



**Nufarm**

**Nufarm Finance (NZ) Limited**

ARBN 099 125 783

103-105 Pipe Road  
LAVERTON NORTH VIC 3026

29 September 2009

Please find attached documents released to NZX today.

Rodney Heath  
Nufarm Finance (NZ) Limited



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103-105 Pipe Road  
LAVERTON NORTH VIC 3026

29 September 2009

**Nufarm Finance (NZ) Ltd**

In accordance with Listing Rule 10.4.1(a) we attach the Preliminary Full Year Announcement for Nufarm Finance.

The Financial Statements attached are unaudited and we confirm that we will lodge fully audited accounts in due course.

Yours faithfully

Rodney Heath  
Nufarm Finance (NZ) Limited

NUFARM FINANCE (NZ) LIMITED  
Incorporation Number 107147

Results for Announcement to the Market

Reporting Period	12 months to 31 July 2009
Previous Reporting Period	12 months to 31 July 2008

	Amount	% change
Revenue from ordinary activities	AUD\$ Nil	
Profit (loss) from ordinary activities after tax attributable to security holders	AUD\$ 8,181,762	-54%
Net profit (loss) attributable to security holders	AUD\$ 8,181,762	-54%

Interim/Final Dividend	Amount per security	Imputed amount per security
Ordinary shareholders	Nil	Nil

Distributions	Total amount	Distribution rate	Payment date
Nufarm Step-up Security holders	AUD\$ 9,361,684	7.48%	15-Apr-09
Nufarm Step-up Security holders	AUD\$ 12,546,631	9.97%	15-Oct-08

	This Year	Last Year
Net tangible assets per security	AUD\$25.01	AUD\$25.56

Control gained over entities in the period	None
Control lost over entities in the period	None

**Nufarm Finance ( NZ ) Limited**  
**Annual Report**  
**For the year ended 31 July 2009**



## **Nufarm Finance ( NZ ) Limited**

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Nufarm Finance ( NZ ) Limited

## Directors Report

The directors of Nufarm Finance (NZ) Limited have pleasure in submitting their report in respect of the financial year ended 31 July 2009.

### 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 NSS security 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 2009 is \$8,181,762. The comparable figure for the 12 months to 31 July 2008 was \$17,864,771.

For and on behalf of the Board

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

Date:

Nufarm Finance ( NZ ) Limited

## 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>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 46,285 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

**Company directory ( continued)**

**Distribution of Nufarm Step-up Securities Holders and Nufarm Step-up Securities Holding as at 31 July 2009**

Size of Holding

	<u>Number of Security Holders</u>		<u>Number of Securities</u>	
1-99	511	17.2%	37,564	1.5%
100-999	2,197	73.9%	642,136	25.6%
1,000-4,999	218	7.3%	373,653	14.9%
5,000-9,999	17	0.6%	102,840	4.1%
10,000+	30	1.0%	1,353,807	53.9%
	<u>2,973</u>	<u>100.0%</u>	<u>2,510,000</u>	<u>100.0%</u>

Geographic distribution:

New Zealand	2,022	68.0%	1,051,543	41.9%
Australia	941	31.7%	1,454,183	57.9%
Rest of World	10	0.3%	4,274	0.2%
	<u>2,973</u>	<u>100.0%</u>	<u>2,510,000</u>	<u>100.0%</u>

Nufarm Finance ( NZ ) Limited

**Income statement**

For the year ended 31 July 2009

	Note	2009 \$	2008 \$
Operating expenses		(297,774)	(533,532)
Finance income	1	22,097,754	27,548,621
Finance expense	2	(11,211,429)	-
Net finance costs		10,886,325	27,548,621
<b>Profit before income tax</b>		<b>10,588,551</b>	<b>27,015,089</b>
Income tax expense	3	(2,406,789)	(9,150,318)
<b>Profit for the period</b>		<b>8,181,762</b>	<b>17,864,771</b>
<b>Earnings per share</b>			
Basic earnings per share (cents)	9	(71.5)	31.0
Diluted earnings per share (cents)	9	(71.5)	31.0

