Monday, 12 November 2018

Appendix 4E and Annual Report for the Financial Period Ended 30 September 2018

Elders Limited (ASX: ELD) today reports its results for the financial year ended 30 September 2018.

Attached is the Appendix 4E (Results for announcement to the market), and Annual Report for the 12 month financial period ended 30 September 2018.

Peter Hastings
Company Secretary

ELDERS LIMITED — APPENDIX 4E (RULE 4.3A)
FINAL FINANCIAL REPORT
RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the year ended 30 September 2018

Attached is the final report for the year ended 30 September 2018. The consolidated profit after tax and non-controlling interests was $71.6 million (2017: $116.0 million).

Additional Appendix 4E disclosure requirements and further details on the results and operations are included in the Annual Report provided to the Australian Securities Exchange.

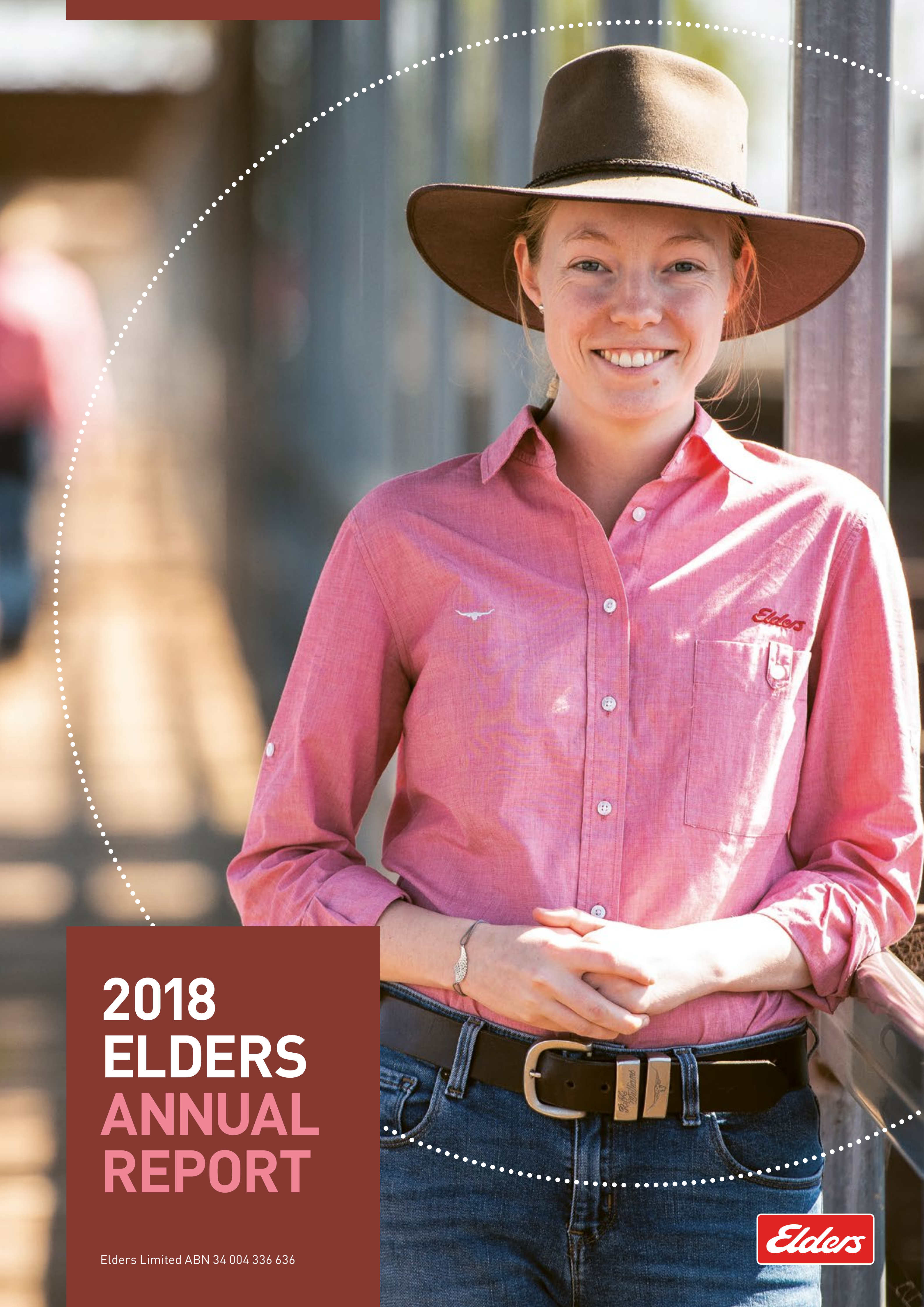
	Result			**$000**
Revenue from continuing operations	up	2%	to	1,613,278
Profit from continuing operations after tax attributable to members	down	30%	to	78,681
Profit/(loss) from discontinued operations after tax attributable to members		n/m*		(7,113)
Profit after tax for the year attributable to members	down	38%	to	71,568

** percentage movement in result not meaningful*

Dividends	**Amount per security**	**Franked amount per security**
2018		
Final dividend	9 cents	9 cents
Interim dividend	9 cents	9 cents
2017		
Final dividend	7.5 cents	7.5 cents
Special dividend	7.5 cents	7.5 cents
Interim dividend	Nil	n/a

The record date for the final dividend is 20 November 2018; and payable on 14 December 2018.

Net tangible assets	**2018 $**	**2017 $**
Net tangible asset backing per ordinary security (115,818,637 ordinary shares)	0.86	1.01



2018 ELDERS ANNUAL REPORT

Elders Limited ABN 34 004 336 636

Elders

Contents

Elders' five values are at the core of everything we do today, and everything we plan for tomorrow.

INTEGRITY

Behaving with honesty and integrity in every interaction

ACCOUNTABILITY

Being accountable for results

CUSTOMER FOCUS

Growing valuable customer relationships, and showing pride and passion in our organisation

INNOVATION

Delivering innovation and continuous improvement

TEAMWORK

Using the power of the team, and respecting the contribution of every person

Chairman's Remarks

In my fifth and final report to shareholders as Chairman of Elders Limited, I'm proud to announce that the 2018 financial results reflect our disciplined approach against the strategic Eight Point Plan. One of the most significant highlights of the past year is your Company re-entering the S&P/ASX 200 index, signifying our persistent approach and commitment to being a pure-play agribusiness – as outlined in the inception of the Eight Point Plan in 2014.

