237	14,106	3,771	18,114
Disposals and write-offs	–	–	–	(38)	–	(38)
Other transfers	–	–	–	–	–	–
Foreign exchange adjustment	(78)	(10)	(201)	(3,564)	(204)	(4,057)
Balance at 30 September 2020	382,481	1,757	1,123,197	544,563	162,551	2,214,549
Accumulated amortisation and impairment losses						
Balance at 1 August 2020	(174,093)	(1,767)	(403,882)	(196,733)	(85,039)	(861,514)
Amortisation charge for the period	–	–	(14,418)	(7,821)	(3,732)	(25,971)
Impairment loss	–	–	–	–	–	–
Disposals and write-offs	–	–	–	–	–	–
Other transfers	–	–	–	–	–	–
Foreign exchange adjustment	557	10	(187)	1,522	(60)	1,842
Balance at 30 September 2020	(173,536)	(1,757)	(418,487)	(203,032)	(88,831)	(885,643)
Intangibles carrying amount at 30 September 2020	208,945	–	704,710	341,531	73,720	1,328,906

31 July 2020	Consolidated Goodwill $000	Intellectual Property indefinite life $000	Intellectual Property finite life $000	Capitalised development costs $000	Computer software $000	Total $000
Cost						
Balance at 1 August 2019	483,044	1,718	1,208,577	482,099	175,533	2,350,971
Additions	–	43	10,828	73,846	14,375	99,092
Disposals and write-offs	(78,866)	–	(83,621)	(21,110)	(25,905)	(209,502)
Other transfers	–	–	2,619	97	(2,716)	–
Foreign exchange adjustment	(21,619)	6	(15,242)	(873)	(2,303)	(40,031)
Balance at 31 July 2020	382,559	1,767	1,123,161	534,059	158,984	2,200,530
Accumulated amortisation and impairment losses						
Balance at 1 August 2019	(109,275)	(1,718)	(284,054)	(155,004)	(74,631)	(624,682)
Amortisation charge for the period	–	–	(83,583)	(39,308)	(20,733)	(143,624)
Impairment loss (1)	(121,946)	–	(61,983)	(4,346)	–	(188,275)
Disposals and write-offs	46,871	–	14,530	4,353	10,293	76,047
Other transfers	–	–	4,062	(2,266)	(1,796)	–
Foreign exchange adjustment	10,257	(49)	7,146	(162)	1,828	19,020
Balance at 31 July 2020	(174,093)	(1,767)	(403,882)	(196,733)	(85,039)	(861,514)
Intangibles carrying amount at 31 July 2020	208,466	–	719,279	337,326	73,945	1,339,016

(1) Impairment losses incurred during the 12 months ended 31 July 2020 relate to asset rationalisation activities. These expenses are included in material items in note 6.

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 $187 million (31 July 2020: $186 million), Seed Technologies $378 million (31 July 2020: $376 million), Europe $716 million (31 July 2020: $732 million) and Australia and New Zealand (ANZ) $31 million (31 July 2020: $28 million). The remaining balance of intangibles is spread across multiple CGUs, with no remaining individual CGU intangible balance being more than 5 percent of the total intangibles balance at balance date.

Impairment testing for cash-generating units containing goodwill

For the impairment testing of these assets, the carrying amount of the asset is compared to its recoverable amount at a CGU level. The higher of the following two valuation methods are used by the group when assessing recoverable value.

Valuation method – Value in use

Value in use (VIU) is an estimate of the recoverable amount based on the present value of the future cash flows expected to be derived from a CGU. 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.

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. This fair value is benchmarked using relevant methodologies including the sum of the parts method, comparable market transactions, and company trading multiples. 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 27).

19 Intangible assets continued

Valuation assumptions

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

30 Sep 2020	Valuation method	Terminal growth rate	Discount rate	Total goodwill $000
North America CGU	VIU	1.9%	8.5%	53,664
Europe CGU	FVLCD	1.7%	9.5% to 11.3%	67,781
ANZ CGU	FVLCD	2.0%	9.8% to 11.3%	–
Seed Technology CGU	VIU	2.6%	13.4%	72,302

31 July 2020	Valuation method	Terminal growth rate	Discount rate	Total goodwill $000
North America CGU	VIU	1.9%	8.5%	53,114
Europe CGU (1)	FVLCD	1.7%	9.5% to 11.3%	68,132
ANZ CGU	FVLCD	2.0%	9.8% to 11.3%	–
Seed Technology CGU	VIU	2.6%	13.4%	72,311

(1) As at 31 July 2019, the total goodwill assets for the Europe CGU was equal to $186.882 million. The carrying amount of goodwill assets for the Europe CGU was reduced to $68.132 million at 31 July 2020 as a result of impairment.

The terminal growth rate assumed is generally a long term inflation estimate. The discount rate assumed is the group'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 Europe and ANZ CGU (see below), the directors have 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.

Europe CGU

At 31 July 2020 the group used a FVLCD methodology to estimate the recoverable amount of the Europe CGU. The carrying amount of the Europe CGU was determined to be higher than its recoverable amount. An impairment loss of $66.329 million was recognised against the carrying amount of the specific intangible assets and an impairment loss of $121.946 million was recognised against the carrying amount of goodwill included in the Europe CGU. The impairment losses are included in 'general and administrative expenses' (refer note 6).

At 30 September 2020, management has determined that the recoverable amount remains equal to the carrying amount. Any adverse movement in a key assumption (noted above) or projected Europe cash flows, in the absence of other factors, may lead to further impairment.

ANZ CGU

At 30 September 2020, management has determined that the recoverable amount remains equal to the carrying amount. Any adverse movement in a key assumption (noted above) or projected ANZ cash flows, in the absence of other factors, may lead to further impairment.

20 Trade and other payables

	30 Sep 2020 $000	31 Jul 2020 $000
Current payables – unsecured		
Trade creditors and accruals – unsecured	788,215	819,742
Derivative financial instruments	6,098	17,747
Cash advances from customers (contract liabilities)	66,717	95,507
Current payables	861,030	932,996
Non-current payables – unsecured		
Creditors and accruals	5,995	5,244
Non-current payables	5,995	5,244

21 Interest-bearing loans and borrowings

	Consolidated	
	30 Sep 2020 $000	31 Jul 2020 $000
Current liabilities		
Bank loans – secured	208,156	314,127
Bank loans – unsecured	10,161	8,869
Deferred debt establishment costs	(2,229)	(2,552)
Lease liabilities	18,225	18,417
Other loans – unsecured	–	–
Loans and borrowings – current	234,313	338,861
Non-current liabilities		
Bank loans – secured	–	–
Bank loans – unsecured	388	696
Senior unsecured notes	667,322	660,548
Deferred debt establishment costs	(7,216)	(7,697)
Lease liabilities	126,395	126,579
Other loans – unsecured	8,919	8,829
Loans and borrowings – non-current	795,808	788,955
Net cash and cash equivalents	(423,914)	(686,552)
Net debt	606,207	441,264

21 Interest-bearing loans and borrowings continued

Financing facilities

Refer to the section entitled 'Liquidity Risk' in note 27 for detail regarding the group's financing facilities.

