



**Nufarm Finance (NZ) Limited**

ARBN 099 125 783

103-105 Pipe Road  
LAVERTON NORTH VIC 3026

29 October 2010

### **Nufarm Finance ASX Announcement**

We attach

- 1) A copy of the NFN 2010 Annual Report, and
- 2) A copy of a S209 Notice to be sent to holders of Nufarm Step-Up Securities.

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

Rodney Heath  
Nufarm Finance (NZ) Ltd

**Nufarm Finance ( NZ ) Limited**  
**Annual Report**  
**For the year ended 31 July 2010**



# **Nufarm Finance ( NZ ) Limited**

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## Directors Report

The directors of Nufarm Finance (NZ) Limited have pleasure in submitting their report in respect of the financial year ended 31 July 2010.

### Principal Activities

Nufarm Finance (NZ) Limited acts as a financing company for the Nufarm Group.

### NZX waivers

The Company was granted a waiver by NZX Regulation from the requirement under NZX Listing Rule 10.5.2 to provide half-yearly reports on the condition that:

(a) the Company announced to the market that a half-yearly report for the Company will not be supplied and the reasons for that; the Company made this announcement to the market on 22 March 2007;

(b) the Company continues to exist with no other substantive business except as a financing company for the Nufarm group; and


(c) that NZX receives Nufarm's half-yearly and full year reports and the Company's full year report and those reports are made available to all Nufarm Step Up Securities holders in accordance with NZX Listing Rule 10.5.2B.


Full details of the waiver and NZX decision are available on the Company's site at NZX.

### Results

The net profit attributable to members of the Company for the 12 months to 31 July 2010 is \$7,649,941. The comparable figure for the 12 months to 31 July 2009 was \$8,181,762.

For and on behalf of the Board

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

Date: 28th October 2010

## Company directory

<b>Nature of Business</b>	To act as a financing company for the Nufarm Group. The Company has 2,510,000 Nufarm Step-up Securities issued, and is a listed debt issuer on the New Zealand Stock Exchange.
<b>Credit rating</b>	The Company has a credit rating of BB issued by S&P.
<b>Registered Office</b>	6 Manu Street Otahuhu, AUCKLAND Telephone: 09 270 4150 Facsimile: 09 270 4159
<b>Incorporation Number</b>	107147
<b>Directors</b>	Dr W B Goodfellow Mr K M Hoggard Mr K P Martin Mr D J Rathbone
	Directors Fees were not paid by Nufarm Finance ( NZ ) Limited. Directors are remunerated by Nufarm Limited, the parent company.
<b>Directors Interest</b>	Dr W B Goodfellow held a non-beneficial interest in 47,623 Nufarm Step-up Securities at balance date.
<b>Parent Company</b>	Nufarm Limited
<b>Auditor</b>	KPMG
<b>Bank</b>	Bank of New Zealand
<b>Solicitor</b>	Dawson Harford & Partners

### Distribution of Nufarm Step-up Securities Holders and Nufarm Step-up Securities Holding as at 31 July 2010

<u>Size of Holding</u>	<u>Number of Security Holders</u>		<u>Number of Securities</u>	
1-99	456	16.0%	33,289	1.3%
100-999	2,122	74.4%	613,101	24.4%
1,000-4,999	231	8.1%	394,397	15.7%
5,000-9,999	13	0.5%	91,269	3.6%
10,000+	30	1.0%	1,377,944	55.0%
	<u>2,852</u>	<u>100.0%</u>	<u>2,510,000</u>	<u>100.0%</u>
<u>Geographic distribution:</u>				
New Zealand	1,691	59.3%	864,856	34.5%
Australia	1,151	40.3%	1,639,616	65.3%
Rest of World	10	0.4%	5,528	0.2%
	<u>2,852</u>	<u>100.0%</u>	<u>2,510,000</u>	<u>100.0%</u>

Nufarm Finance ( NZ ) Limited

## **Corporate Governance**

Nufarm Finance (NZ) Limited (Nufarm Finance) recognises its responsibilities to comply with appropriate corporate governance standards and guidelines, including those set out by the New Zealand Securities Commission, ASX and NZX.

As a wholly owned subsidiary of Nufarm Limited (Nufarm), a company registered in Australia and listed on the ASX, Nufarm Finance fully complies with the corporate governance practices of Nufarm. A copy of Nufarm's corporate governance practices are disclosed in full in its annual report and are also available to Nufarm Step-up Securities Holders on Nufarm's website at <http://www.nufarm.com/CorporateGovernance>.

There is no separation of control between Nufarm Finance and Nufarm. The Board of Nufarm Finance includes the Managing Director and Chief Executive, further Director and the Chief Financial Officer for the Nufarm Group. The directors of Nufarm Finance believe that the overarching governance procedures of Nufarm provides an appropriate basis for ensuring Nufarm Finance meets its fiduciary obligations to the Nufarm Step-up Securities holders.



## Audit report

### To the shareholders of Nufarm Finance (NZ) Limited

We have audited the financial statements on pages 7 to 28. The financial statements provide information about the past financial performance and financial position of Nufarm Finance (NZ) Limited (the Company) as at 31 July 2010. This information is stated in accordance with the accounting policies set out on pages 11 to 16.

#### Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the Company as at 31 July 2010 and the results of its operations and cash flows for the year ended on that date.

#### Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

#### Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors, we have no relationship or interest in the Company.

#### *Material Uncertainty Regarding the Recoverability of Related Party Loans and Receivables*

As discussed in note 5 to the financial statements, the Company has Related Party loans and receivables of \$236.6 million. In addition, note 10 sets out details of the Negative Pledge Deed the Company has entered into with the Nufarm Group lenders.



In forming our unqualified opinion, we have considered the adequacy of the disclosures made in note (c) of the significant accounting policies concerning the recoverability of the Related Party loans and receivables, which is dependent on the ability of the Nufarm Group to obtain satisfactory refinancing of its' debt facilities. The ability of the Nufarm Group to meet the conditions and obligations as set out in the agreements and to secure longer-term debt financing cannot presently be determined with certainty.