Safety

Elders is committed to the safety of its people. The Company believes the only acceptable safety performance is one which is injury and incident free. Considerable measures have been undertaken to target an injury free workplace, including broadening our safety and community programmes to emphasise mental health which, in rural Australia, is often affected by difficult seasonal conditions. We are doing this through the Give It program and our Employee Assistance Program, which we extend, in times of real need, to segments of our client base. 86% of Elders' employees consider that mental health is the one of the largest safety risk factors in regional Australia.

Board

At the conclusion of the Company's 2018 Annual General Meeting (AGM), I will retire as a Director and Chairman of your Board. I will be succeeded as Chairman by recently appointed Non-Executive Director, Michael Carroll, subject to Mr Carroll being elected a director by shareholders at that AGM.

Following ten years on the Board, five of these years as your Chairman, it gives me great pleasure to report that each of your directors possess skills and experiences, which result in a balanced, effective and efficient Board to lead Elders through the next growth phase and into the future.

The Board this year welcomed two new Non-Executive Directors who are serving with dedication in the best interests of the Company and its shareholders.

Ms Diana Eilert was appointed as Non-Executive Director in November 2017 and was subsequently elected by shareholders at the 2017 AGM. Diana has added significant value through her extensive listed company director experience – particularly in digital technologies, retailing and real estate. We believe technology that provides productivity improvements to Australia's growers and producers is key to ongoing profitability and sustainability of our customers. The Board considers these skills in the digital area imperative to fulfilling our digital and technical objectives.

In September 2018, Elders also appointed Mr Michael Carroll to the board. Michael shares a long-standing passion for agriculture and brings relevant industry experience which we are confident will greatly contribute to Elders' ongoing performance particularly as the company continues its growth initiatives.

Michael comes from a multigenerational farming family and has a deep understanding of both producer and customer needs which is a highly valuable skill set, and one that is shared by some of his fellow directors. In addition to the core agricultural experience, Michael also possesses solid financial skills having served part of his executive career in the financial services sector.

Both Michael and Diana's skill sets are highly relevant to Elders as we continue to implement the Eight Point Plan, including our growth and digital and technical agendas, through to 2020. The appointments are in line with our objective of ensuring the Company's board of directors is comprised of highly talented individuals with a diverse range of skills, experiences and backgrounds, which result in a board effectively equipped to guide the Company's success.

Corporate Governance and Risk and Compliance

From a corporate governance perspective, Elders instils a culture based on our values which are demonstrated throughout this report. Our corporate governance statement has this year been updated to reflect changes in FY18. We believe in compliance, transparency, disclosure and remaining committed to our strategic plan to lead Elders to 2020.

Our corporate governance and risk and compliance practices continue to be very sound and are subject to continual improvement. We believe that a well governed company, including one that puts its compliance obligations and the need to identify and manage risk at the centre of its practices, is very likely to be a successful and sustainable company. This approach is a hallmark of the way we do business at Elders, allowing us to capitalise on opportunities and manage downsides.

Closing Remarks

In closing, I extend my gratitude and appreciation to all employees wearing the pink shirt with pride, as well as our clients, suppliers, business partners and financiers.

During my 10-year term as a director of Futuris and then Elders, the Company experienced challenges and difficulties brought on by the GFC and high levels of debt. It has been extremely gratifying to be part of a team that divested the automotive and forestry divisions, and that has been able to return Elders to its roots in Agriculture and attain a sustainable financial position.

I take this opportunity to thank you as our shareholders – it has been a pleasure serving you since 2008.

Hutch Ranck

Hutch Ranck
Chairman

CEO's Report

In FY18 Elders continued its commitment to its strategic priorities and its resolve to realise the objective of continuous growth through agricultural, commodity and seasonal cycles, whilst staying true to our values; integrity, accountability, customer focus, innovation and teamwork.

Since 2014, the Eight Point Plan has provided clear, consistent direction. It identifies sustainable competitive advantages as a pure-play agribusiness, by product and geography, and anchors our future growth and development on these advantages.

I'm pleased to report that in FY18 we achieved underlying Earnings Before Interest and Tax (EBIT) of $74.6 million and a 24.2% Return on Capital (ROC), despite challenging trading and seasonal conditions. At a local level, it is certainly very tough for many parts of the country. From a business viewpoint, the level of diversification that Elders has from a product and geography perspective means the overall impact has been limited. We believe Elders remains well placed to achieve our target of 5-10% EBIT growth through the agricultural cycle to 2020.

Operational Performance

Elders is focused on delivering value for all of our stakeholders in Australia and internationally. We have continued on from the strong financial performance in FY17, achieving the 5% – 10% growth year on year as we set out to do. Underlying net profit after tax improved $5.3 million on the prior corresponding period to $63.7 million. Underlying EBIT of $74.6 million – up $3.6 million on last year – resulted largely from growth in the Retail product, despite a dry winter cropping season, from acquisition activity in horticulture and organic growth across Southern Australia.

Overall the Retail business posted a $14.5 million margin improvement, while cattle prices had an impact on the Agency Services margin which was down $3.4 million – although this was partially offset by solid wool performance and increased sheep trading volumes.

Our Real Estate margin improved from $31.9 million to $33.6 million with the increase from footprint expansion offset by subdued activity in key residential markets. Financial Services earnings were boosted by full year earn from acquisitions, rising from $35.1 million in FY17 to $38.3 million this reporting period.

Costs increased by $13.8 million to $280.4 million to drive Eight Point Plan initiatives, including acquisition and organic footprint growth.

Safety Performance

In 2018, our lost time injuries (LTIs) were five, down from six last year. We continue to strive for an injury free workplace through risk based decision making, training and development, and a continued emphasis on employee and community safety, health and wellbeing. All LTIs are recorded in our safety reporting, regardless of the cause of the incident; two of Elders' LTIs this year were unfortunate, non-preventable accidents involving at fault third parties.

The culture of our business is incredibly important, particularly in relation to safety. We have improved our safety culture which is measured through an annual safety engagement survey – 100% of respondents demonstrated an understanding of their personal safety obligations and have a positive impression of our commitment to safety.

Efficiency and Growth

The Eight Point Plan continues to guide our sustainable growth and our business units are constantly reviewed to ensure they are generating a consistent return on capital at a level which creates sustainable wealth for our shareholders. Through this review process, which had regard to high cattle costs and changing Indonesian governmental policies, we deemed it appropriate to divest our Indonesian feedlot and processing assets.