	Accessible $000	Utilised $000
30 Sep 2020		
Bank loan facilities and senior unsecured notes	1,541,028	886,027
Other facilities	8,919	8,919
Total financing facilities	1,549,947	894,946
31 Jul 2020		
Bank loan facilities and senior unsecured notes	1,632,422	984,240
Other facilities	8,829	8,829
Total financing facilities	1,641,251	993,069

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 2020	338,861	788,955	11,896	1,139,712
Cash changes				
Proceeds from borrowings (net of costs)	9,817	9,566	(5,754)	13,629
Repayment of borrowings	(114,573)	(9,753)	–	(124,326)
Debt establishment transaction costs	(44)	(87)	–	(131)
Lease liability payments	(3,996)	–	–	(3,996)
Total cash flows	(108,796)	(274)	(5,754)	(114,824)
Non-cash changes				
Leases entered into during the period net of leases ceased	–	3,748	–	3,748
Foreign exchange movements	78	6,615	(5,806)	887
Transfer	3,601	(3,236)	–	365
Amortisation of debt establishment transaction costs	569	–	–	569
Total non-cash changes	4,248	7,127	(5,806)	5,569
Balance at 30 September 2020	234,313	795,808	336	1,030,457

(1) Total derivatives balance at 30 September 2020 is a net liability of $0.118 million (31 July 2020: $14.374 million net liability). The difference in carrying value to the table above relates to forward exchange contracts which are excluded from the balances above.

Financing arrangements

Without refinancing, expiry of available debt facilities (excluding lease liabilities)	Consolidated 30 Sep 2020 $000	Consolidated 31 Jul 2020 $000
Period ending 30 September 2021/31 July 2021	321,081	418,670
Period ending 30 September 2022/31 July 2022	552,625	553,204
Period ending 30 September 2023 or later/31 July 2023 or later	676,241	669,377

Average interest rates	Consolidated 30 Sep 2020 %	Consolidated 31 Jul 2020 %
Nufarm step-up securities	4.15	4.15
Syndicated bank facility	n/a	n/a
Group securitisation program facility	1.22	1.31
Other bank loans	4.77	3.42
Lease liabilities	4.91	5.14
Senior unsecured notes	5.75	5.75

Average interest rates are calculated using the weighted average of the interest rates for the drawn balances under each facility as at 30 September 2020.

22 Employee benefits

	Consolidated 30 Sep 2020 $000	Consolidated 31 Jul 2020 $000
Current		
Liability for short-term employee benefits	14,176	13,419
Liability for current portion of other long-term employee benefits	2,527	2,619
Current employee benefits	16,703	16,038
Non-current		
Defined benefit fund obligations		
Present value of unfunded obligations	10,377	10,297
Present value of funded obligations	202,444	206,406
Fair value of fund assets – funded	(115,517)	(117,823)
Recognised liability for defined benefit fund obligations	97,304	98,880
Liability for non-current portion of other long-term employee benefits	14,861	14,943
Non-current employee benefits	112,165	113,823
Total employee benefits	128,868	129,861

During the 2 months ended 30 September 2020 the group made contributions to defined benefit pension funds in the United Kingdom, France, Indonesia and Germany that provide defined benefit amounts for employees upon retirement.

22 Employee benefits continued

Changes in the present value of the defined benefit obligation are as follows:	Consolidated 2 months to 30 Sep 2020 $000	Consolidated 12 months to 31 Jul 2020 $000
Opening defined benefit obligation	216,703	198,285
Service cost	148	1,639
Interest cost	562	4,478
Actuarial losses/(gains)	(1,254)	14,191
Past service cost	–	–
Losses/(gains) on curtailment	–	–
Plan amendments	–	(30)
Contributions	–	–
Benefits paid	(1,186)	(6,913)
Exchange adjustment	(2,152)	5,053
Closing defined benefit obligation	212,821	216,703

Changes in the fair value of fund assets are as follows:		
Opening fair value of fund assets	117,823	109,567
Interest income	293	2,450
Actuarial gains/(losses) – return on plan assets excluding interest income	(1,788)	2,469
Surplus taken to retained earnings	–	–
Assets distributed on settlement	–	–
Contributions by employer	1,335	7,002
Distributions	(1,163)	(6,713)
Exchange adjustment	(983)	3,048
Closing fair value of fund assets	115,517	117,823

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 2 months to 30 Sep 2020 $000	Consolidated 12 months to 31 Jul 2020 $000
Current service costs	148	1,639
Interest on obligation	562	4,478
Interest income	(293)	(2,450)
Losses/(gains) on curtailment	–	–
Plan amendments	–	(30)
Past service cost/(gain)	–	–
Expense recognised in profit or loss	417	3,637
The expense is recognised in the following line items in the income statement:		
Cost of sales	186	1,554
Sales, marketing and distribution expenses	169	1,403
General and administrative expenses	47	530
Research and development expenses	15	150
Expense recognised in profit or loss	417	3,637

Actuarial gains/(losses) recognised in other comprehensive income (net of tax)	30 Sep 2020 $000	31 Jul 2020 $000
Cumulative amount at 1 August	(84,772)	(76,423)
Recognised during the period	(417)	(8,349)
Cumulative amount at 30 September/31 July	(85,189)	(84,772)

The major categories of fund assets as a percentage of total fund assets are as follows:

	Consolidated	
	30 Sep 2020 %	31 Jul 2020 %
Equities	70.0%	64.8%
Bonds	10.1%	26.7%
Property	1.2%	1.2%
Cash	1.9%	1.6%
Other	16.8%	5.7%
Principal actuarial assumptions at the reporting date (expressed as weighted averages):		
Discount rate at period end	1.7%	1.6%
Future salary increases	2.6%	2.5%
Future pension increases	2.1%	2.1%

The group expects to pay $8.007 million in contributions to defined benefit plans during the 12 months ending 30 September 2021 (12 months ending 31 July 2021: $8.318 million).

23 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 30 September 2020 there were 7 participants (31 July 2020: 7 participants) in the scheme and 24,640 shares (31 July 2020: 48,137) were allocated and held by the trustee on behalf of the participants. The cost of issuing shares is expensed in the period 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 group 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.

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 group 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 period. 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 group 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 group 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 30 September 2020 there were 466 participants (31 July 2020: 471 participants) in the scheme and 1,685,312 shares (31 July 2020: 1,702,886) 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 group.