**Statement of recognised income and expense**

For the year ended 31 July 2009

	Note	2009 \$	2008 \$
Profit for the period		8,181,762	17,864,771
Foreign currency translation differences		-	-
Effective portion of changes in fair value of cash flow hedges		-	(9,346,039)
Income tax on fair value changes of cash flow hedges		-	3,084,193
<b>Total recognised income and expense for the period</b>		<b>8,181,762</b>	<b>11,602,925</b>
Attributable to:			
Equity holders of the parent		<b>8,181,762</b>	<b>11,602,925</b>

**Balance sheet**

As at 31 July 2009

	Note	2009 \$	2008 \$
<b>Assets</b>			
Loan receivable - related parties	5	250,822,468	233,756,046
Deferred tax asset	6	5,030,541	2,353,372
Derivative financial instruments	12	16,617,720	33,791,836
<b>Total non-current assets</b>		<u>272,470,729</u>	<u>269,901,254</u>
Cash and cash equivalents	7	726,577	5,937,588
Receivables - related parties	5	556,676	538,794
Income tax receivable		593,556	3,748,614
<b>Total current assets</b>		<u>1,876,809</u>	<u>10,224,996</u>
<b>Total Assets</b>		<u>274,347,538</u>	<u>280,126,250</u>
<b>Equity</b>			
Share capital	8	9,984,530	9,984,530
Hedging reserve	8	(4,570,375)	(6,261,846)
Retained earnings	8	(2,252,894)	4,901,163
<b>Total equity attributable to ordinary shareholders</b>		3,161,261	8,623,847
Nufarm Step-up Securities	8	246,932,148	246,932,148
<b>Total equity</b>		<u>250,093,409</u>	<u>255,555,995</u>
<b>Liabilities</b>			
Payables - other		27,802	17,981
Payables - related parties	5	24,226,327	24,552,274
Interest-bearing borrowings	10	-	-
<b>Total current liabilities</b>		<u>24,254,129</u>	<u>24,570,255</u>
<b>Total liabilities</b>		<u>24,254,129</u>	<u>24,570,255</u>
<b>Total equity and liabilities</b>		<u>274,347,538</u>	<u>280,126,250</u>

## Statement of cash flows

For the year ended 31 July 2009

	Note	2009 \$	2008 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers		3,605,030	2,650,100
Interest received		14,991,989	19,262,979
Interest paid		-	-
Taxation paid		(1,576,147)	(2,083,358)
<b>Net cash from operating activities</b>	<b>13</b>	<u>17,020,872</u>	<u>19,829,721</u>
<b>Cash flows from financing activities</b>			
Nufarm Step-up Securities proceeds		-	-
Costs associated with Nufarm Step-up Securities issue		-	-
Payment for interest rate cap		-	-
Nufarm Step Securities distribution		(21,908,315)	(22,035,290)
Settlement of cross currency interest rate swaps		-	-
Loans - repaid by related parties		-	19,500,000
Loans - issued to related parties		(323,568)	(16,000,000)
<b>Net cash used in financing activities</b>		<u>(22,231,883)</u>	<u>(18,535,290)</u>
Net increase in cash and cash equivalents		(5,211,011)	1,294,431
Cash and cash equivalents at 1 August		5,937,588	4,643,157
Exchange fluctuation		-	-
<b>Cash and cash equivalents at 31 July</b>	<b>7</b>	<u>726,577</u>	<u>5,937,588</u>

## **Notes to the financial statement**

For the year ended 31 July 2009

### **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. There have been no changes to accounting policies during the year.

#### **( 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 2009.

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

#### **( 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-orientated entities. Compliance with NZ IFRS ensures that the financial statements comply with International Financial Reporting Standards (IFRS). The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

#### **( 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.

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

##### **Functional currency**

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

On 24th November 2006, the Company changed its functional currency from New Zealand dollars to Australian dollars. The change was made as the Nufarm Step-up Securities are denominated in Australian dollars. Hence, most of the transactions of the Company are in Australian dollars.