We remain steadfast in our target to achieve 5% - 10% growth year on year, with half from acquisition and half from organic growth. Our network has successfully integrated a number of bolt on businesses this financial year, notably the acquisition of Kerr & Co Livestock which increases our footprint in Western Victoria. In addition, the purchase of TitanAg will extend Elders' participation in the retail supply chain for quality agricultural chemicals, and our 20% stake in Clear Grain Exchange represents another opportunity for future growth.

We welcomed our first recruit to Thomas Elder Consulting (TEC) – our new group of highly specialised consultants with expertise to offer whole farm management advice across all areas of our clients' operations. We hope to have around 20 specialist TEC consultants by the end of FY19 to complement our existing annual investment in agronomy and livestock production advice activities, which includes trial sites, projects with industry groups, and other research and development activity.

Our People

In 2018, Elders' Employee Effectiveness Survey, conducted by Korn Ferry, demonstrated an increase in both engagement (75%) and enablement (77%) across the business. 73% of our people responded to the survey. These results place Elders above the Australian benchmarks of 67% and 66% respectively.

Elders prides itself on investing in training and developing of our people. In FY18, 320 employees from across the network participated in a formal learning and development program. We also continued our support for the Australian Rural Leadership Foundation, with participants in the Agribusiness Leadership Program.

Nurturing new talent and our succession pipeline saw 20 new trainees commence the Livestock Trainee Program, with an additional 18 existing employees attending workshops – seven of whom opted to enrol in Certificate IV in Agriculture offered through the program. The trainee program scope for recruitment and training content broadened and included additional training modules at workshops to equip trainees with strategies for helping clients cope with drought, as well as increased focus on livestock production, and using technology.

Elders employed 12 university agronomy graduates this year, with three completing the full-time internal agronomy graduate program. This two-year program has seen a completion rate of 100% over the last four years.

Whilst we still have some way to go in achieving our measurable diversity objectives by 2021, we continue to increase the pipeline of female team leaders above our target of 25%, currently we sit at 30%. Our Non-Executive Director target is also being met at 40%.

Our Communities

I'm pleased to say our partnership with the Royal Flying Doctor Service (RFDS) has grown this year alongside our community giving program, Elders Give It. At a local level, we have multiple initiatives in place through our branch network in local communities. This is wonderful work and really is, and has been, the fabric of Elders in regional and rural Australia for the last 179 years. With drought currently affecting many of our clients, people and local communities in large sections of the country, we are also a partner of beyondblue and believe it is incredibly important to look out for each other and our clients' mental health.

It is evident that our people wear the pink shirt with pride in each of the communities in which we operate and I thank each and every one of our employees for the dedication to giving back to their local communities.

Looking ahead

The National Farmers' Federation – representing Australia's 84,000 farmers, and Agribusiness Australia – representing individuals and corporations across the agri-food chain, recently signed a Memorandum of Understanding (MOU) in Canberra. As Chairman of Agribusiness Australia, I'm pleased to see two peak agriculture representative organisations committing to work together towards a farm gate production value of $100 billion by 2030. Elders supports the MOU and our clients in achieving the growth throughout the supply chain.

In 2019 Elders will support evokeAG as a platinum partner, AgriFutures Australia's international agri-food tech event. The partnership further signifies the importance of innovative collaboration to generate and disseminate new digital and technical agriculture ideas across the country.

From a financial viewpoint looking ahead to the end of the current Eight Point Plan, we will continue to demonstrate our strength in portfolio management, geographical segmenting, our core products, innovation, our commitment to Australian agribusiness and our clients. We believe this will enable us to deliver 5 to 10% growth per annum over that period through agricultural, seasonal and commodity cycles and deliver value to you, our shareholders.

Mark Allison
Managing Director

Year in Brief

Year ended 30 September		FY18	FY17
Continuing sales revenue	$m	1,613.3	1,582.5
Underlying EBITDA	$m	79.0	74.8
Underlying EBIT	$m	74.6	71.0
Underlying finance costs	$m	6.9	7.3
Reported profit after tax	$m	71.6	116.0
Underlying profit after tax	$m	63.7	58.4
Net debt	$m	173.4	95.3
Shareholders' equity	$m	308.5	257.7
Operating cash flow	$m	(12.1)	81.6
Reported earnings per share (basic)	cents	62.0	101.9
Reported earnings per share (diluted)	cents	60.7	98.9
Underlying earnings per share (basic)	cents	55.1	51.3
Underlying earnings per share (diluted)	cents	54.0	49.8
Final dividend declared (fully franked)	cents	9.0	7.5
Additional special dividend (fully franked)	cents	–	7.5
Interim dividend (fully franked)	cents	9.0	–

Key ratios			
EBIT margin (EBIT to sales)	%	4.6	4.5
Return on capital	%	24.2	28.6
Leverage (average net debt to underlying EBITDA)	times	2.0	1.8
Interest cover (EBITDA to net interest)	times	11.5	10.3
Gearing (average net debt to closing equity)	%	52.3	53.3

Key share data			
ELD share price	$	7.09	4.85
Market capitalisation	$m	821.2	552.2
Number of ordinary shareholders		12,598	13,824
Ordinary shares on issue		115,818,637	113,859,440

A Year of Progress

Safety Performance	Lost time injuries reduced to 5 from 6, target is zero
	40% decrease in days lost for FY18
	Risk based decision making training developed, implemented and operational
	Continued emphasis on employee and community safety health and wellbeing
Operational Performance	$74.6m underlying EBIT, up $3.6m on last year
	Underlying ROC at 24.2%, down from 28.6% at September 2017
	Leverage ratio declined to 2.0
	Interest cover ratio increased from 10.4 to 11.6
	Fully franked interim dividend of 9.0c per share
	Fully franked final dividend of 9.0c per share declared
Key Relationships	Strengthened the "Elders Give It" program through the announcement of the RFDS partnership and further community involvement
	Continued to engage with key agricultural research bodies
	Formal engagement with all Rural Research Centres and government and university institutions to focus and enhance our agricultural research initiatives
	Achieving greater productivity for clients and the industry through the Thomas Elder Institute and tertiary alliances
Efficiency and Growth	Acquisition of TitanAg to enhance retail capability and exposure to higher value crop segment
	Agency footprint expansion through acquisition of Kerr & Co
	Investment in Clear Grain Exchange (CGX) to broaden earnings base through a sustainable model
	Drive organic growth through improving sales force performance and attracting high performers
	Structured review process of capital and cost initiatives
	Divestment of Indonesian feedlot and abattoir operations

Elders' Value:
Integrity

Behaving with honesty & integrity in every interaction

Our values bring together all businesses under the Elders banner into one company with a strong and unified culture – known as One Elders. We are focused on our core business, have our sights set on performance, and we have measures and expectations in place to achieve a culture that ensures Elders is in the best position for sustainable success and growth.