23 Share-based payments continued

Employee expenses	2 months to 30 Sep 2020 $000	12 months to 31 Jul 2020 $000
Total expense arising from share-based payment transactions	466	2,269

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 31 July 2020 Deferred shares	Nufarm LTI 31 July 2020 Performance rights
Weighted average fair value at grant date	$6.21	$4.48
Share price at grant date	$6.46	$5.03
Grant date	3 Oct 2019	1 Aug 2019
Earliest vesting date	31 Jul 2021	31 Jul 2021
Exercise price	–	–
Expected life	2 years	3 years
Volatility	n/a	30%
Risk free interest rate	n/a	0.8%
Dividend yield	n/a	1.0%

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

Reconciliation of outstanding share awards	Nufarm LTI number of performance rights 30 Sep 2020	Nufarm STI number of deferred shares 30 Sep 2020	Nufarm LTI number of performance rights 31 Jul 2020	Nufarm STI number of deferred shares 31 Jul 2020
Outstanding at 1 August	1,143,172	35,545	970,640	19,294
Forfeited during the period	(119,384)	–	(465,118)	–
Exercised during the period	–	–	–	(19,294)
Expired during the period	–	–	–	–
Granted during the period	–	–	637,650	35,545
Outstanding at 30 September/31 July	1,023,788	35,545	1,143,172	35,545
Exercisable at 30 September/31 July	–	–	–	–

The performance rights outstanding at 30 September 2020 have a $nil exercise price (31 July 2020: $nil) and a weighted average contractual life of 3 years (31 July 2020: 3 years). All performance rights granted to date have a $nil exercise price.

24 Provisions

Current	Consolidated 30 Sep 2020 $000	Consolidated 31 Jul 2020 $000
Restructuring	25,407	28,278
Other	8,150	9,111
Current provisions	33,557	37,389

Movement in provisions	Consolidated Restructuring $000	Consolidated Other provisions $000	Consolidated Total $000
Balance at 1 August 2020	28,278	9,111	37,389
Provisions made during the period	–	–	–
Provisions reversed during the period	–	–	–
Provisions used during the period	(2,833)	(960)	(3,793)
Exchange adjustment	(38)	(1)	(39)
Balance at 30 September 2020	25,407	8,150	33,557

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

25 Capital and reserves

Share capital	Group Number of ordinary shares 30 Sep 2020	Group Number of ordinary shares 31 Jul 2020
Balance at 1 August	379,694,706	379,639,334
Issue of shares	–	55,372
Balance at 30 September 2020/31 July 2020	379,694,706	379,694,706

The group 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.

On 16 January 2020, 55,372 shares at $6.1459 were issued under the Global Share Plan.

25 Capital and reserves continued

Other securities

Sumitomo preference securities

On 31 July 2019, the group undertook the placement of $97.5 million of preference securities to existing shareholder and strategic business partner, Sumitomo Chemical Company Limited (Sumitomo), through a wholly owned subsidiary (Nufarm Investment Pty Ltd), known as the Sumitomo Preference Securities (SPS).

On 1 April 2020 the group re-purchased the SPS.

Distributions on the SPS were at the discretion of the directors and were fixed rate, unfranked, cumulative and subordinated. The SPS distributions were declared and paid to Sumitomo quarterly, and pro-rata per the re-purchase date, at a fixed rate of 6%.

Nufarm step-up securities

On 24 November 2006 Nufarm Finance (NZ) Limited, a wholly owned subsidiary of Nufarm Limited, issued 2,510,000 hybrid securities at $100 each called Nufarm Step-up Securities (NSS), which are perpetual step up securities. The NSS are listed on the ASX under the code 'NFNG' and on the NZDX under the code 'NFFHA'.

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 floating rate is the average mid-rate for bills with a term of six months plus a margin of 3.9% (31 July 2020: 3.9%).

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 includes the accrued employee entitlements to share awards that have been charged to the income statement and have not yet been exercised.

Also included in this reserve are the accumulative effective portion of changes in the fair value of financial instruments that have been designated as either cash flow hedges or net investment hedges.

Dividends

No dividends have been declared (final dividend July 2020: nil; interim dividend January 2020: $nil).

Distributions

Nufarm Step-up Securities

The following distributions were paid by Nufarm Finance (NZ) Ltd:

	Consolidated		
12 months ended 31 Jul 2020	Distribution rate	Total amount $000	Payment date
Distribution	4.85%	6,102	15 Apr 2020
Distribution	5.67%	7,138	15 Oct 2019
		13,240	

There were no distributions in the 2 months ended 30 September 2020 for the Nufarm Step-up Securities.

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 $9.741 million for the 12 months ended 31 July 2020.

Sumitomo preference securities

The following distributions were paid by Nufarm Investment Pty Ltd:

12 months ended 31 Jul 2020	Consolidated Distribution rate	 Total amount $000	 Payment date
Distribution	6.00%	962	1 Apr 2020
Distribution	6.00%	1,475	31 Jan 2020
Distribution	6.00%	1,458	31 Oct 2019
		3,895	

Franking credit balance	2 months to 30 Sep 2020 $000	12 months to 31 Jul 2020 $000
The amount of franking credits available for the subsequent financial period are:		
Franking account balance as at the end of the period at 30% (31 July 2020: 30%)	–	–
Franking credits that will arise from the payment of income tax payable as at the end of the period	–	–
Credit balance at 30 September 2020/31 July 2020	–	–

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 of $nil (31 July 2020: $nil) franking credits.

26 Earnings per share

	Consolidated 2 months to 30 Sep 2020 $000	 12 months to 31 Jul 2020 $000
Net profit/(loss) for the period from continuing operations	(91,345)	(456,079)
Net profit/(loss) attributable to non-controlling interest	–	–
Net profit/(loss) attributable to equity holders of the group	(91,345)	(456,079)
Other securities distributions (net of tax)	–	(13,636)
Earnings/(loss) used in the calculations of basic and diluted earnings per share	(91,345)	(469,715)
Net profit/(loss) for the period from discontinued operations, net of tax	–	(93,667)
Earnings/(loss) used in the calculations of basic and diluted earnings per share from continuing operations	(91,345)	(376,048)
Subtract/(add back) items of material income/(expense) from continuing operations (refer note 6)	(5,411)	(281,807)
Earnings/(loss) excluding items of material income/(expense) used in the calculation of underlying earnings per share from continuing operations	(85,934)	(94,241)

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

	Number of shares 30 Sep 2020	 31 Jul 2020
Weighted average number of ordinary shares used in calculation of basic earnings per share	379,694,706	379,669,138
Weighted average number of ordinary shares used in calculation of diluted earnings per share	380,718,494	381,066,560

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.

26 Earnings per share continued

	Cents per share	
	2 months to 30 Sep 2020	12 months to 31 Jul 2020
Earnings per share for continuing and discontinued operations		
Basic earnings per share		
From continuing operations	(24.1)	(99.0)
From discontinuing operations	–	(24.7)
	(24.1)	(123.7)
Diluted earnings per share		
From continuing operations	(24.1)	(98.7)
From discontinuing operations	–	(24.6)
	(24.1)	(123.3)
Underlying earnings per share (excluding items of material income/expense – see note 6) from continuing operations		
Basic earnings per share	(22.6)	(24.8)
Diluted earnings per share	(22.6)	(24.7)

27 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 group 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.