##### **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. 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.

#### **( 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.

## Notes to the financial statement

For the year ended 31 July 2009

### SIGNIFICANT ACCOUNTING POLICIES

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

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 area where management judgement and estimates have been applied is with regard to the valuation of financial instruments. Please refer to note 12 for further information.

#### ( 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 the income statement.

#### ( 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 directly 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.

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 equity remains there 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.

## **Notes to the financial statement**

For the year ended 31 July 2009

### **SIGNIFICANT ACCOUNTING POLICIES**

#### **( 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 income statement.

#### **( 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 profit or loss. 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, in which case it is recognised in equity.

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.

Deferred tax is recognised using the balance sheet method, providing for 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.

Nufarm Finance ( NZ ) Limited

## Notes to the financial statement

For the year ended 31 July 2009

### SIGNIFICANT ACCOUNTING POLICIES

#### ( 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, which comprise convertible notes and share options granted to employees.

#### ( P ) New standards and interpretations not yet adopted

Nufarm Finance (NZ) Limited has chosen not to early adopt the following standards and interpretations. They are either available for early adoption or not yet effective for the year ended 31 July 2009.

*NZ IFRS 1 Amendments to Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate*

*NZ IFRS 2 Amendments to Share Based Payments: vesting conditions or cancellations*

*NZ IFRS 3 Business Combinations (revised)*

*NZ IFRS 4 Insurance Contracts - Amendments*

*NZ IFRS 8 Operating Segments*

*NZ IAS 1 Presentation of Financial Statements (revised) and Amendment to puttable financial instruments and obligations arising on liquidation*

*NZ IAS 23 Borrowing Costs (revised)*

*NZ IAS 27 Consolidated and Separate Financial Statements (amended) and Amendments to Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate*

*NZ IAS 32 Amendment to puttable financial instruments and obligations arising on liquidation.*

*NZ IFRIC 12 Service Concession Arrangements*

*NZ IFRIC 13 Customer Loyalty Programmes*

*NZ IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

*Various Improvements to New Zealand equivalents to IFRS*

The above standards or interpretations are not yet effective for application in financial statements at 31 July 2009. Most of the above standard changes will have no impact on the financial statements of the Company due to the nature of its business being solely to act as a financing company for the Nufarm Group. Any impact will be to disclosure notes or the presentation format of the financial statements.

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

For the year ended 31 July 2009

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>1 Finance income</b>		
Interest received from loans to group entities	13,429,832	16,749,978
Other interest received	1,562,157	2,489,381
Unrealised exchange gain	-	3,082,410
Fair value gain on derivatives classified as trading	-	1,287,217
Net change in fair value of cash flow hedges	7,105,765	3,939,635
	<u>22,097,754</u>	<u>27,548,621</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	(426,002)	-
Other interest paid	(199)	-
Unrealised exchange loss	(431,268)	-
Fair value loss on derivatives classified as trading	(7,537,028)	-
Amortisation of cash flow hedging reserve	(2,816,932)	-
	<u>(11,211,429)</u>	<u>-</u>
<b>3 Income tax</b>		
<b>Current tax expense</b>		
Current tax expense	2,944,894	8,628,014
Adjustments for prior years	(489,395)	-
	<u>2,455,499</u>	<u>8,628,014</u>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	231,671	286,966
Reduction in tax rate	(280,381)	235,338
	<u>(48,710)</u>	<u>522,304</u>
Income tax expense recognised in income statement	<u>2,406,789</u>	<u>9,150,318</u>
<b>Tax expense/(benefit) recognised directly in equity</b>		
Tax benefit of NSS distribution	(6,572,495)	(7,271,592)
Derivatives	-	(3,084,193)
	<u>(6,572,495)</u>	<u>(10,355,785)</u>
Total income tax expense/(benefit)	<u>(4,165,706)</u>	<u>(1,205,467)</u>
<b>Reconciliation of effective tax rate</b>		
Profit before tax	10,588,551	27,015,089
Income tax at company rate 33c	3,176,565	8,914,980
Reduction in tax rate	(280,381)	235,338
Adjustments for prior years	(489,395)	-
Income tax expense recognised in income statement	<u>2,406,789</u>	<u>9,150,318</u>

The corporate tax rate in New Zealand has changed from 33% to 30%. The revised rate has impacted the current tax payable for the current period.