Integrity in every interaction of each Elders person contributes to the Elders culture. When we work as one team throughout our national network, strive for common goals and recognise the contribution that we all make towards our ultimate business performance, we create an organisation that our people feel proud to be part of.

The One Elders program provides a common set of values and behaviours to guide the way Elders' people interact with each other, how they contribute to the business and how they interact with customers, suppliers and other stakeholders. The values and behaviours were developed by employees across the business and the One Elders framework has been embedded at Elders by aligning with policies, processes and practices.

To complement the values, Elders has a One Elders Awards program which recognises significant achievement in three key areas; Safety, Sales and Operational Performance. Our network is encouraged to nominate their peers to recognise and reward exemplary demonstrations of the One Elders values and behaviours.

Monthly winners and their managers are invited to attend the Annual One Elders Awards Presentation which recognises Branch of the Year, Team of the Year, Employee of the Year, annual Safety, Sales, Operational Performance awards, and a new 'Give It' award designed to recognise our team going above and beyond in giving back to the community.

An integral part of the community, the Gunnedah team attribute pride in wearing the pink shirt, the hard-working attitude and their honest and strong ethos to achieving the highest network accolade of Branch of the Year.

In 2016, Gunnedah and Tamworth combined their retail offering which significantly increased the district's capabilities to deliver premium service to local clients. The joint approach brought together expertise in management, stock control and agronomy, creating business efficiencies that resulted in a more comprehensive customer service offering.

As part of this customer service focus, the team regularly conducts client information days to help to deliver the latest industry or producer specific information. They also aim to assist clients holistically, by offering relevant service across the various Elders products – from agronomy to livestock, wool, grain, real estate and water services, to farm inputs and to banking, insurance and wealth planning.

Elders Gunnedah has built a strong presence in its local community, with each employee committing time to schools and charities to support those communities. As Branch Manager Nik Hannaford said in accepting the Branch of the Year award on behalf of Gunnedah, "the team lets respect shape the way in which we do business.

"It is a great honour and privilege to win this award for our team who are all very dedicated to the cause and to each other. When you take the Elders values into account in all of your dealings, you can't stray far from doing what's right for everyone, and I think that shows in what we've achieved."

One Elders Award Winners

Branch of the Year:

Gunnedah, NSW

Team of the Year:

Killara Feedlot, NSW

Employee of the Year:

Brett Smith, *District Wool Manager & Branch Manager, Walgett NSW*

Give It:

Jake Smith, *Territory Sales Manager, Gundagai, NSW*

Safety:

Andrew Young, *Farm Supplies Manager, Townsville QLD*

Sales Performance:

Hayden Lanyon, *Branch Manager, Mortlake VIC*

Operational Performance:

Belinda Kilner, *Senior HR Business Partner, West*


Elders

Operating and Financial Review

Operating and Financial Review

Elders is focused on creating value for all of its stakeholders in Australia and internationally. We achieve this through approximately 2,000 employees across Australia, China and Indonesia.

In Australia, Elders works closely with primary producers to provide products, marketing options and specialist technical advice across retail, agency and financial product and service categories. Elders is also a leading Australian rural and residential property agency and management network. This network includes both company owned and franchise offices operating throughout Australia in both major population centres and regional areas. Our feed and processing business operates a top-tier beef cattle feedlot in New South Wales and a premium meat distribution model in China and Indonesia.

Elders is an important part of the Australian rural landscape drawing on its proud history of service and innovation in its quest to assist Australia's primary producers to be the most productive in the world.

Profit and Loss

Profit: Reported and Underlying

$million	FY18	FY17	Change
Sales	**1,613.3**	**1,582.5**	**30.8**
Australian Network	114.7	112.2	2.5
Feed and Processing Services	6.8	5.5	1.4
Corporate Services and Unallocated Costs	(46.9)	(46.6)	(0.3)
Underlying EBIT	**74.6**	**71.0**	**3.6**
Finance Costs	(6.9)	(7.3)	0.4
Underlying profit before tax	**67.8**	**63.8**	**4.0**
Tax	(1.7)	(2.8)	1.1
Non-controlling Interests	(2.4)	(2.6)	0.2
Underlying profit to shareholders	**63.7**	**58.4**	**5.3**
Items excluded from underlying profit	**7.9**	**57.6**	**(49.8)**
Reported profit after tax to shareholders	**71.6**	**116.0**	**(44.4)**
Underlying EBITDA	79.0	74.8	4.3

The statutory result included a number of items that are unrelated to operating financial results. Measurement and analysis of financial results excluding these items is considered to give a meaningful representation of like-for-like performance from ongoing operations ("underlying profit"). Underlying profit is a non-IFRS measure and is not audited or reviewed.

Items excluded from underlying profit are:

$million	FY18	Commentary
Indonesia feedlot and abattoir operations	(4.8)	Operating losses and fair value adjustment related to disposal
IT infrastructure transition	(3.9)	Refresh current infrastructure and services
Major M&A activity	(2.2)	Due diligence costs
Tax asset adjustments	18.8	Mainly relates to recognition of tax losses based on profitability forecasts
Items excluded from underlying profit	**7.9**	

Non underlying profit in FY17 included brand name impairment reversals of $38.3 million and tax asset adjustments of $15.2 million.