Credit risk

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

Exposure to credit risk

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

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

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

Carrying amount	Consolidated 30 Sep 2020 $000	Consolidated 31 Jul 2020 $000
Trade and other receivables	856,174	981,887
Cash and cash equivalent assets	423,914	686,552
Derivative contracts:		
Assets	5,980	3,373
	1,286,068	1,671,812

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

Carrying amount	Consolidated 30 Sep 2020 $000	Consolidated 31 Jul 2020 $000
Australia/New Zealand	121,315	128,510
Asia	167,010	140,747
Europe	347,129	444,972
North America	203,271	247,316
South America	17,449	20,342
Trade and other receivables	856,174	981,887

The group's top five customers account for $274.052 million of the trade receivables carrying amount at 30 September 2020 (31 July 2020: $275.287 million). These top five customers represent 35 per cent (31 July 2020: 31 per cent) of the total receivables.

Impairment losses

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

Receivables ageing	Consolidated 30 Sep 2020 $000	Consolidated 31 Jul 2020 $000
Current	607,529	759,411
Past due – 0 to 90 days	98,016	72,909
Past due – 90 to 180 days	32,437	11,332
Past due – 180 to 360 days	10,492	12,119
Past due – more than one year	23,651	24,349
	772,125	880,120
Provision for impairment	(28,423)	(28,689)
Trade receivables	743,702	851,431

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.

27 Financial risk management and financial instruments continued

The movement in the allowance for impairment in respect of trade receivables during the period was as follows.

	Consolidated	
	30 Sep 2020 $000	31 Jul 2020 $000
Balance at 1 August	28,689	49,531
Sale of South American business	–	(23,380)
Provisions made/(reversed) during the period	(30)	10,568
Provisions used during the period	(46)	(4,627)
Exchange adjustment	(190)	(3,403)
Balance at 30 September 2020/31 July 2020	28,423	28,689

Expected credit loss assessment for individual customers

The group uses an allowance matrix to measure the expected credit loss (ECL) of trade receivables from individual customers, which comprise of a large number of customers with small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write off. Roll rates are calculated separately for exposures in different segments and countries.

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.

Principally, 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.

Debt facilities

As at 30 September 2020, 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 2020: US$475 million), and a senior secured bank facility of $555 million million (31 July 2020: $555 million).

On 26 April 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$475 million 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).

Upon completion of the sale of the South American business, the group's senior secured bank facility (SFA) reduced to $555 million (31 July 2020: $555 million). $85 million and $470 million expires in January 2021 and January 2022 respectively (31 July 2020: $85 million expires in January 2021, $470 million expires in January 2022). 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 was undrawn at 30 September 2020 (31 July 2020: 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 group. 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 $500 million for three months of the financial year, $400 million for one month of the financial year, $350 million for four months of the financial year, $300 million for two months of the financial year and $250 million for two months of the financial year (31 July 2020: facility limit is set to $500 million for three months of the financial year, $400 million for one month of the financial year, $350 million for four months of the financial year, $300 million for two months of the financial year and $250 million for two 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 Europe, which at 30 September 2020 totalled $129.299 million (31 July 2020: $128.512 million).

At 30 September 2020, the group had access to debt of $1,541 million (31 July 2020: $1,632 million) under the notes, SFA, group trade receivables securitisation facility and with other lenders.

A parent guarantee is provided to support working capital facilities in Europe 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 $198.139 million at 30 September 2020 (31 July 2020: $143.128 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 20.

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 30 September 2020 the group estimates $10.639 million (31 July 2020: $8.286 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.

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

Consolidated 30 Sep 2020	Carrying amount $000	Contractual cash flows $000	Less than 1 year $000	1-2 years $000	More than 2 years $000
Non-derivative financial liabilities					
Trade and other payables	860,927	860,927	854,932	904	5,091
Bank loans – secured	208,156	210,690	210,690	–	–
Bank loans – unsecured	10,549	11,734	11,341	393	–
Senior unsecured notes	667,322	881,569	38,371	38,371	804,827
Other loans – unsecured	8,919	8,919	–	–	8,919
Lease liabilities – secured	144,620	307,314	20,448	20,124	266,742
Derivative financial liabilities					
Derivatives used for hedging:					
Outflow	–	–	–	–	–
Inflow	–	–	–	–	–
Other derivative contracts:					
Outflow	6,098	925,927	925,927	–	–
Inflow	–	(916,152)	(916,152)	–	–
Derivative financial assets					
Derivatives used for hedging:					
Outflow	–	–	–	–	–
Inflow	–	–	–	–	–
Other derivative contracts:					
Outflow	–	1,027,346	1,027,346	–	–
Inflow	(5,980)	(1,036,319)	(1,036,319)	–	–
	1,900,611	2,281,955	1,136,584	59,792	1,085,579

Consolidated 31 Jul 2020	Carrying amount $000	Contractual cash flows $000	Less than 1 year $000	1-2 years $000	More than 2 years $000
Non-derivative financial liabilities					
Trade and other payables	920,493	920,493	915,249	161	5,083
Bank loans – secured	314,127	318,254	318,254	–	–
Bank loans – unsecured	9,565	10,471	9,731	740	–
Senior unsecured notes	660,548	878,968	37,982	37,982	803,004
Other loans – unsecured	8,829	8,829	–	–	8,829
Lease liabilities – secured	144,996	303,925	22,297	16,615	265,013
Derivative financial liabilities					
Derivatives used for hedging:					
Outflow	–	–	–	–	–
Inflow	–	–	–	–	–
Other derivative contracts:					
Outflow	17,747	1,484,685	1,484,685	–	–
Inflow	–	(1,465,158)	(1,465,158)	–	–
Derivative financial assets					
Derivatives used for hedging:					
Outflow	–	–	–	–	–
Inflow	–	–	–	–	–
Other derivative contracts:					
Outflow	–	329,347	329,347	–	–
Inflow	(3,373)	(334,471)	(334,471)	–	–
	2,072,932	2,455,343	1,317,916	55,498	1,081,929

27 Financial risk management and financial instruments continued

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

Market risk

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

Currency risk

The group uses financial instruments to manage specifically identified foreign currency risks. This includes risks relating to the translation of earnings that are denominated in a currency other than the group reporting currency (Australian Dollars), and transactional foreign currency risks where receivables, payables and borrowings are denominated in a currency other than the functional currency of the individual group entity. The functional currency is determined via reference to the currency of the operating, investing and financing cashflows for each individual group entity. The currencies giving rise to the identified risks include the US Dollar, the Euro, the British Pound, the Australian Dollar, New Zealand Dollar, Polish Zloty, Ukrainian Hryvnia, Romanian Leu, Hungarian Forint, Mexican Peso, Turkish Lira and the Russian Ruble.

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.

On 26 April 2018 the group completed the refinancing of the US$325 million senior unsecured notes due in October 2019 ('2019 notes'). The 2019 notes were redeemed through the issuance of US$475 million 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 principal of the notes is managed using a combination of foreign exchange contracts, other financial instruments (natural hedges), and net investment hedges. Currency risk related to the interest incurred on the notes is managed using a combination of foreign exchange contracts, and earnings derived in US Dollars (natural hedges).

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 30 September 2020 was a $0.118 million liability (31 July 2020: $14.374 million liability) comprising assets of $5.980 million (31 July 2020: $3.373 million) and liabilities of $6.098 million (31 July 2020: $17.747 million).

Exposure to transactional currency risk

The group's exposure to major transactional 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 period.