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

For the year ended 31 July 2009

	2009	2008
	\$	\$
<b>3 Income tax (continued)</b>		
The Company has imputation credits of \$4,735,245 at 31 July 2008 (2008: \$4,768,966). There has been minimal use of the imputation credits during the reporting period or in the prior period.		
<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.		
<b>5 Related parties</b>		
<b>Non-current assets</b>		
Nufarm Americas Inc	137,712,575	121,811,441
Nufarm Holdings BV	96,786,325	95,944,605
Nufarm NZ Ltd	-	16,000,000
Nufarm Holdings NZ Limited	16,000,000	-
Croplands Equipment Limited	323,568	-
	<u>250,822,468</u>	<u>233,756,046</u>
<b>Current assets</b>		
Nufarm Holdings BV	308,825	538,794
Nufarm Limited NZ Branch	247,851	-
	<u>556,676</u>	<u>538,794</u>

The following unsecured variable rate loans have been advanced to the following related parties:

Nufarm Americas Inc	USD 114,990,000
Nufarm Holdings BV	Euro 32,700,000
Nufarm Holdings BV	GBP 16,000,000
Nufarm Holdings BV	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 monthly basis. The remaining intercompany loans are repayable on demand.

During the year, the Company received interest from Nufarm Americas Inc \$7,236,964 (2008: \$8,810,522) and Nufarm Holdings BV \$6,192,868 (2008: \$7,142,094).

The Company and the related parties above have Nufarm Limited, an Australian registered company, as their parent entity.

**Current liabilities**

Nufarm NZ Limited	-	6,142,728
Nufarm Holdings NZ Limited	18,800,325	9,607,420
Nufarm Australia Limited	5,426,002	2,512,096
Nufarm Limited NZ Branch	-	6,290,030
	<u>24,226,327</u>	<u>24,552,274</u>

The above intercompany balances are repayable on demand.

Interest of \$426,002 was paid during the year on the intercompany loan with Nufarm Australia Limited. The loan attracted interest rates of 8.41% (August-January) and 5.48% (February-July). Audit fees were paid by the company's parent. During the year, the company paid \$80,381 (2008: \$81,629) of accounting and management fees to Nufarm Limited NZ Branch.

There were no other transactions with related parties.

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

For the year ended 31 July 2009

**6 Deferred tax assets**

**Recognised deferred tax assets and liabilities**

Deferred tax assets are attributable to the following items:

	<b>Assets</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Tax benefit of NSS issue costs	677,284	782,635
Tax loss carry-forwards	4,353,257	1,570,737
Deferred tax assets	<u>5,030,541</u>	<u>2,353,372</u>

The Company has no deferred tax liabilities.

**Movement in temporary differences during the year**

	<b>Balance 1-Aug-08</b>	<b>Recognised in profit or loss</b>	<b>Reduction in tax rate</b>	<b>Recognised in equity</b>	<b>Balance 31-Jul-09</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Tax benefit of NSS issue costs	782,635	(105,351)	-	-	677,284
Tax loss carry-forwards	1,570,737	(4,021,645)	-	6,804,165	4,353,257
Deferred tax assets	<u>2,353,372</u>	<u>(4,126,996)</u>	<u>-</u>	<u>6,804,165</u>	<u>5,030,541</u>
	<b>Balance 1-Aug-07</b>	<b>Recognised in profit or loss</b>	<b>Reduction in tax rate</b>	<b>Recognised in equity</b>	<b>Balance 31-Jul-08</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Tax benefit of NSS issue costs	1,147,865	(286,966)	(78,264)	-	782,635
Tax loss carry-forwards	-	(56,302)	(157,074)	1,784,113	1,570,737
Deferred tax assets	<u>1,147,865</u>	<u>(343,268)</u>	<u>(235,338)</u>	<u>1,784,113</u>	<u>2,353,372</u>

The corporate tax rate in New Zealand has changed from 33% to 30%. The reduction in tax rate column recognises the impact of the change on the deferred tax balances.