Key movements in profit by product resulted from:

- Retail improved on last year, despite a dry winter cropping season, from acquisition activity in horticulture and organic growth across Southern Australia
- Agency downside attributable to declining cattle prices, partially offset by solid wool performance and increased sheep volumes
- Real Estate increase from footprint expansion, offset by subdued activity in key residential markets
- Financial Services boosted by acquisitions and organic growth in loan book balances
- Feed and Processing Services upside across all the business units
- Costs increased to drive Eight Point Plan initiatives, including acquisitions and organic footprint growth

Chart 1 — Underlying performance by product ($million)

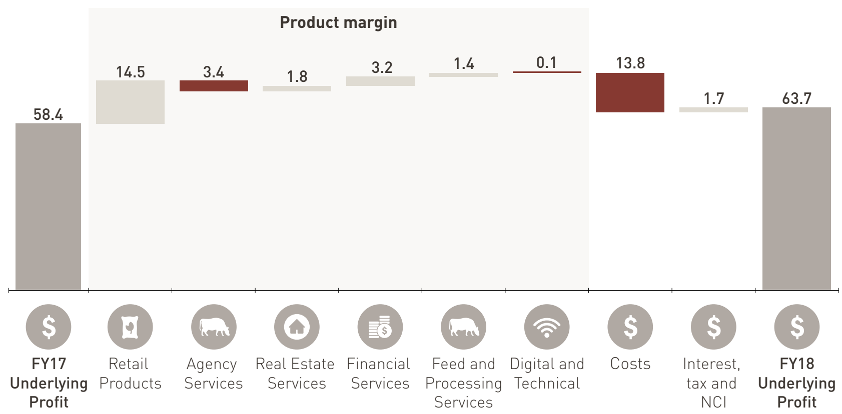
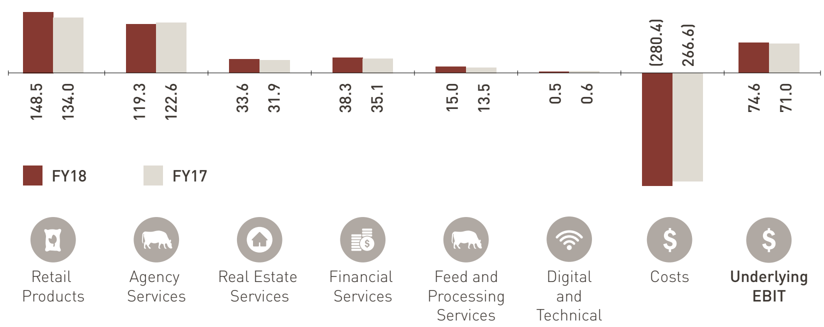


Chart 2 — Underlying EBIT by product ($million)



Key movements in profit by geography resulted from:

- Declining cattle prices adversely impacting Northern Australia, offset by acquisition growth in horticulture and continued growth in the Killara feedlot
- Southern Australia outperformed last year across most products particularly in Retail and Livestock where increased sheep volumes provided upside
- Western Australia improvement driven by strong performance in Retail, offset by easing Livestock earnings
- International benefitted from improved procurement and focus on cost control
- Corporate and unallocated costs remain consistent year on year

Chart 3 — Underlying performance by geography ($million)

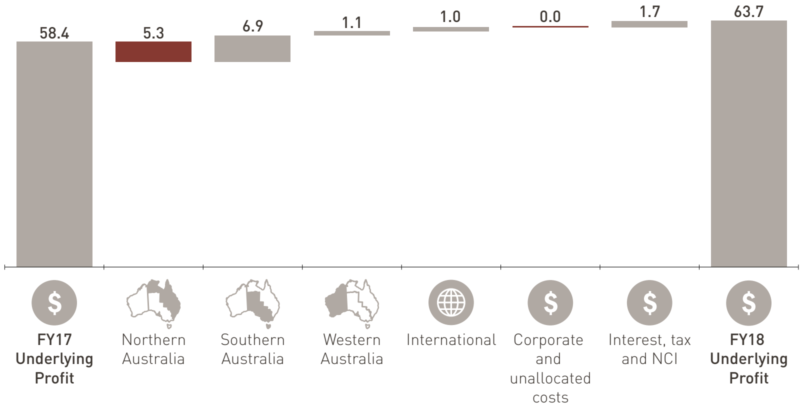
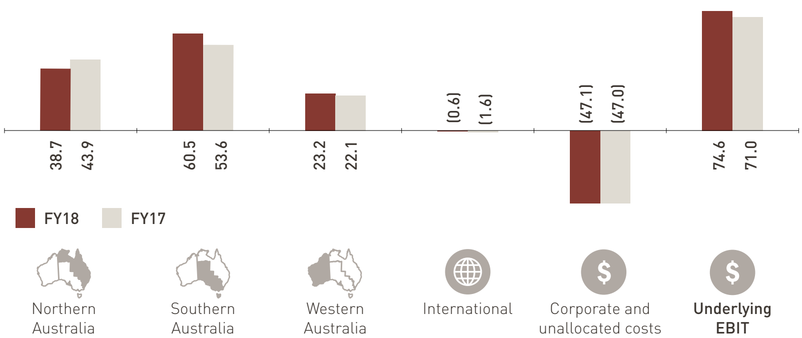


Chart 4 — Underlying EBIT by geography ($million)



Balance Sheet

$million as at end	FY18	FY17	Change
Inventory	147.8	111.1	36.7
Livestock	32.5	44.6	(12.1)
Trade and other receivables	444.8	385.6	59.2
Trade and other payables	(384.6)	(360.9)	(23.7)
Working Capital	**240.5**	**180.5**	**60.0**
Property, plant and equipment	27.3	29.9	(2.6)
Investments	59.2	55.1	4.1
Intangibles	129.0	81.2	47.8
Provisions	(50.9)	(53.0)	2.1
Capital (net operating assets)	**405.1**	**293.7**	**111.4**
Borrowings: working capital and other facilities	(185.1)	(130.5)	(54.6)
Cash and cash equivalents	11.6	35.2	(23.5)
Net debt	**(173.4)**	**(95.3)**	**(78.1)**
Tax assets	**76.8**	**59.3**	**17.6**
Shareholders' equity	**308.5**	**257.7**	**50.9**
Underlying return on capital	24.2%	28.6%	(4.4%)

Working Capital

$million	FY18	FY17	Change
Retail Products	185.2	136.8	48.4
Agency Services	31.0	19.4	11.6
Real Estate Services	1.9	1.6	0.3
Financial Services	15.8	11.4	4.4
Feed and Processing Services	45.8	50.2	(4.4)
Other	(39.3)	(39.0)	(0.3)
Working capital (balance date)	**240.5**	**180.5**	**60.0**
Working capital (average)	236.9	223.1	13.8

Capital (net operating assets)

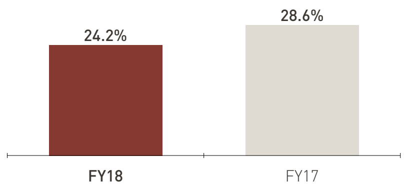
Capital as at September 2018 was $405.1 million, 38% higher than September 2017. This is attributable to:

- Higher Retail debtors driven by strong sales late in the season and delay of receipts, while dry conditions have meant that inventory levels increased in certain areas
- Normalised Livestock activity when compared to last year
- Increased shareholder funding to StockCo
- Feed and Processing Services improvement due to Indonesia cattle position wound down in light of sale

Average working capital deployed during FY18 was $236.9 million compared to $223.1 million in FY17.