*Material Uncertainty Regarding Going Concern*

In forming our unqualified opinion, we have considered the adequacy of the disclosures made in the financial statements concerning Nufarm Group's default of certain financial covenants, the waiver subsequently received and the renegotiation with its lenders for new terms for amounts borrowed as described in the significant accounting policies note (c) of the financial statements. While currently the outcome is uncertain, the Directors believe this matter will be resolved appropriately.

The financial statements have been prepared on a going concern basis, the validity of which depends upon the recoverability of the related party loans and receivables and the successful renegotiation of the facility and its covenants. If the Company was unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the fact that assets may need to be realised at amounts other than those at which they are currently recorded in the statement of financial position, and the Company may have to provide for further liabilities that may arise. In addition, the Company may have to reclassify fixed assets and long-term liabilities as current assets and liabilities. Further details of the circumstances of this fundamental uncertainty are described in the significant accounting policies note (c) of the financial statements. Our opinion is not qualified in this respect.

**Unqualified opinion**

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Company as far as appears from our examination of those records;
- the financial statements on pages 7 to 28:
  - comply with New Zealand generally accepted accounting practice;
  - give a true and fair view of the financial position of the Company as at 31 July 2010 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 28 October 2010 and our unqualified opinion is expressed as at that date.

Auckland



## Statement of comprehensive income

For the year ended 31 July 2010

	Note	2010 \$AUD	2009 \$AUD
Operating expenses		(228,111)	(297,777)
Finance income	1	43,077,827	31,734,842
Finance expense	2	(27,337,648)	(20,848,514)
Net Finance Income		15,740,179	10,886,328
<b>Profit before income tax</b>		<b>15,512,068</b>	<b>10,588,551</b>
Income tax expense	3	(7,862,127)	(2,406,789)
<b>Profit for the period</b>		<b>7,649,941</b>	<b>8,181,762</b>
<b>Other comprehensive income</b>			
Fair value of cash flow hedges transferred to profit or loss		2,816,932	2,816,932
Income tax on fair value changes of cash flow hedges		(845,079)	(1,125,461)
<b>Other comprehensive income for the period, net of income tax</b>		<b>1,971,853</b>	<b>1,691,471</b>
<b>Total comprehensive income for the period</b>		<b>9,621,794</b>	<b>9,873,233</b>

The attached notes are an integral part of these financial statements.

**Statement of financial position**

As at 31 July 2010

	Note	2010 \$AUD	2009 \$AUD
<b>Assets</b>			
Loan receivable - related parties	5	210,908,269	234,498,900
Deferred tax asset	6	739,260	3,589,696
Derivative financial instruments	11	43,530,995	16,617,720
<b>Total non-current assets</b>		<u>255,178,524</u>	<u>254,706,316</u>
Cash and cash equivalents	7	864,348	726,577
Receivables - related parties	5	25,658,707	16,880,244
Income tax receivable		-	2,034,401
<b>Total current assets</b>		<u>26,523,055</u>	<u>19,641,222</u>
<b>Total Assets</b>		<u>281,701,579</u>	<u>274,347,538</u>
<b>Equity</b>			
Share capital	8	9,984,530	9,984,530
Hedging reserve	8	(2,598,522)	(4,570,375)
Retained earnings	8	(4,731,043)	(2,252,894)
<b>Total equity attributable to ordinary shareholders</b>		2,654,965	3,161,261
Nufarm Step-up Securities	8	246,932,148	246,932,148
<b>Total equity</b>		<u>249,587,113</u>	<u>250,093,409</u>
<b>Liabilities</b>			
Payables - other		35,000	27,802
Payables - related parties	5	32,079,466	24,226,327
<b>Total current liabilities</b>		<u>32,114,466</u>	<u>24,254,129</u>
<b>Total liabilities</b>		<u>32,114,466</u>	<u>24,254,129</u>
<b>Total equity and liabilities</b>		<u>281,701,579</u>	<u>274,347,538</u>

The attached notes are an integral part of these financial statements.

## Statement of cash flows

For the year ended 31 July 2010

	Note	2010 \$AUD	2009 \$AUD
<b>Cash flows from operating activities</b>			
Payments to suppliers		(220,913)	(287,956)
Interest received		16,164,552	14,991,989
Interest paid		(555,127)	(426,199)
Taxation paid		(1,153,849)	(1,100,000)
<b>Net cash from operating activities</b>	<b>12</b>	<u>14,234,663</u>	<u>13,177,834</u>
<b>Cash flows from financing activities</b>			
Nufarm Step Securities distribution		(13,922,701)	(21,908,315)
Loans - repaid by related parties		(174,191)	3,519,470
<b>Net cash used in financing activities</b>		<u>(14,096,892)</u>	<u>(18,388,845)</u>
Net increase in cash and cash equivalents		137,771	(5,211,011)
Cash and cash equivalents at 1 August		726,577	5,937,588
<b>Cash and cash equivalents at 31 July</b>	<b>7</b>	<u>864,348</u>	<u>726,577</u>

The attached notes are an integral part of these financial statements.