	Net financial assets/(liabilities) – by currency of denomination			
Consolidated 30 Sep 2020	**AUD $000**	**USD $000**	**Euro $000**	**GBP $000**
Functional currency of group operation				
Australian dollars	–	(1,233)	6,707	4,435
US dollars	2,463	–	(3,452)	(10)
Euro	(2,036)	21,494	–	6,544
British pound	(268)	36,314	(15,139)	–
	159	56,575	(11,884)	10,969

	Net financial assets/(liabilities) – by currency of denomination			
Consolidated 31 Jul 2020	AUD $000	USD $000	Euro $000	GBP $000
Functional currency of group operation				
Australian dollars	–	(2,622)	(6,439)	(5,060)
US dollars	2,463	–	(110)	(21)
Euro	(494)	23,822	–	6,255
British pound	(268)	23,937	24,132	–
	1,701	45,137	17,583	1,174

Sensitivity analysis

Based on the aforementioned group's net financial assets/(liabilities) at 30 September 2020, a 1 percent strengthening or weakening of the following currencies at 30 September 2020 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 2020.

Currency movement	Strengthening Profit or (loss) after tax 30 Sep 2020 $000	Weakening Profit or (loss) after tax 30 Sep 2020 $000	Strengthening Profit or (loss) after tax 31 Jul 2020 $000	Weakening Profit or (loss) after tax 31 Jul 2020 $000
1% change in the Australian dollar exchange rate	(68)	68	110	(111)
1% change in the US dollar exchange rate	403	(399)	300	(297)
1% change in the Euro exchange rate	(265)	263	(84)	83
1% change in the GBP exchange rate	(70)	69	(326)	323

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 period:

AUD	Average rate 2 months to 30 Sep 2020	Average rate 12 months to 31 Jul 2020	Reporting date As at 30 Sep 2020	Reporting date As at 31 Jul 2020
US Dollar	0.722	0.670	0.712	0.719
Euro	0.611	0.605	0.608	0.606
GBP	0.552	0.531	0.555	0.548
BRL	3.894	3.036	4.009	3.707

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 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$555 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$325 million senior unsecured notes due in October 2019 during April 2018.

The former notes were refinanced through the issuance of US$475 million 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% (31 July 2020: 3.90%).

27 Financial risk management and financial instruments continued

Profile

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

	Consolidated Carrying amount	
	30 Sep 2020 $000	**31 Jul 2020 $000**
Variable rate instruments		
Financial assets	8,024	10,888
Financial liabilities	(372,244)	(477,517)
	(364,220)	(466,629)
Fixed rate instruments		
Financial assets	–	–
Financial liabilities	(667,322)	(660,548)
	(667,322)	(660,548)

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 30 September 2020. Due to the seasonality of the crop protection business, debt levels can vary during the period. The analysis is performed on the same basis for 31 July 2020.

	Profit or loss	
30 Sep 2020	**100bp increase $000**	**100bp decrease $000**
Variable rate instruments	(3,642)	3,642
Total sensitivity	(3,642)	3,642
31 Jul 2020		
Variable rate instruments	(4,666)	4,666
Total sensitivity	(4,666)	4,666

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 $667.322 million (31 July 2020: $660.548 million), the fair value at 30 September 2020 is $678.166 million (31 July 2020: $662.199 million).

Consolidated 30 Sep 2020	Note	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	13	–	–	423,914	423,914
Trade and other receivables excluding derivatives	14	–	–	856,174	856,174
Forward exchange contracts:					
Assets	14	5,980	–	–	5,980
Liabilities	20	(6,098)	–	–	(6,098)
Interest Rate Swaps:					
Assets	14	–	–	–	–
Liabilities	20	–	–	–	–
Trade and other payables excluding derivatives	20	–	–	(860,927)	(860,927)
Secured bank loans	21	–	–	(208,156)	(208,156)
Unsecured bank loans	21	–	–	(10,549)	(10,549)
Senior unsecured notes	21	–	–	(667,322)	(667,322)
Other loans	21	–	–	(8,919)	(8,919)
Lease liabilities	21	–	–	(144,620)	(144,620)
		(118)	–	(620,405)	(620,523)

Consolidated 31 Jul 2020	Note	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	13	–	–	686,552	686,552
Trade and other receivables excluding derivatives	14	–	–	985,260	985,260
Forward exchange contracts:					
Assets	14	3,373	–	–	3,373
Liabilities	20	(17,747)	–	–	(17,747)
Interest Rate Swaps:					
Assets	14	–	–	–	–
Liabilities	20	–	–	–	–
Trade and other payables excluding derivatives	20	–	–	(920,493)	(920,493)
Secured bank loans	21	–	–	(314,127)	(314,127)
Unsecured bank loans	21	–	–	(9,565)	(9,565)
Senior unsecured notes	21	–	–	(660,548)	(660,548)
Other loans	21	–	–	(8,829)	(8,829)
Lease liabilities	21	–	–	(144,996)	(144,996)
		(14,374)	–	(386,746)	(401,120)

27 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			
30 Sep 2020	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Derivative financial assets	–	5,980	–	5,980
	–	5,980	–	5,980
Derivative financial liabilities	–	(6,098)	–	(6,098)
	–	(6,098)	–	(6,098)

	Consolidated			
31 Jul 2020	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Derivative financial assets	–	3,373	–	3,373
	–	3,373	–	3,373
Derivative financial liabilities	–	(17,747)	–	(17,747)
	–	(17,747)	–	(17,747)

There have been no transfers between levels in either the 2 months ended 30 September 2020 or the 12 months ended 31 July 2020.

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 period. There is a target and a stretch hurdle. These numbers will be based on the budget and growth strategy.

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

28 Leases

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.

The group also leases IT equipment which have short term contracts and/or are low value items. The group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Right-of-use assets

Right-of-use assets included in property, plant and equipment (see Note 18) are as follows:

	Land and buildings $000	Plant and machinery $000	Total $000
Balance at 1 August 2020	91,157	19,580	110,737
Additions to right-of-use assets	2,600	1,825	4,425
Depreciation charge for the period	(2,382)	(1,156)	(3,538)
Disposals and write-offs	(417)	(189)	(606)
Foreign exchange adjustment	(65)	(276)	(341)
Balance at 30 September 2020	90,893	19,784	110,677

	Land and buildings $000	Plant and machinery $000	Total $000
Balance at 1 August 2019	106,722	26,637	133,359
Additions to right-of-use assets	11,456	2,225	13,681
Depreciation charge for the period	(17,216)	(7,307)	(24,523)
Disposals and write-offs	(9,175)	(1,725)	(10,900)
Foreign exchange adjustment	(630)	(250)	(880)
Balance at 31 July 2020	91,157	19,580	110,737

Amounts recognised in profit or loss	2 months to 30 Sep 2020 $000	**12 months to 31 Jul 2020 $000**
Depreciation on right of use assets	3,538	24,523
Interest on lease liabilities	1,170	7,821
Expenses relating to short-term leases	113	1,227
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	1	48
Amounts recognised in statement of cash flows		
Operating cashflows		
Lease liability interest payments	1,170	7,821
Short-term and low-value lease payments	114	1,275
Financing cashflows		
Lease liability principal payments	3,996	21,502

29 Capital commitments

The group had contractual obligations to purchase plant and equipment for $4.943 million at 30 September 2020 (31 July 2020: $6.413 million).