Return on capital

Chart 5 — Underlying return on capital

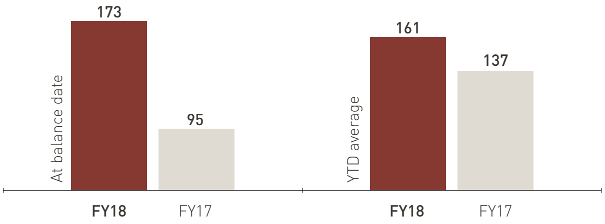


Elders' underlying return on capital for the year was 24.2%:

- Retail continues to perform strongly with incremental improvement year on year
- Livestock impacted by 16% decline in cattle prices
- Continue to manage portfolio and expect incremental improvement in FY19 ROC from the TitanAg acquisition

Net debt

Chart 6 — Net debt



Key ratios	**FY18**	**FY17**	**Change**
Leverage (average net debt to EBITDA)	2.0	1.8	0.2
Interest cover (EBITDA to net interest)	11.5	10.3	1.2
Gearing (average net debt to closing equity)	52.3%	53.3%	(1.0%)

Net debt at balance date was $173 million compared to $95 million at September 2017, with increased activity around year end and delayed debtor receipts of $30 million which were received in the first week of October.

Average net debt rose by $24 million to $161 million at September 2018 in line with both business growth, and increased investment activity during the year.

Leverage ratio increased on last year, however interest cover and gearing improved from September 2017.

Provisions

Provisions remained stable year on year and largely reflect employee entitlements.

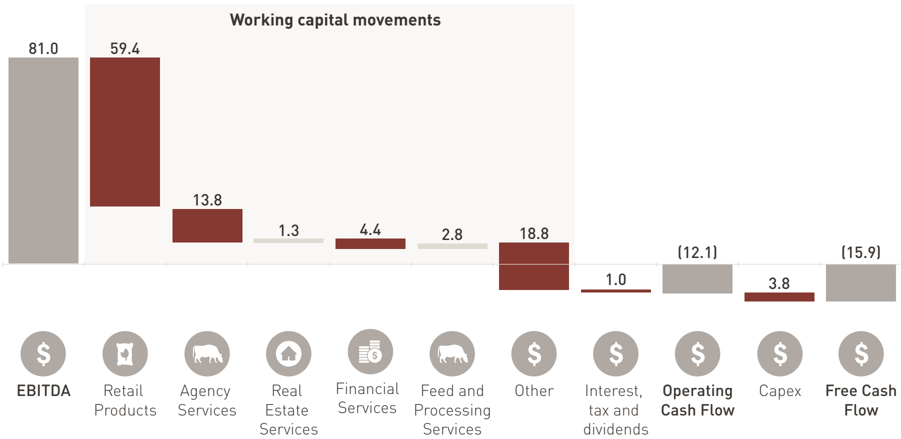
Shareholders' equity

Shareholders' equity increased by $50.9 million to $308.5 million. This movement represents FY18 net profit of $71.6 million, offset by $25.8 million of dividend distributions to shareholders.

Cash Flow

$million	FY18	FY17	Change
Operating cash flow	(12.1)	81.6	(93.7)
Investing cash flow	(38.4)	(42.0)	3.6
Financing cash flow	27.0	(39.6)	66.6
Total cash flow	**(23.5)**	**–**	**(23.5)**

Chart 7 — Cash flow ($million)



$million	Retail Products	Agency Services	Real Estate	Financial Services	Feed and Process	Other	Total
EBITDA adjusted	54.8	27.9	13.5	14.3	5.0	(34.4)	81.0
Movements in assets and liabilities	(59.4)	(13.8)	1.3	(4.4)	2.8	(18.8)	(92.2)
Interest, tax and dividends						(1.0)	(1.0)
Operating cash flow	**(4.6)**	**14.1**	**14.7**	**9.9**	**7.9**	**(54.1)**	**(12.1)**

Operating cash outflow of $12.1 million reflected:

- Strong EBITDA
- Higher Retail debtors driven by strong sales late in the season and delay of receipts, while dry conditions have meant that inventory levels increased in certain areas
- Agency Services returned to normalised year end balances
- Other includes payment of provisions including leave and incentives

Investing outflow of $38.4 million included the acquisitions of:

- 100% of Kerr & Co
- 100% of TitanAg

Financing inflow of $27.0 million represents drawdown on trade receivables funding, offset by dividends distributed to shareholders.

Material Business Risks

Achievement of our business objectives could be affected by a number of risks that might, individually or collectively, have an impact.

Following is an overview of key risks Elders faces in seeking to achieve its objectives. The risks noted are not exhaustive and are in no particular order. Elders seeks to identify, analyse, evaluate, treat and monitor all risks, to maximize opportunities and prevent or reduce losses.

Elders' risk appetite is set by the Board and recorded in the Elders Resilience Policy and Framework. The Executive Committee maintains a keen focus on those risks that have a higher rating than the desired appetite and continually assesses our operational and strategic environment for new and emerging risks.

Risks are reported four times a year (or escalated immediately if certain triggers are met) to the Board Audit, Risk and Compliance Committee to ensure the Board is adequately informed of the evolving risk environment.

More detail on Elders' approach to managing risk is contained in the Corporate Governance Statement on Elders' website at elders.com.au/corporategovernance.