**Statement of changes in equity**

For the year ended 31 July 2010

	Share capital	Hedging reserve	Retained earnings	Total equity attributable to ordinary shareholders	Nufarm Step-up securities	Total equity
	\$AUD	\$AUD	\$AUD	\$AUD	\$AUD	\$AUD
<b>2009</b>						
Balance at 1 August 2008	9,984,530	(6,261,846)	4,901,163	8,623,847	246,932,148	255,555,995
<b>Total comprehensive income for the period</b>						
Profit or loss	-	-	8,181,762	8,181,762	-	8,181,762
<b>Other comprehensive income</b>						
Fair value of cash flow hedges transferred to profit or loss	-	2,816,932	-	2,816,932	-	2,816,932
Income tax on fair value changes of cash flow hedges	-	(1,125,461)	-	(1,125,461)	-	(1,125,461)
Nufarm Step-up Securities distribution	-	-	(21,908,315)	(21,908,315)	-	(21,908,315)
Tax effect of Nufarm Step-up Securities distribution	-	-	6,572,496	6,572,496	-	6,572,496
Balance at 31 July 2009	9,984,530	(4,570,375)	(2,252,894)	3,161,261	246,932,148	250,093,409
<b>2010</b>						
Balance at 1 August 2009	9,984,530	(4,570,375)	(2,252,894)	3,161,261	246,932,148	250,093,409
<b>Total comprehensive income for the period</b>						
Profit or loss	-	-	7,649,941	7,649,941	-	7,649,941
<b>Other comprehensive income</b>						
Fair value of cash flow hedges transferred to profit or loss	-	2,816,932	-	2,816,932	-	2,816,932
Income tax on fair value changes of cash flow hedges	-	(845,079)	-	(845,079)	-	(845,079)
Nufarm Step-up Securities distribution	-	-	(13,922,701)	(13,922,701)	-	(13,922,701)
Tax effect of Nufarm Step-up Securities distribution	-	-	3,794,611	3,794,611	-	3,794,611
Balance at 31 July 2010	9,984,530	(2,598,522)	(4,731,043)	2,654,965	246,932,148	249,587,113

The attached notes are an integral part of these financial statements.

## **Notes to the financial statement**

For the year ended 31 July 2010

### **SIGNIFICANT ACCOUNTING POLICIES**

#### **( A ) Reporting entity**

Nufarm Finance ( NZ ) Limited (the "Company") is a company incorporated and domiciled in New Zealand.

The financial statements of the Company are for the year ended 31 July 2010.

Nufarm Finance (NZ) Limited acts as a financing company for the Nufarm Group.

The parent and ultimate parent is Nufarm Limited, an Australian registered and listed company.

The financial statements were authorised for issue by the directors on 27th October 2010.

#### **( B ) Statement of compliance**

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ( NZ GAAP ). They comply with New Zealand equivalents to International Financial Reporting Standards ( NZ IFRS ) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards (IFRS).

#### **( C ) Basis of measurement**

The financial statements are prepared on the historical cost basis, except for the derivative financial instruments which are measured at fair value.

The main bilateral bankers to the Nufarm group ('group') are parties to a Deed of Negative Pledge dated 24 October 1996 (the 'Deed') (last amendment 30 January 2009) which contains the covenants and other terms common to all bankers. These covenants include an interest cover covenant, a net debt to EBITDA covenant and a gearing covenant. At 31 July 2010, the group was not in compliance with the first two covenants.

Despite there being a breach of certain banking covenants that were applicable at 31 July 2010, these financial reports of the group and the company have been prepared on a going concern basis, which contemplates the realisation of assets and extinguishment of liabilities in the ordinary course of business, as the directors and management are confident that there will be sufficient funds available to meet the group's financial obligations until new longer term banking arrangement are established.

As a consequence of these covenant breaches, the main bankers to the group had the right, but not the obligation, to request immediate repayment of all amounts borrowed under the Deed which as at 31 July 2010 totalled \$701 million.

Subsequent to 31 July 2010, the group obtained written waivers from all parties to the Deed in respect to these covenant breaches. At the same time, the parties to the Deed confirmed that any undrawn facility amounts under the Deed were no longer available to the group.

Subsequent to 31 July, the group has contractually obtained additional secured funding totalling \$176 million for the period through to 15 December 2010.

## **Notes to the financial statement**

For the year ended 31 July 2010

### **SIGNIFICANT ACCOUNTING POLICIES**

#### **( C ) Basis of measurement (continued)**

The group is currently evaluating its options regarding the nature and term of a new financing facility beyond 15 December 2010. This facility may take the form of a secured syndicated facility or a similar arrangement. Management and the directors are confident that new banking arrangements on mutually agreeable terms and conditions can be established prior to this date. If the Nufarm Group are unable to obtain refinancing of its debts on 15 December 2010, this may affect the recoverability of the Related Party loans and receivables of \$236.6 million per note 5.

#### **( D ) Foreign currency**

##### **Functional currency**

The financial statements are presented in Australian Dollars (\$AUD), which is the Company's functional currency.

##### **Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency 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 exchange rate at that date. Foreign currency differences arising on retranslation are recognised in the profit or loss except for differences arising on retranslation of qualifying cash flow hedges.

#### **( E ) Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the application of policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected, where significant estimates have been used.

The most significant areas where management judgement and estimates have been applied is with regard to the recognition of deferred tax asset, hedging and regarding to the valuation of financial instruments. Please refer to notes 6 and 11 for further information.

## **Notes to the financial statement**

For the year ended 31 July 2010

### **SIGNIFICANT ACCOUNTING POLICIES**

**( F ) Cash and cash equivalents**

Cash and cash equivalents comprises the cash balances.

**( G ) Loan and related party receivables**

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and related party receivables are initially recognised at fair value and subsequently at amortised cost, using the effective interest rate method, less provision for impairment.

**( H ) Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss.

**( I ) Related party payables and other payables**

Related party payables and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

**( J ) Derivative financial instruments**

The Company uses derivative financial instruments, including foreign exchange contracts and interest rate caps, to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Company does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

#### **Cash Flow Hedges**

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

## **Notes to the financial statement**

For the year ended 31 July 2010

### **SIGNIFICANT ACCOUNTING POLICIES**

#### **( J ) Derivative financial instruments (continued)**

##### **Cash Flow Hedges (continued)**

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

#### **( K ) Nufarm Step-up Securities**

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

#### **( L ) Impairment**

The carrying amounts of the Company's assets are reviewed at each balance date to determine whether there is any indication of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the profit or loss.

#### **( M ) Finance income and expenses**

Finance income comprises interest income on cash balances, interest income on loans, foreign currency gains and gains on hedging instruments that are recognised in the statement of comprehensive income. Interest income is recognised as it accrues, using the effective interest rate method.

Finance expenses comprise interest expense on borrowings, foreign currency losses and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest rate method.

#### **( N ) Income tax expense**

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

Current tax is the expected tax payable on the taxable income 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.