The group has agreed to make capital contributions in proportion to its interest in the Leshan Nong Fu Trading Co., Ltd joint venture to make up any losses if required or at the latest within five years after incorporation, up to a maximum of RMB 100 million. Also refer to Note 17.

30 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	
	30 Sep 2020 $000	31 Jul 2020 $000
Environmental guarantee given to the purchaser of land and buildings at Gennevilliers for EUR 8.5 million.	13,980	14,050
Brazilian taxation proceedings	10,227	11,041
Other bank guarantees	923	182
Contingent liabilities	25,130	25,273

Obligations may arise in the future due to currently unknown lawsuits and claims including those pertaining to product liability, safety and health, environmental and tax matters which may be instituted or asserted against the group. While the amounts claimed may be substantial, the ultimate liability cannot now be determined because of the considerable uncertainties that existed at balance date. Nonetheless, it is possible that results of Nufarm's operations or liquidity in a particular period could be materially affected by such claims.

Brazilian taxation proceedings

Following the sale of the Brazilian business to Sumitomo, Nufarm retains a contingent liability in respect of certain pre-sale tax assessments that are being challenged and other potential tax liabilities.

As at 30 September 2020, the total contingent liability relating to future potential tax liabilities in Brazil is $10.227 million (31 July 2020: $11.041 million). The group considers that it is not probable that a liability will arise in respect of these cases.

31 Group entities

			Percentage of shares held	
	Notes	Place of incorporation	**30 Sep 2020**	31 Jul 2020
Company				
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
Agtrol International SE DE CV		Mexico	100	100
Ag-seed Research Pty Ltd	(a)	Australia	100	100
Ag-turf SA DE CV		Mexico	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	100
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
COCRF Investor 177, LLC		USA	–	–
Crop Care Australasia Pty Ltd	(a)	Australia	100	100
Crop Care Holdings Limited		New Zealand	100	100
Croplands Equipment Limited		New Zealand	100	100

	Notes	Place of incorporation	Percentage of shares held 30 Sep 2020	31 Jul 2020
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
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
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 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
Muni Strategies Sub-CDE 29, LLC		USA	–	–
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	–	–
Nufarm BV		Netherlands	100	100
Nufarm Canada Receivables Partnership		Canada	100	100
Nufarm Chemical (Shanghai) Co Ltd		China	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	–	–

31 Group entities continued

	Notes	Place of incorporation	Percentage of shares held 30 Sep 2020	31 Jul 2020
Nufarm Finance Inc		USA	100	100
Nufarm Finance Pty Ltd		Australia	100	100
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 Insurance Pte Ltd		Singapore	100	100
Nufarm Investments Cooperatie WA		Netherlands	100	100
Nufarm Investments Pty Ltd		Australia	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 Middle East Operations		Egypt	100	100
Nufarm NZ Limited		New Zealand	100	100
Nufarm Paraguay SA		Paraguay	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		Poland	100	100
Nufarm Portugal LDA		Portugal	100	100
Nufarm Romania SRL		Romania	100	100
Nufarm s.a.s		France	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		Turkey	100	100
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	100
Nuseed Europe Holding Company Ltd		United Kingdom	100	100
Nuseed Europe Ltd		United Kingdom	100	100
Nuseed Global Holdings Pty Ltd	(a)	Australia	100	100

	Notes	Place of incorporation	Percentage of shares held 30 Sep 2020	31 Jul 2020
Nuseed Global Innovation		United Kingdom	100	100
Nuseed Global Management USA Inc		USA	100	100
Nuseed Holding Company		USA	100	100
Nuseed International Holdings Pty Ltd	(a)	Australia	100	100
Nuseed Mexico SA De CV		Mexico	100	100
Nuseed Omega Holdings Pty Ltd	(a)	Australia	100	100
Nuseed Pty Ltd	(a)	Australia	100	100
Nuseed Russia LLC		Russia	100	100
Nuseed SA		Argentina	100	100
Nuseed Serbia d.o.o.		Serbia	100	100
Nuseed South America Sementes Ltda		Brazil	100	100
Nuseed Ukraine LLC		Ukraine	100	100
Nuseed Uruguay		Uruguay	100	100
Nutrihealth Grains Pty Ltd	(a)	Australia	100	100
Nutrihealth Pty Ltd	(a)	Australia	100	100
Opti-Crop Systems Pty Ltd		Australia	75	75
Pharma Pacific Pty Ltd	(a)	Australia	100	100
PT Agrow		Indonesia	100	100
PT Crop Care		Indonesia	100	100
PT Nufamindo Agro Mukmur		Indonesia	100	100
PT Nufarm Indonesia		Indonesia	100	100
Richardson Seeds Ltd		USA	100	100
Selchem Pty Ltd	(a)	Australia	100	100
Societe Des Ecluses la Garenne s.a.s		France	100	100
3 Rivers Sub-CDE 5, LLC		USA	–	–

(a) These entities have entered into a deed of cross guarantee dated 21 June 2006, varied by an Assumption Deed dated 13 February 2013, 29 May 2013 and 26 July 2019 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.

32 Company disclosures

	Company	
	2 months to 30 Sep 2020 $000	12 months to 31 Jul 2020 $000
Result of the company		
Profit/(loss) for the period	697	(5,841)
Other comprehensive income	(76)	267
Total comprehensive profit/(loss) for the period	621	(5,574)

	As at 30 Sep 2020 $000	As at 31 Jul 2020 $000
Financial position of the company at the period end		
Current assets	1,462,687	1,462,458
Total assets	2,360,879	2,360,633
Current liabilities	392,703	393,498
Total liabilities	395,247	396,087
Total equity of the company comprising of:		
Share capital	1,834,934	1,834,934
Reserves	40,927	40,538
Accumulated losses	(57,512)	(57,512)
Retained Earnings [(a)]	147,283	146,586
Total equity	1,965,632	1,964,546

(a) Retained earnings comprises the transfer of net profit for the period and are characterised as profits available for distribution as dividends in future periods. No dividends (31 July 2020: $nil) were distributed from the retained earnings during the period.

Company contingencies

The company 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 company also provides guarantees to support several of the regional working capital facilities located in Europe, and the senior unsecured notes.

Company capital commitments for acquisition of property, plant and equipment

There are no capital commitments for the company at 30 September 2020 or 31 July 2020.

33 Deed of cross guarantee

Under ASIC Corporations (Wholly owned Companies) Instrument 2016/785, the Australian wholly-owned subsidiaries referred to in note 31 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 company 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 30 September 2020 follows.