Material Business Risk	Our strategy
Health and safety	
Safety risk is inherent in Elders' business activities. The safety of our people, clients and the general community with whom we interact is our number one priority. Key safety risks include livestock handling, remote driving, manual handling and chemical handling.	The safety of our people and an effective safety culture within Elders is a critical and non-negotiable corporate objective. Through the implementation of a safety management system based on continuous improvement, we reduce risks which might impact our operations. We recognise and reward safety initiatives and safe behaviours via our monthly One Elders Awards program. This initiative values and promotes safety and ensures our positive safety culture is embedded throughout our operations.
Animal welfare	
The safety and welfare of livestock is of paramount importance to Elders and the company has controls in place to ensure the wellbeing and proper treatment of all animals within our control. Failure to protect the welfare of livestock in our control might result in stakeholder activity and reputational damage.	Elders has "zero tolerance" for poor treatment of livestock. Our people are trained in safe livestock handling protocols and methods and we comply with and strive to exceed all government requirements. In addition, we actively engage with the industry and stakeholders to improve animal welfare practices where possible.
Commodity pricing	
Elders has exposure to commodity price fluctuations in its Agency, Retail and Feed and Processing operations where movements in commodity prices, exchange rates and/or a change in the volume of Australian rural production could affect margins in the future.	Exposures are managed through diversification of income streams by product and geography, controlled inventory levels and flexible remuneration models for the Agency business which allow for cost base adjustments in response to fluctuations.
Adverse climatic conditions	
Adverse climatic conditions and other natural events may reduce the output of relevant agricultural products and affect the operation of Elders' business. Natural events, caused or affected by weather, such as frost, drought, flood and fire can have an impact. Such conditions can influence the supply of and demand for rural products and services provided by Elders, resulting in varied revenue levels.	To limit the impact of natural weather events, Elders maintains both a geographical spread of operations and a diverse product and service range. In 2019 we will continue to develop: – our strategy in relation to measuring on climate change risks and opportunities; and – our reporting framework for climate change impacts and opportunities to ensure our stakeholders have 'decision useful' information as it relates to our performance, prospects and longer term strategic objectives.

Material Business Risk	Our strategy
Biosecurity threats	
Biosecurity threats to agricultural products and livestock may affect Elders' business. An outbreak of a systemic animal or plant disease can lead to quarantine conditions in rural Australia and reduce producers' need for goods and services or affect their ability to operate.	To manage the impact, Elders has in place employee training and disease management protocols. In addition, Elders also has a business continuity framework in place to respond to and recover from the risk of disruption.
Food safety	
Elders handles livestock and red meat in its Feed and Processing operations which are destined for human consumption. The risk of contamination to these food products exists.	This risk is managed through HACCP accreditation in meat processing plants and strict animal health controls in the feedlot.
Fraud and corruption	
Elders is exposed to fraud, bribery and corruption risks, including in foreign markets in which it operates.	Elders has several controls to counter these risks, including appropriate segregation of duties, the terms of its Code of Conduct, compliance policies, fraud policy, anti-bribery and corruption policy, training throughout the business, financial reconciliation processes, whistle-blower policy and reporting hot-line, leave management protocols and an Internal Audit program which is complemented by periodic reviews conducted by the external auditor.
Counterparty	
Elders' deals with numerous counterparties of different types. We provide credit to approved counterparties, both domestically and internationally, and may be exposed to losses associated with a client's inability to repay debt.	This risk is managed by individual counterparty credit risk assessments, maintaining credit policies and procedures, oversight by the Credit Committee, debtor monitoring and reporting, trade credit insurance (major livestock processors debtor) and high level reviews of significant credit issues by the CEO and CFO, and if sufficiently material, the Board. To address counterparty risk through its foreign operations, Elders performs counterparty risk assessments, undertakes due diligence processes and seeks to establish long-term strategic relationships with key customers.
Political	
Elders' operates in foreign jurisdictions where the business may be affected by changes implemented by foreign governments. In addition, subsidies given to foreign rural producers may adversely affect the competitive position of Australian rural outputs.	Elders controls consequential exposure to this risk through contractual means wherever practicable and seeks to cultivate a diverse range of international markets to reduce concentration risk. The Board maintains control and oversight over ventures in new jurisdictions.
Cyber threats	
Elders operations rely on information technology solutions which expose us to the threat of cyber disruption and loss of data.	Elders maintains a strong focus on our information technology capabilities and we continue to implement and embed stronger security for our IT infrastructure on a continuous improvement basis.
Logistics	
Due to the nature of our operations, we work with numerous logistics suppliers who are working towards compliance with the amended government regulations.	This operational risk continues to be a strong focus in 2019 and work with government regulators and other parties will continue to improve our processes as well as educate and inform the logistics suppliers we transact with.

Note: In line with ASX Corporate Governance Council recommendation 7.4 Elders has categorised our material business risks as follows:

Economic sustainability — The ability to continue operating at a level of economic production over the long-term.

Environmental sustainability — The ability to continue operating in a manner that does not compromise the health of the ecosystems in which it operates over the long-term.

Social sustainability — The ability to continue operating in a manner that meets accepted social norms and needs over the long-term.

Review of Operations

Key Statistics

Retail Products	Farm Supplies	$1.1b retail sales
	Fertiliser	716k tonnes fertiliser
Agency Services	Livestock	9.9m head sheep 1.5m head cattle
	Wool	371k wool bales
	Grain	44k grain tonnes
Real Estate Services	Farmland	$1.0b farmland sales
	Residential	$710m residential sales
	Property Management	8,287 properties under management
	Franchise	128 franchisees
Financial Services	Agri Finance	$3.0b loan book[1] $1.6b deposit book[1] $71.7m StockCo book
	Insurance	$690m gross written premium[2]
Digital and Technical Services	Fee for Service	148 agronomists
	Auctions Plus (50%)	694k head sheep 78k head cattle
	Elders Weather	190m hits
Feed and Processing Services	Killara Feedlot	56k head cattle
	Elders Indonesia	$9m sales
	Elders China	$11m sales

1 Product distributed on behalf of Rural Bank Limited
2 Business conducted by Elders Insurance (Underwriting Agency) Pty Ltd which is owned 20% Elders and 80% QBE

Review of Operations

Retail Products

Elders is one of Australia's leading suppliers of rural farm inputs including seeds, fertilisers, agricultural chemicals, animal health products and general rural merchandise. We also provide professional production and cropping advice with over 148 agronomists nationwide.

Performance

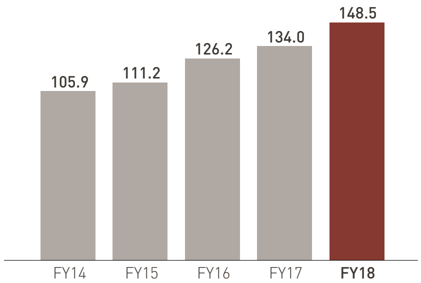
Retail margin improved by $14.5 million (11%) on last year despite drought conditions across Queensland and New South Wales. This was more than offset by organic growth across Southern Australia, normalised conditions in Western Australia and a full year of earnings from the horticultural specialist Ace Ohlsson, which was acquired in June 2017.