## Notes to the financial statement

For the year ended 31 July 2010

### SIGNIFICANT ACCOUNTING POLICIES

#### ( N ) Income tax expense (continued)

Deferred tax is recognised using the balance sheet method, providing for tax on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. 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.

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

#### ( O ) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of 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 dilutive potential ordinary shares.

#### ( P ) Changes in accounting policies

Starting as of 1 August 2009, the Company has changed its accounting policies in the following areas:

- \* Presentation of financial statements and
- \* Determination and presentation of operating segments.

##### ***(i) Presentation of financial statements***

The Company applies revised NZ IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Company presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

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

As of 1 January 2009, the Company determines and presents operating segments based on the information that internally is provided to the CEO, who is the group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*.

The change has not impacted the Company's financial statements as the Company acts as a financing company for the Nufarm Group. It operates solely within the financing industry in New Zealand.

Other than the two changes above, all accounting policies have been applied consistently to all periods presented in these financial statements.

## **Notes to the financial statement**

For the year ended 31 July 2010

### **SIGNIFICANT ACCOUNTING POLICIES**

#### **( Q ) New standards and interpretations not yet adopted**

The IASB has issued the following standard which may impact the Company in the period of initial application:

\* IFRS 9 Financial Instruments includes requirements for the classification and measurement financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. IFRS 9 will become mandatory for the Company's 31 July 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 31 July 2012 or earlier. The Company has not yet determined the potential effect of the standard.

Apart from IFRS 9, the International Accounting Standards Board has issued a number of standards, amendments and interpretations which are not yet effective. The company has not applied these in preparing these financial statements and while the application of these standards, amendments and interpretations would require further disclosures, they are not expected to have a material impact on the company's results.

**Notes to the financial statements (continued)**

For the year ended 31 July 2010

	<b>2010</b>	<b>2009</b>
	<b>\$AUD</b>	<b>\$AUD</b>
<b>1 Finance income</b>		
Interest received from loans to group entities	16,130,862	13,429,832
Other interest received	33,690	1,562,157
Unrealised exchange gain	-	16,742,853
Fair value gain on derivatives	26,913,275	-
	<u>43,077,827</u>	<u>31,734,842</u>
The Company operates only in the financing industry, and only in New Zealand.		
<b>2 Finance expense</b>		
Interest paid on loans from group entities	(555,127)	(426,002)
Other interest paid	-	(199)
Unrealised exchange loss	(23,965,589)	(431,268)
Fair value loss on derivatives	-	(17,174,113)
Transferred to the statement of comprehensive income from cash flow hedge reserve	(2,816,932)	(2,816,932)
	<u>(27,337,648)</u>	<u>(20,848,514)</u>
<b>3 Income tax</b>		
<b>Current tax expense</b>		
Current tax expense	4,523,754	2,944,894
Adjustments for prior years	1,304,463	(489,395)
	<u>5,828,217</u>	<u>2,455,499</u>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	1,210,673	231,671
Adjustments for prior years	823,237	(280,381)
	<u>2,033,910</u>	<u>(48,710)</u>
Income tax expense recognised in statement of comprehensive income	<u>7,862,127</u>	<u>2,406,789</u>
<b>Tax expense/(benefit) recognised directly in equity</b>		
Tax benefit of NSS distribution	(3,794,611)	(6,572,495)
	<u>(3,794,611)</u>	<u>(6,572,495)</u>
<b>Reconciliation of effective tax rate</b>		
Profit before tax	15,512,068	10,588,551
Income tax at company rate 30c	4,653,620	3,176,565
Adjustments for prior years	2,127,700	(769,776)
Other	1,080,807	-
Income tax expense recognised in statement of comprehensive income	<u>7,862,127</u>	<u>2,406,789</u>

The Company has imputation credits of \$1,213,145 at 31 July 2010 (2009: \$1,981,679).

**Notes to the financial statements (continued)**

For the year ended 31 July 2010

	2010	2009
	\$AUD	\$AUD
<b>4 Segment reporting</b>		
The Company acts as a financing company for the Nufarm Group. It operates solely within the financing industry in New Zealand. It is listed in both Australia and New Zealand as the Nufarm Step-up Securities were issued to holders in both countries. Refer note 5 for an analysis of the geographical regions into which the Company advance funds and received interest income.		
<b>5 Related parties</b>		
The Company and the related parties below have Nufarm Limited, an Australian registered and listed company as their ultimate parent.		
<b>Non-current assets</b>		
Nufarm Americas Inc	127,342,193	137,712,575
Nufarm Holdings BV	83,566,076	96,786,325
	<u>210,908,269</u>	<u>234,498,900</u>
<b>Current assets</b>		
Nufarm Holdings NZ Limited	16,381,756	16,000,000
Croplands Equipment Limited	436,486	323,568
Nufarm Holdings BV	3,710,267	308,825
Nufarm Americas Inc	5,130,198	-
Nufarm Limited NZ Branch	-	247,851
	<u>25,658,707</u>	<u>16,880,244</u>

Included in non-current assets above are the following unsecured variable rate loans:

Nufarm Americas Inc (United States)	USD 114,990,000
Nufarm Holdings BV (Netherlands)	Euro 32,700,000
Nufarm Holdings BV (Netherlands)	GBP 16,000,000
Nufarm Holdings BV (Netherlands)	CAD 8,000,000

The loans are repayable on 24 November 2011. The interest rate is variable based on local rates and is reset on a six month basis.

During the year, the Company received interest from Nufarm Americas Inc (United States) \$9,668,726 (2009: \$7,236,964) and Nufarm Holdings BV (Netherlands) \$6,462,136 (2009: \$6,192,868).

The remaining intercompany receivables are interest free, unsecured and repayable on demand.

**Current liabilities**

Nufarm Holdings NZ Limited	19,061,442	18,800,325
Nufarm Australia Limited	11,081,130	5,426,002
Nufarm Limited NZ Branch	1,936,894	-
	<u>32,079,466</u>	<u>24,226,327</u>

The above intercompany balances are unsecured and repayable on demand.