	Consolidated	
	2 months to 30 Sep 2020 $000	12 months to 31 Jul 2020 $000
Summarised income statement and retained profits		
Profit/(loss) before income tax expense	(13,512)	121,420
Income tax (expense)/benefit	314	(130,758)
Net profit/(loss) attributable to members of the closed group	(13,198)	(9,338)
Retained profits at the beginning of the period	(161,649)	(152,311)
Dividends paid	–	–
Retained profits at the end of the period	(174,847)	(161,649)

	As at 30 Sep 2020 $000	As at 31 Jul 2020 $000
Balance sheet		
Current assets		
Cash and cash equivalents	44,840	293,031
Trade and other receivables	1,367,640	1,264,583
Inventories	211,700	199,875
Current tax assets	6,802	7,501
Total current assets	1,630,982	1,764,990
Non-current assets		
Investments in equity accounted investees	549	549
Other investments	918,713	914,209
Deferred tax assets	50,929	52,926
Property, plant and equipment	113,638	117,574
Intangible assets	180,164	176,315
Total non-current assets	1,263,993	1,261,573
TOTAL ASSETS	2,894,975	3,026,563
Current liabilities		
Trade and other payables	619,439	741,005
Loans and borrowings	2,265	2,110
Employee benefits	8,580	8,022
Current tax payable	3,639	7,728
Provision	23,294	26,900
Total current liabilities	657,217	785,765
Non-current liabilities		
Loans and borrowings	377,648	374,017
Deferred tax liabilities	43,616	42,583
Employee benefits	10,184	10,098
Total non-current liabilities	431,448	426,698
TOTAL LIABILITIES	1,088,665	1,212,463
NET ASSETS	1,806,310	1,814,100
Equity		
Share capital	1,908,625	1,901,425
Reserves	72,532	74,324
Retained earnings	(174,847)	(161,649)
TOTAL EQUITY	1,806,310	1,814,100

34 Related parties

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

The group entered into the following transactions during the period 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	
	2 months to 30 Sep 2020 $000	12 months to 31 Jul 2020 $000
Sumitomo Chemical Company Ltd:		
Sales to	49,140	156,445
Purchases from	14,261	145,382

	As at 30 Sep 2020 $000	As at 31 Jul 2020 $000
Trade receivable	166,253	144,125
Trade payable	11,730	13,630

On 1 April 2020 the group completed the sale of the South American business to Sumitomo Chemical Company Ltd (refer note 12).

These transactions were undertaken on commercial terms and conditions, and include certain transactions disclosed within the non operating corporate segment (note 5) in accordance with a two year supply agreement that the group and Sumitomo Chemical Company Ltd agreed upon the sale of the group's South American business ('Supply Agreement'). Under the Supply Agreement, active ingredient manufactured by the group is transacted at an agreed market price. This resulted in the recognition of an onerous contract in April 2020 (note 6). The balance of the product supplied under the Supply Agreement is transacted at the cost incurred by the group.

c) Key management personnel compensation

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

	Consolidated	
	2 months to 30 Sep 2020 $	12 months to 31 Jul 2020 $
Short term employee benefits	840,863	6,084,465
Post employment benefits	40,178	344,163
Equity compensation benefits	(174,272)	360,969
Termination benefits	–	–
Other long term benefits	4,146	(74,950)
	710,915	6,714,647

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 reporting period and there were no material contracts involving director's interest existing at the end of this period.

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 30 September 2020 (31 July 2020: nil).

35 Auditors' remuneration

	Consolidated	
	2 months to 30 Sep 2020 $	12 months to 31 Jul 2020 $
Audit services		
KPMG Australia		
Audit and review of group financial report	455,000	677,000
Overseas KPMG firms		
Audit and review of group and local financial reports	906,813	2,343,870
	1,361,813	3,020,870
Other auditors		
Audit and review of financial reports	52,265	179,266
Audit services remuneration	1,414,078	3,200,136
Other services		
KPMG Australia		
Other assurance services	–	35,000
Other advisory services	–	221,905
Overseas KPMG firms		
Other assurance services	–	8,768
Other advisory services	–	70,336
Other firms		
Other assurance services	–	–
Other advisory services	64,115	420,837
Other services remuneration	64,115	756,846

36 Subsequent events

On 15 October 2020 a distribution was paid by Nufarm Finance (NZ) on the Nufarm Step-up Securities. The distribution rate was 4.15% resulting in a gross distribution of $5.216 million.

Other than noted above, no matters or circumstances have arisen in the interval between 30 September 2020 and the date of this report that, in the opinion of the directors, 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 30 September 2020 and of its performance for the two months 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 31 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 two months ended 30 September 2020.

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 19th day of November 2020

JC Gillam
Director

GA Hunt
Director

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 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 30 September 2020 and of its financial performance for the ***Period*** ended on that date; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated balance sheet as at 30 September 2020
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the ***Period*** 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 period end and from time to time during the financial year.

The ***Period*** is the 2 month period ended 30 September 2020.

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 (including Independence Standards)* (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
- Recoverability of deferred tax assets in relation to tax losses

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 ($436.7m) and intangible assets ($1,328.9m)

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(i)(ii) Significant accounting policies – Impairment – Non-financial assets, Note 18 Property, plant and equipment, and Note 19 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"), noting that the Group prepares a separate discounted cash flow model for each CGU. • The diverse nature of regional agricultural markets in which the Group operates, noting that each geographic and product market segment experiences the following factors 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 - technological advancements by the Group 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 overall audit effort in this area. We focus on the authority and knowledge of the sources of judgements incorporated into the cash flow models, evidence of bias and consistency of	Our procedures included: • 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 for CGU identification in accordance with accounting standards. • Testing the design and implementation of key controls over the cash flow models, including Board consideration and approval of key assumptions and business unit budgets which form the basis of the cash flow forecasts. • Assessing the Group's discounted cash flow models and key assumptions by: - comparing forecast cash flows to historical trends and performance, by CGU, to inform our evaluation of the forecasts incorporated into the models; - comparing the relevant cash flow forecasts to the Board approved budgets and FY21-FY23 business plans; - involving our valuation specialists to assess the economic assumptions relating to cost of debt and cost of equity, and to assess discount rates and terminal growth rates against comparable market information; and - using our industry knowledge, information published by regulatory and other bodies and

application of judgements. • The above factors increase the complexity in auditing both the assessed useful lives for individual intangible assets, and also the forward-looking assumptions contained in the Group's discounted cash flow models for each CGU. Additional key assumptions we focused on included growth rates during the forecast period, terminal value growth rates and discount rates. • These same conditions impact our audit effort associated with assessing the capitalised development costs intangible asset, in particular the recoverable amount of new products in development phases. Products in early stages of development, compared to those closer to product launch, are prone to a wider range of forecast outcomes and projections can contain highly judgemental assumptions. We focused on the authority and knowledge of the sources of judgements incorporated into the valuation, common market practices and consistency of judgements. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	information obtained through inquiries with the Group to challenge key assumptions. This included the forecast cash flows and growth assumptions considering recent operating performance, the useful lives associated with specific intangible assets and the impact of technology, market and regulatory changes on those assumptions. We looked for evidence of sensitivity and bias within and across models at the time of the assessment and at period end, 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 at the point in time the assessment was performed and at period end. • Comparing carrying values of CGUs to available market data, such as implied earnings multiples of comparable entities. • Assessing the Group's assessment of the recoverable amount of the ANZ Crop Protection CGU and the Europe CGU 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. • We assessed the related disclosures included in the financial report against the accounting standard requirements.