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

For the year ended 31 July 2009

	2009	2008
	\$	\$
<b>7 Cash and cash equivalents</b>		
Bank balances	726,577	5,937,588
Bank overdrafts repayable on demand	-	-
Cash and cash equivalents in the statement of cash flows	<u>726,577</u>	<u>5,937,588</u>

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 2009, the bank account was attracting interest at 1.58% (2008: 9.26%).

**8 Share capital and reserves**

	Share capital	Hedging reserve	Retained earnings	Total equity
	\$	\$	\$	\$
<b>2008</b>				
Balance at 1 August 2007	9,984,530	-	1,800,050	11,784,580
Total recognised income and expense	-	-	17,864,771	17,864,771
Recognised in equity during the period	-	(3,622,291)	-	(3,622,291)
Transferred to profit or loss during the period	-	(2,639,555)	-	(2,639,555)
Nufarm Step-up Securities distribution	-	-	(22,035,250)	(22,035,250)
Tax effect of Nufarm Step-up Securities distribution	-	-	7,271,592	7,271,592
Balance at 31 July 2008	<u>9,984,530</u>	<u>(6,261,846)</u>	<u>4,901,163</u>	<u>8,623,847</u>
<b>2009</b>				
Balance at 1 August 2008	9,984,530	(6,261,846)	4,901,163	8,623,847
Total recognised income and expense	-	-	8,181,762	8,181,762
Recognised in equity during the period	-	-	-	-
Transferred to profit or loss during the period	-	1,691,471	-	1,691,471
Nufarm Step-up Securities distribution	-	-	(21,908,315)	(21,908,315)
Tax effect of Nufarm Step-up Securities distribution	-	-	6,572,496	6,572,496
Balance at 31 July 2009	<u>9,984,530</u>	<u>(4,570,375)</u>	<u>(2,252,894)</u>	<u>3,161,261</u>

Nufarm Finance ( NZ ) Limited

## Notes to the financial statements (continued)

For the year ended 31 July 2009

### 8 Share capital and reserves (continued)

Share capital	Ordinary shares	
	2009	2008
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>

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 Nufarm Finance (NZ) 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, 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 are restricted 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 1.90%. The step-up date is five years from issue date, and provides the issuer 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 exchange them for a number of ordinary shares in Nufarm. The exchange ratio is calculated based on the average market price of Nufarm ordinary shares for 20 business days prior to exchange date less a 2.5% discount.

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

For the year ended 31 July 2009

**8 Share capital and reserves (continued)**

**Distributions**

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

	Distribution rate	Total amount	Payment date
<b>2009</b>			
Distribution	7.48%	9,361,684	15-Apr-09
Distribution	9.97%	12,546,631	15-Oct-08
<b>2008</b>			
Distribution	8.95%	11,263,024	15-Apr-08
Distribution	8.56%	10,772,226	15-Oct-07

No dividends to the ordinary shareholders were declared in the current year (2008: 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 loss attributable to ordinary shareholders of \$7,154,058 (2008: \$3,101,113 profit) and a weighted number of ordinary shares outstanding of 10,000,000 (2008: 10,000,000), calculated as follows:

**Profit attributable to ordinary shareholders**

	2009 \$	2008 \$
Net profit for the period	8,181,762	17,864,771
Nufarm Step-up Securities distribution after tax	(15,335,819)	(14,763,658)
Net profit/(loss) attributable to ordinary shareholders	<u>(7,154,057)</u>	<u>3,101,113</u>

**Weighted number of ordinary shares**

	Ordinary shares	
	2009	2008
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>

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

For the year ended 31 July 2009

<b>10 Interest- bearing borrowings</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Bank overdraft	-	-

The bank overdraft is an unsecured loan with Bank of New Zealand. It bears interest at a rate of 6.50%.