Interest of \$555,127 was paid during the year on the intercompany loan with Nufarm Australia Limited. The loan attracted interest rates of 4.28% (August-January) and 8.30% (February-July). The Nufarm Holdings NZ Limited and Nufarm Limited NZ Branch loans are interest free.

The Company has completed the following transactions with Nufarm Limited, through their New Zealand branch:

- Audit fees of \$40,000 were paid by the Nufarm Limited NZ Branch on behalf of the Company (2009: \$40,000).
- The Company paid \$79,035 (2009: \$80,381) fees to Nufarm Limited NZ Branch, for the provision of accounting and administrative services.

The Company did not incur any expenses in relation to key management personnel. Those expenses are incurred by the Company's parent and disclosed in full in the Nufarm Limited financial statements which are publicly available.

There were no other transactions with related parties other than the Directors Interests disclosed in the Company Directory.

**Notes to the financial statements (continued)**

For the year ended 31 July 2010

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

Deferred tax assets are attributable to the following items:

	<b>Assets</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$AUD</b>	<b>\$AUD</b>
Tax benefit of NSS issue costs	324,734	677,284
Tax loss carry-forwards	414,526	2,912,412
Deferred tax assets	<u>739,260</u>	<u>3,589,696</u>

The Company has no deferred tax liabilities.

The tax losses have been recognised on the basis of the forecasted operating earnings of the Nufarm Limited New Zealand companies and as management consider it probable that future profits will be available against which they can be utilised.

**Movement in temporary differences during the year**

	<b>Balance 1-Aug-09</b>	<b>Recognised in profit or loss</b>	<b>Transfers</b>	<b>Recognised in equity</b>	<b>Balance 31-Jul-10</b>
	<b>\$AUD</b>	<b>\$AUD</b>	<b>\$AUD</b>	<b>\$AUD</b>	<b>\$AUD</b>
Tax benefit of NSS issue costs	677,284	(352,550)	-	-	324,734
Tax loss carry-forwards	2,912,412	(1,681,360)	(816,526)	-	414,526
Deferred tax assets	<u>3,589,696</u>	<u>(2,033,910)</u>	<u>(816,526)</u>	<u>-</u>	<u>739,260</u>
	<b>Balance 1-Aug-08</b>	<b>Recognised in profit or loss</b>	<b>Transfers</b>	<b>Recognised in equity</b>	<b>Balance 31-Jul-09</b>
	<b>\$AUD</b>	<b>\$AUD</b>	<b>\$AUD</b>	<b>\$AUD</b>	<b>\$AUD</b>
Tax benefit of NSS issue costs	782,635	(105,351)	-	-	677,284
Tax loss carry-forwards	1,570,737	154,061	-	1,187,614	2,912,412
Deferred tax assets	<u>2,353,372</u>	<u>48,710</u>	<u>-</u>	<u>1,187,614</u>	<u>3,589,696</u>

The corporate tax rate in New Zealand has changed from 30% to 28%. The effect of the reduction in tax rate is not material to the tax balances.

**Notes to the financial statements (continued)**

For the year ended 31 July 2010

	<b>2010</b>	<b>2009</b>
	<b>\$AUD</b>	<b>\$AUD</b>
<b>7 Cash and cash equivalents</b>		
Bank balances	864,348	726,577
Cash and cash equivalents in the statement of cash flows	864,348	726,577

The Company bank accounts are grouped under the Bank of New Zealand Set-Off Deed. Under this arrangement, all the Nufarm New Zealand group bank accounts are offset, with the net funds being placed on call. At 31 July 2010, the bank account was attracting interest at 3.16% (2009: 1.58%).

**8 Share capital and reserves**

<b>Share capital</b>	<b>Ordinary shares</b>	
	<b>2010</b>	<b>2009</b>
On issue at 1 August	10,000,000	10,000,000
On issue at 31 July - fully paid	10,000,000	10,000,000

All shares are fully paid and have no par value.

Nufarm Limited, an Australian registered company, is the parent and ultimate parent entity. Nufarm Limited holds 100% of the shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time. They are entitled to one vote per share at meetings of the company. All shares, share equally in both dividends and surplus or deficit, on winding up.

**Hedging Reserve**

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

**Nufarm Step-up Securities**

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

Distributions on the NSS are at the discretion of the directors and are floating rate, unfranked, non-cumulative and subordinated. However, distributions of profits and capital by Nufarm Limited and the Company are restricted if distributions to NSS holders are not made, until such time that the Company makes up the arrears. The first distribution date for the NSS was 16 April 2007 and on a six-monthly basis after this date. The floating rate is the average mid-rate for bills with a term of six months plus a margin of 1.90%.

## Notes to the financial statements (continued)

For the year ended 31 July 2010

### 8 Share capital and reserves (continued)

#### Nufarm Step-up Securities (continued)

The step-up date is five years from issue date, and provides the Company with the following options:

(a) keep the NSS on issue whereby the margin will be reset or step up by the step-up margin; or  
 (b) redeem the NSS for face value, or (c) exchange them for a number of ordinary shares in Nufarm Limited, the parent company, an Australian registered and listed company .

The exchange ratio is calculated based on the average market price of Nufarm Limited ordinary shares for 20 business days prior to exchange date less a 2.5% discount.

The NSS are considered an equity instrument as the Company has no present contractual obligation to deliver cash or another financial asset to the holder of the security. The step up feature does not of itself establish a contractual obligation to pay the distributions or to call the security.

#### Distributions

Distributions recognised in the current year on the Nufarm Step-up Securities are:

	Distribution rate	Total amount	Payment date
<b>2010</b>			
Distribution	6.08%	7,609,494	15-Apr-10
Distribution	5.02%	6,313,207	15-Oct-09
<b>2009</b>			
Distribution	7.48%	9,361,684	15-Apr-09
Distribution	9.97%	12,546,631	15-Oct-08

No dividends to the ordinary shareholders were declared in the current year (2009: Nil).