Recoverability of deferred tax assets in relation to tax losses ($44.7m)	
Refer to the following notes to the financial report: Note 2(d)(iii) Basis of preparation – Use of estimates and judgements – income taxes, Note 3(p) Significant accounting policies – Income tax, Note 11 Income tax expense and Note 16 Tax assets and liabilities.	
The key audit matter	**How the matter was addressed in our audit**
Recoverability of deferred tax assets in relation to tax losses is a key audit matter due to the: • Complexity in auditing the forward-looking assumptions applied to the Group's tax loss utilisation models, especially given the multiple tax jurisdictions and their bespoke tax regimes. Further details on the significant forward-looking assumptions and implications for the audit are contained in the Key Audit Matter relating to the recoverability of non-current assets, including property, plant and equipment and intangible assets. Additional auditor attention is focused on the reconciliation of forecast cash flows to forecasts of taxable income for each tax jurisdiction. • 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.	Our procedures included: • Testing design and implementation of key controls over the taxable income forecasts underpinning the tax loss utilisation models, including Board consideration 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 Key Audit Matter relating to the recoverability of non-current assets, including property plant and equipment and intangible assets, and also comparing the reconciliation of these budgets to taxable income concepts. • Assessing the Group's tax loss utilisation models and key assumptions, by significant jurisdiction, by: - comparing taxable income to historical trends and recent performance to inform our evaluation of the current taxable profit forecasts; - evaluating the key assumptions in the Group's forecast tax loss utilisation models, including the identification of areas of estimation uncertainty to focus further procedures; - understanding the timing of future taxable income 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 relevant jurisdictions to assess the tax loss utilisation expiry dates and annual utilisation allowances for consistency with local practice, regulatory parameters and legislation.

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
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. 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 and Company 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:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 ***Period*** ended 30 September 2020 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 ***Period*** ended 30 September 2020.

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

KPMG

KPMG

Chris Sargent
Partner
Melbourne
19 November 2020

Shareholder and Statutory Information

Substantial shareholders

In accordance with section 671B of The Corporations Act, as at 30 September 2020, the names of the substantial holders of the Company and the number of equity securities in which those substantial holders and their associates have a relevant interest, as disclosed in substantial holding notices given to the Company, are as follows:

Holder of Equity Securities	Number of Equity Securities held	% of total issued securities capital in relevant class
Ellerston Capital Limited	24,429,246	6.43%
Allan Gray Australia Pty Ltd	32,827,083	8.65%
Sumitomo Mitsui Trust Holdings Inc	30,577,548	8.05%
Schroder Investment Management Australia Limited	19,913,404	5.25%
Firetrail Investments Pty Ltd	25,400,315	6.69%
Zhang Hua on behalf of himself and his controlled entities	21,822,196	5.93%
Sumitomo Chemical Company Limited	60,271,136	15.9%
Nufarm Limited[1]	60,271,136	15.9%

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

Number of holders

As at 30 September 2020, the number of holders is as follows:

Class of Equity Securities	Number of holders
Fully paid ordinary shares	15,456

Less than marketable parcels of ordinary shares (UMP Shares)

The number of holders of less than a marketable parcel of ordinary shares based on the closing market price at 30 September 2020 is as follows:

Total Shares	UMP Shares	UMP Holders	% of issued shares held by UMP holders
66,382	130	1,371	

Voting rights of equity securities

As at 30 September 2020, there were 15,456 holders of a total of 379,694,706 ordinary shares of the Company. At a general meeting of the Company, every holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each ordinary share held. On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid share held and, in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid share bears to the total amounts paid and payable (excluding amounts credited) on that share. Amounts paid in advance of a call are ignored when calculating the proportion.

Distribution of holders of equity securities

The distribution of holders of equity securities on issue in the Company as at 30 September 2020 is as follows:

Distribution of Ordinary Shareholders

Holdings Ranges	Holders	Total Units	%
1 – 1,000	6,531	2,929,637	0.77
1,001 – 5,000	6,516	16,038,710	4.22
5,001 – 10,000	1,456	10,738,097	2.83
10,001 – 100,000	900	20,111,801	5.30
100,001 Over	53	329,876,461	86.88

Twenty largest shareholders

Rank	Holder Name	Units	% Units
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	90,557,430	23.85
2	SUMITOMO CHEMICAL COMPANY LIMITED	60,271,136	15.87
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	56,665,018	14.92
4	CITICORP NOMINEES PTY LIMITED	55,504,038	14.62
5	NATIONAL NOMINEES LIMITED	22,419,879	5.90
6	BNP PARIBAS NOMS PTY LTD <DRP>	13,433,132	3.54
7	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	7,683,019	2.02
8	AMALGAMATED DAIRIES LIMITED	6,934,328	1.83
9	CPU SHARE PLANS PTY LTD <GSP CONTROL A/C>	1,685,312	0.44
10	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,579,530	0.42
11	MOTURUA PROPERTIES LTD	1,352,595	0.36
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	1,006,323	0.27
13	JBWERE (NZ) NOMINEES LIMITED <56950 A/C>	840,000	0.22
14	THE KHYBER PASS INVESTMENT COMPANY LIMITED	587,635	0.15
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	577,882	0.15
16	CPU SHARE PLANS PTY LTD <GIP CONTROL ACCOUNT>	558,171	0.15
17	SAINT KENTIGERN TRUST BOARD	430,434	0.11
18	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	420,531	0.11
19	MR MARK GODDARD	420,000	0.11
20	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	377,767	0.10
Total number of shares of Top 20 Holders		**323,304,160**	**85.15**
Total Remaining Holders Balance		**56,390,546**	**14.85**

Corporate Information

Board of Directors

DG McGauchie AO – Chairman to 24 September 2020

JC Gillam – Director from 31 July 2020,
Chairman from 24 September 2020

GA Hunt – Managing Director

AB Brennan

GR Davis

FA Ford

ME McDonald

PM Margin

T Takasaki

Registered office

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

NZ branch office

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

Company Secretary

Fiona Smith

Auditors

KPMG
Tower Two Collins Square
727 Collins Street
Melbourne Victoria 3008
Australia

Trustee for Nufarm step-up securities

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

Share registrar

Australia

Computershare Investor Services Pty Ltd
GPO Box 2975
Melbourne Victoria 3001 Australia
Telephone: 1300 652 479
Outside Australia: +61 3 9415 4360

Step-up securities registrar

New Zealand

Computershare Registry Services Limited
Private Bag 92119
Auckland NZ 1142
Telephone: +64 9 488 8700

Stock Exchange Listing

The Company's ordinary shares are quoted on the Australian Securities Exchange (ASX). The Company was admitted to the official list of the ASX on 10 November 1988 (ASX issuer code: NUF).

Website

www.nufarm.com

Nufarm Limited

ACN 091 323 312

nufarm.com

Nufarm

Grow a better tomorrow