**11 Negative pledge deed**

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.

**12 Financial instruments**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate and cash flow 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 Set-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.

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 \$2,744,728 (2008: \$7,254,386) 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 (2008: \$2,469,321) 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 \$2,230,777 (2008: \$5,770,406). 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.

## Notes to the financial statements (continued)

For the year ended 31 July 2009

### 12 Financial instruments (continued)

#### Foreign exchange risk (continued)

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 management revoked the hedged designation, 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.

At 31 July 2009, the foreign exchange contracts designated in a hedge relationship had a fair value of NIL (2008: \$25,287,675).

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.

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	
	2009	2008
Loans receivable-related parties	250,822,468	233,756,046
Cash and cash equivalents	726,577	5,937,588
Forward exchange contracts	15,650,587	25,287,675
Interest rate options	967,133	8,504,161
	<u>268,166,765</u>	<u>273,485,470</u>

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 profit or loss.

#### Liquidity Risk

Liquidity risk represents the Company's ability to meet its contractual obligations. The company evaluates its liquidity requirements on an ongoing basis and has sufficient liquid assets at 31 July 2009 to reduce its exposure to liquidity risk to an acceptable level for the next 12 months.

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 and related party payables are due within the next six months.

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

For the year ended 31 July 2009

**12 Financial instruments (continued)****Fair Valuation**

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

	Derivative Assets at Fair value	Loans and Receivables	Other Financial Liabilities	Carrying Value
<b>2009</b>				
<b>Assets as per Balance Sheet</b>				
Cash and Cash Equivalents	-	726,577	-	726,577
Loans Receivable - Related Parties	-	250,822,468	-	250,822,468
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	-	556,676	-	556,676
<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	-	-	24,226,327	24,226,327
<b>Total</b>	<b>-</b>	<b>-</b>	<b>24,254,090</b>	<b>24,254,090</b>
<b>2008</b>				
<b>Assets as per Balance Sheet</b>				
Cash and Cash Equivalents	-	5,937,588	-	5,937,588
Loans Receivable - Related Parties	-	233,756,046	-	233,756,046
Derivative assets used for risk management				
- Foreign exchange contracts	25,287,675	-	-	25,287,675
- Interest rate options	8,504,161	-	-	8,504,161
Related party receivables	-	539,794	-	539,794
<b>Total</b>	<b>33,791,836</b>	<b>240,233,428</b>	<b>-</b>	<b>274,025,264</b>
<b>Liabilities as per Balance Sheet</b>				
Account payables	-	-	17,981	17,981
Loans Payable - Related Parties	-	-	24,136,898	24,136,898
Related Party payables	-	-	415,376	415,376
<b>Total</b>	<b>-</b>	<b>-</b>	<b>24,570,255</b>	<b>24,570,255</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 part 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 2009

	2009	2008
	\$	\$
<b>13 Reconciliation of the profit for the period with the net cash flow from operating activities</b>		
Profit for the period	8,181,762	17,864,771
Adjustments for:		
Non-cash financing costs and income	8,342,515	(8,533,334)
Non-cash movement in related party receivables	-	3,233,729
Income tax expense	2,406,789	9,150,318
	<u>18,931,066</u>	<u>21,715,484</u>
Change in trade and other receivables	(17,882)	247,692
Change in trade and other payables	9,782	17,981
Change in related party payables	(325,947)	(68,078)
Income tax paid	(1,576,147)	(2,083,358)
<b>Net cash from operating activities</b>	<u>17,020,872</u>	<u>19,829,721</u>

**14 Subsequent Events/Commitments/Contingencies**

There have been no subsequent events since 31 July 2009.

There were no commitments or contingencies as at 31 July 2009 (2008: Nil).