### 9 Earnings per share

#### Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 31 July 2009 was based on the profit attributable to ordinary shareholders of \$7,649,941 (2009: \$8,181,762) and a weighted number of ordinary shares outstanding of 10,000,000 (2009: 10,000,000), calculated as follows:

#### Profit attributable to ordinary shareholders

	<b>2010</b> <b>\$AUD</b>	<b>2009</b> <b>\$AUD</b>
Net profit for the period	7,649,941	8,181,762
Net profit/(loss) attributable to ordinary shareholders	<u>7,649,941</u>	<u>8,181,762</u>

## Notes to the financial statements (continued)

For the year ended 31 July 2010

### 9 Earnings per share (continued)

#### Weighted number of ordinary shares

	Ordinary shares	
	2010	2009
On issue at 1 August	10,000,000	10,000,000
On issue at 31 July - fully paid	<u>10,000,000</u>	<u>10,000,000</u>

At the step-up date of 24 November 2011, the company may elect to redeem the NSS for a number of ordinary shares in Nufarm Limited, the parent company, an Australian registered and listed company. This election would therefore not result in a dilutive impact on the number of ordinary shares issued in the Company.

#### Earnings per share

Basic earnings per share (cents)	76.5	81.8
Diluted earnings per share (cents)	76.5	81.8

### 10 Contingent liabilities

The company has entered into a Negative Pledge Deed with the Nufarm Group's lenders, whereby all Group entities which are a party to the Deed have guaranteed the repayment of all liabilities to the lenders in the event that any of these companies are wound up. The Company treats the guarantee as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

If a NSS distribution is declared, Nufarm Limited guarantees the payment of the distribution. There were no other contingencies as at 31 July 2010.

### 11 Financial instruments

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

#### Market Risks

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

#### Interest Rate Risk

The Company has the ability to use derivative financial instruments to manage specifically identified interest rate risks. The Company uses interest rate caps to protect the cash flow impact of a movement in the distribution base rate on the Nufarm Step-up Securities (NSS).

The distribution rate on the NSS is based on a floating rate of the average mid-rate for bills with a term of six months plus a margin of 1.90%. The company has taken interest rate caps with various banks to cap the average mid-rate for bills at 6.275%. This hedging relationship does not qualify for hedge accounting and hence the gain or loss on remeasurement to fair value on the interest rate caps is recognised immediately in profit or loss.



## Notes to the financial statements (continued)

For the year ended 31 July 2010

### 11 Financial instruments (continued)

#### Interest Rate Risk

The company does not hedge the exposures to interest rate risk on the cash and loan receivable balances. An increase in interest rates by 100 basis points with all other variables held constant at the reporting date would have resulted in a higher post tax profit of \$1,942,386 (2009: \$2,744,728) mainly as a result of higher interest income from floating rate cash and loan receivables and higher fair value on the interest rate caps. Equity would have been \$2,469,322 (2009: \$2,469,322) lower as a result of an increase in the distribution on the NSS. A decrease in interest rates by the same basis points with all other variables held constant at reporting date would have resulted in a lower post tax profit of \$1,690,140 (2009: \$2,230,777). Equity would have had the equal but opposite effect.

#### Foreign exchange risk

The Company uses derivative financial instruments to manage specifically identified foreign currency risks on borrowings that are denominated in a currency other than the functional currency of the Company, which is Australian dollars. The Company is exposed to foreign currency risk on the loan receivables from related parties. The currencies in which the borrowings are primarily denominated are US dollars, the Euro, the British Pound and the Canadian dollar.

The company used foreign exchange contracts to hedge the foreign currency exposures arising from the related party receivables. In the previous year management designated the foreign currency loan receivables and foreign exchange contracts into a cash flow hedge relationship. During the period, hedge accounting was not achieved, however the economic hedge is still considered effective.

Therefore the fair value gains or losses on the forward exchange contracts will be recognised in the profit or loss. The cumulative gain or loss previously recognised in equity is recognised and transferred to profit and loss when the hedged item affects profit or loss. The cash flows associated with the foreign exchange contracts are expected to occur by 24 November 2011.

At 31 July 2010, the foreign exchange contracts designated in a hedge relationship had a fair value of NIL (2009: NIL).

As the hedge relationship is economically highly effective, changes in spot exchange rates will have no material impact on the Company's equity and profit or loss.

#### Credit Risk

Credit risk arises from cash and derivative financial instruments with banks, as well as loans and outstanding receivables to related parties. The related parties and the Company have Nufarm Limited, an Australia registered company, as their parent entity. For banks, only independently rated parties with a minimum rating of AA are accepted. The Company has credit policies in place and the exposure to credit risk is monitored on an ongoing basis.

## Notes to the financial statements (continued)

For the year ended 31 July 2010

### 11 Financial instruments (continued)

#### Credit Risk (continued)

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet. The carrying amounts of the Company's assets are reviewed at each balance date to determine whether there is any indication of impairment.

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

	Carrying Amount	
	2010 \$AUD	2009 \$AUD
Loans receivable-related parties	210,908,269	234,498,900
Receivables-related parties	25,658,707	16,880,244
Cash and cash equivalents	864,348	726,577
Forward exchange contracts	43,488,432	15,650,587
Interest rate options	42,563	967,133
	280,962,319	268,723,441

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

There was no impairment loss recognised during the period in the income statement.

#### Liquidity Risk

Liquidity risk represents the Company's ability to meet its financial obligations as they fall due. The company'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.

The company has entered into a Negative Pledge Deed with the Nufarm Group's lenders, whereby all Group entities which are a party to the Deed have guaranteed the repayment of all liabilities to the lenders in the event that any of these companies are wound up.

At 31 July 2010, the Nufarm group had access to facilities of \$1.247 billion under the Negative Pledge Deed (dated 24 October 1996). However, at that date the group was in breach of certain covenants under the Deed and the parties to the Deed have subsequently confirmed that any undrawn facility amounts are no longer available to the group. The group has obtained its required funding through to 15 December 2010 on a secured basis. See accounting policy note C for further details.

The Company's largest liquidity exposure relates to the NSS security which is classified as equity and has a step-up date of 24 November 2011. The liquidity risk is immaterial because it is offset by the related party receivables with a matching maturity date, distributions on the NSS security are at the discretion of the issuer, and the issuer has multiple options at the set-up date.

Refer to Note 5 and Note 8 for details.

All amounts relating to account payables are due within the next six months.

**Notes to the financial statements (continued)**

For the year ended 31 July 2010

**11 Financial instruments (continued)****Liquidity risk (continued)**

The tables below present the Company's cash flows by remaining contractual maturities as at balance date.

The amounts disclosed in the tables are the contractual undiscounted cash flows and therefore, will not agree to the carrying values on the balance sheet.

	Within 6 months	Between 6 months and 1 year	2010 Between 1 and 2 years	Between 2 and 5 years	Total Contractual Cash Flows
	\$AUD	\$AUD	\$AUD	\$AUD	\$AUD
<b>Non-derivative financial assets</b>					
Cash and cash equivalents	(864,348)	-	-	-	(864,348)
Receivables - related parties	(25,658,707)	-	-	-	(25,658,707)
Loan receivable - related parties	(911,796)	(916,903)	(211,969,761)	-	(213,798,460)
<b>Non-derivative financial liabilities</b>					
Payables - other	35,000	-	-	-	35,000
Payables - related parties	32,079,466	-	-	-	32,079,466
<b>Derivative financial liabilities/(assets)</b>					
Foreign exchange contracts					
- Inflows	-	-	(270,675,840)	-	(270,675,840)
- Outflows	-	-	210,908,269	-	210,908,269
<b>Net settled derivatives</b>					
Interest rate caps	-	-	-	-	-
	<u>4,679,615</u>	<u>(916,903)</u>	<u>(271,737,332)</u>	<u>-</u>	<u>(267,974,620)</u>

The Company has Nufarm Step up Securities of \$251 million that are eligible for step up in 2012 (refer to note 8)

	Within 6 months	Between 6 months and 1 year	2009 Between 1 and 2 years	Between 2 and 5 years	Total Contractual Cash Flows
	\$AUD	\$AUD	\$AUD	\$AUD	\$AUD
<b>Non-derivative financial assets</b>					
Cash and cash equivalents	(726,577)	-	-	-	(726,577)
Receivables - related parties	(16,880,244)	-	-	-	(16,880,244)
Loan receivable - related parties	(877,685)	(1,089,137)	(3,751,599)	(236,172,866)	(241,891,287)
<b>Non-derivative financial liabilities</b>					
Payables - other	27,802	-	-	-	27,802
Payables - related parties	24,226,327	-	-	-	24,226,327
<b>Derivative financial liabilities/(assets)</b>					
Foreign exchange contracts					
- Inflows	-	-	-	(270,675,840)	(270,675,840)
- Outflows	-	-	-	234,498,900	234,498,900
<b>Net settled derivatives</b>					
Interest rate caps	-	-	-	(299,632)	(299,632)
	<u>5,769,623</u>	<u>(1,089,137)</u>	<u>(3,751,599)</u>	<u>(272,649,438)</u>	<u>(271,720,551)</u>

The above table reflects expected maturities.

**Notes to the financial statements (continued)**

For the year ended 31 July 2010

**11 Financial instruments (continued)**

**Fair Valuation**

The carrying values of the financial assets and liabilities reflected in the tables below approximate their fair values.

	<b>Derivative Assets at Fair value \$AUD</b>	<b>Loans and Receivables \$AUD</b>	<b>Other Financial Liabilities \$AUD</b>	<b>Carrying Value \$AUD</b>
<b>2010</b>				
<b>Assets as per Balance Sheet</b>				
Cash and Cash Equivalents	-	864,348	-	864,348
Loans Receivable - Related Parties	-	210,908,269	-	210,908,269
Derivative assets used for risk management				
- Foreign exchange contracts	43,488,432	-	-	43,488,432
- Interest rate options	42,563	-	-	42,563
Related party receivables	-	25,658,707	-	25,658,707
<b>Total</b>	<b>43,530,995</b>	<b>237,431,324</b>	<b>-</b>	<b>280,962,319</b>
<b>Liabilities as per Balance Sheet</b>				
Account payables	-	-	35,000	35,000
Loans Payable - Related Parties	-	-	32,079,466	32,079,466
<b>Total</b>	<b>-</b>	<b>-</b>	<b>32,114,466</b>	<b>32,114,466</b>
<b>2009</b>				
<b>Assets as per Balance Sheet</b>				
Cash and Cash Equivalents	-	726,577	-	726,577
Loans Receivable - Related Parties	-	234,498,900	-	234,498,900
Derivative assets used for risk management				
- Foreign exchange contracts	15,650,587	-	-	15,650,587
- Interest rate options	967,133	-	-	967,133
Related party receivables	-	16,880,244	-	16,880,244
<b>Total</b>	<b>16,617,720</b>	<b>252,105,721</b>	<b>-</b>	<b>268,723,441</b>
<b>Liabilities as per Balance Sheet</b>				
Account payables	-	-	27,763	27,763
Loans Payable - Related Parties	-	-	-	-
Related Party payables	-	-	24,226,327	24,226,327
<b>Total</b>	<b>-</b>	<b>-</b>	<b>24,254,090</b>	<b>24,254,090</b>

**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)
- \* Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable Inputs).

	<b>Level 1 \$AUD</b>	<b>Level 2 \$AUD</b>	<b>Level 3 \$AUD</b>	<b>Total \$AUD</b>
<b>31-Jul-10</b>				
Derivative assets used for risk management				
- Foreign exchange contracts	-	43,488,432	-	43,488,432
- Interest rate options	-	42,563	-	42,563
<b>Derivative financial assets</b>	<b>-</b>	<b>43,530,995</b>	<b>-</b>	<b>43,530,995</b>

**Notes to the financial statements (continued)**

For the year ended 31 July 2010

**11 Financial instruments (continued)****Fair Value Hierarchy (continued)**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$AUD</b>	<b>\$AUD</b>	<b>\$AUD</b>	<b>\$AUD</b>
<b>31-Jul-09</b>				
Derivative assets used for risk management				
- Foreign exchange contracts	-	15,650,587	-	15,650,587
- Interest rate options	-	967,133	-	967,133
<b>Derivative financial assets</b>	<b>-</b>	<b>16,617,720</b>	<b>-</b>	<b>16,617,720</b>

**Derivatives**

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value. Fair value is estimated using discounted cash flow models or option pricing models as appropriate using market inputs without any reliance on entity specific inputs. Market inputs include market interest rates, market interest rates level of volatility and quoted foreign exchange rates.

**Loans and Receivables**

Cash and cash equivalents and related party receivables are short term in nature and the related carrying value is equivalent to the fair value. Loan receivable-related parties are floating rate loans, therefore the carrying value is considered a reasonable estimate of their fair value.

**Other Financial Liabilities**

All the balances under this classification are short term in nature and thus the related carrying values are equivalent to their fair value.

**Capital Management**

The Company's capital includes share capital, reserves, retained earnings and the Nufarm Step-up Securities. The Company is part of the Nufarm Limited group, which is an Australian listed company. The Nufarm Group'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 Company's capital management policies are reviewed regularly by the Directors. There have been no material changes in the Company's management of capital during the period.

**Notes to the financial statements (continued)**

For the year ended 31 July 2010

	<b>2010</b>	<b>2009</b>
	<b>\$AUD</b>	<b>\$AUD</b>
<b>12 Reconciliation of the profit for the period with the net cash flow from operating activities</b>		
Profit for the period	7,649,941	8,181,762
Adjustments for:		
Unrealised exchange gain	-	(16,742,854)
Unrealised exchange loss	23,965,589	431,268
Fair value loss on derivatives	(26,913,275)	17,174,116
Net change in fair value of cash flow hedges	-	-
Transferred from Hedging reserve	2,816,932	2,816,932
Non-cash movement in related party	-	-
Income tax expense	7,862,127	2,406,789
	<u>15,381,314</u>	<u>14,268,013</u>
Change in other payables	7,198	9,821
Change in related party receivable	-	-
Change in related party payables	-	-
Income tax paid	(1,153,849)	(1,100,000)
<b>Net cash from operating activities</b>	<u>14,234,663</u>	<u>13,177,834</u>

**13 Commitments**

There were no commitments as at 31 July 2010 (2009: Nil).

**14 Subsequent Events**

At 31 July 2010, the Nufarm group was in breach of certain covenants under the Negative Pledge Deed (dated 24 October 1996), which contains the covenants and other terms common to all group bankers. By 27 September 2010, the Nufarm group obtained written waivers from all parties to the Deed in respect to these covenant breaches.

In the agreements signed 27 September 2010, the parties to those agreements confirmed that any undrawn facility amounts are no longer available to the Nufarm group. In the same agreements, the Nufarm group has obtained its required funding through to 15 December 2010 on a secured basis, subject to certain conditions and obligations. The Nufarm group is currently evaluating its options regarding the nature and terms of a new financing facility beyond 15 December 2010. Refer to accounting policy note C for further details.

In the agreements signed 27 September 2010, the parties to those agreements required Nufarm Finance (NZ) Limited to close out the foreign exchange contracts referred to in note 11. The closing of the foreign exchange contracts resulted in a \$54 million cash inflow to the company, which allowed for the repayment of Related Party payables of \$32.1 million, although the underlying items (related party balances) will be without foreign exchange cover.

Nufarm Finance ( NZ ) Limited

## Directors' declaration

In the opinion of the directors of Nufarm Finance (NZ) Limited, the financial statements and notes, on pages 7 to 28:

- \* comply with New Zealand generally accepted accounting principles and give a true and fair view of the Company as at 31 July 2010 and the results of its operations and cash flows for the year ended on that date; and
- \* have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The directors are pleased to present the financial statements of Nufarm Finance (NZ) Limited for the year ended 31 July 2010.

For and on behalf of the Board of Directors:

Dated at Auckland this 28th day of October 2010



KP Martin  
Director



WB Goodfellow  
Director



**Computershare Investor Services Limited**  
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MR J D SMITH  
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NEW ZEALAND

Securityholder Number/CSN: 33333333

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JOHN DAVID SMITH

## RECEIVING QUOTED SECURITY HOLDER COMMUNICATIONS (209 Notice)

As a Nufarm Finance (NZ) Limited Quoted Security Holder you receive a number of communications from us. However, in accordance with the New Zealand Companies Act and NZSX Listing Rules, we will no longer automatically be mailing to you printed copies of the Annual Report or Half Year Report.

This year Nufarm Finance (NZ) Limited has decided not to take up the option to prepare a Concise Annual Report.

Nufarm Finance (NZ) Limited's and Nufarm Limited's Annual Reports for the year ended 31 July 2010 are now available on our website, and Nufarm Limited's Half Year Report for the six months ended 31 January 2011 will be available on our website around April 2011. You can obtain copies of these reports at [www.nufarm.com/annualreports](http://www.nufarm.com/annualreports).

Notwithstanding that these reports are available electronically, you have the right to receive, on request and free of charge, a copy of the Nufarm Finance (NZ) Limited Annual Report prepared under the NZSX Listing Rules and the Nufarm Limited Annual Report and the next Half Year Report (when available).

If you wish to receive a copy of these reports, please mark the box below and return this form within 15 working days of receiving this form in the reply paid envelope provided or by fax to +64 9 488 8787.

If you have any questions about changing how you receive Quoted Security Holder communications, please contact Computershare on +64 9 488 8777.

As at 31 July 2010, there were no substantial security holders of Nufarm Finance (NZ) Limited's Step-Up Securities (NSS)

### I Would Like To Receive A Copy Of The Annual And Half Year Reports

Please mark this box with an 'X' if you wish to receive copies of Nufarm Finance (NZ) Limited's and Nufarm Limited's Annual Reports and Nufarm Limited's Half Year Report (when available) each year.