Strategy

To deliver profitable and capital light growth of our retail products portfolio with an enhanced customer benefit and experience.

Strategy	Achievement	Plan
Capital light, return on capital driven business model	– Acquisition of TitanAg which enables enhanced retail capability and exposure to higher value crop segment – Continued development in supplier trading agreements, including improvement in terms and performance based target rebates – Continued to focus on margin improvement through price book management	– Improve product ranging within key animal health and agricultural chemicals categories – Increased focus on specialised high value cropping market, including in selected geographical gaps – Implementation of rebate deal software to develop and improve processes
Product focus	– Increased support of agency products and consignment locations – Continued expansion in east coast horticultural markets – Introduced Elders home branded products	– Build on customer loyalty through increased provision of agronomy services
People	– Selective recruitment of high performing staff in key agricultural areas – Launch of Thomas Elder Consulting – Continued to drive branch efficiency program	– Identify, select and recruit proven localised management to establish Elders' presence in selected geographical gap areas

Retail Products margin ($m)

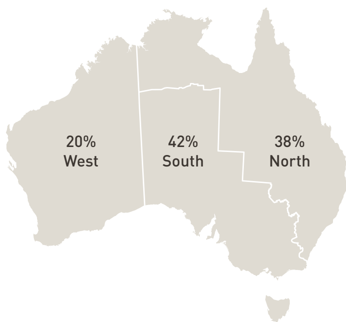


Margin by product

82%
Farm Supplies

18%
Fertiliser

Margin split by geography



Agency Services

Elders provides a range of marketing options for livestock, wool, and grain.

The Elders livestock network comprises livestock agents and employees operating across Australia conducting on-farm sales to third parties, regular physical and online public livestock auctions and direct sales into Elders-owned and third-party feedlots and livestock exporters.

Elders is one of the largest wool agents for the sale of Australian greasy wool and operates a brokering service for wool growers. Our team of dedicated wool specialists assists clients with wool marketing, in-shed wool preparation, ram selection and sheep classing.

Elders' grain marketing model provides prices from multiple buyers and offers a cutting edge commodity origination platform, maximising choice for growers.

Performance

Agency margin declined $3.4 million (3%) on last year. Livestock was adversely impacted by declining cattle prices across all geographies, and by lower cattle volumes in Northern and Western Australia. This was partially offset by increased sheep volumes and steady prices, boosted by the acquisition of the Kerr & Co livestock agency business in western Victoria in December 2017.

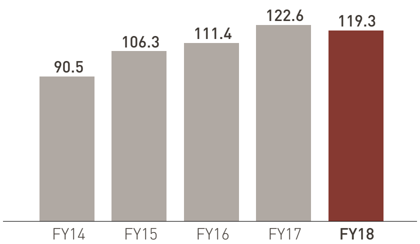
Wool increased as a result of high demand and market prices both contributing to the improved result.

Strategy

To deliver profitable growth of the agency services portfolio through business improvement, recruitment and acquisition for our livestock and wool businesses and through focussed growth of our grain business.

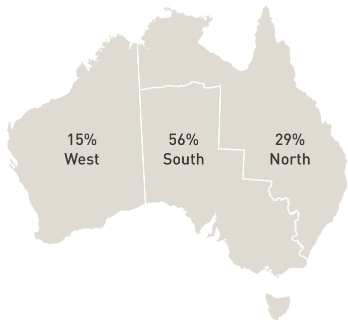
Strategy	Achievement	Plan
Operating model	– Investment in key gap area in western Victoria – Increased agency opportunity and earnings through StockCo expansion – Refresh grain model including 20% investment in Clear Grain Exchange (CGX)	– Continue Livestock, Wool and Grain product development to improve and expand offering – Continue footprint expansion through targeted acquisitions
People	– Transitioned to variabilised remuneration structures, with appropriate systems, which reward outperformance – Selective recruitment of livestock and wool personnel	– Continued footprint expansion through recruitment of key operatives with aligned values and performance characteristics

Agency Services margin ($m)



Margin by product

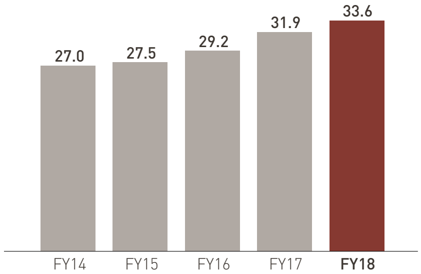
Margin split by geography



Real Estate Services

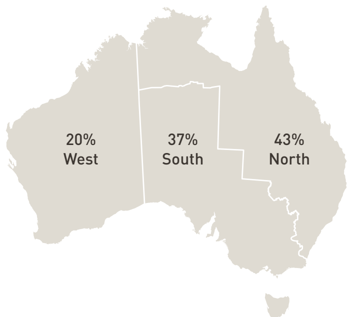
Elders' real estate services include company owned rural agency services primarily involved in the marketing of farms, stations and lifestyle estates. It also includes a network of residential real estate agencies providing agency and property management services in major population centres and regional areas through company owned and franchise offices. Other services include water and home loan broking.

Real Estate Services margin ($m)



Margin by product

Margin split by geography



Performance

Real Estate margin improved by $1.8 million (5%) on last year. Southern Australia contributed $1.3 million of this upside with strong performance in turnover across most of the real estate portfolio.

Residential and property management margins in Western Australia have exceeded last year due to acquisitions. This has been offset by easing supply of large cattle farming and cropping properties, particularly in Northern Australia.

Strategy

To deliver profitable growth of the real estate services portfolio through driving business improvement, recruitment and acquisition for all real estate services.

Strategy	Achievement	Plan
Operating model	– Real Estate brand enhancement successfully launched – Investment in Elders Real Estate website – Maintained momentum in corporate market – Strong pipeline of acquisitions	– Increase company owned presence in major regional centres – Ongoing focus on productivity and efficiency
People	– Sales workforce strengthened with quality recruits appointed across all zones – Successful integration and implementation of water broking business	– Recruitment of high performing sales representatives in both the Broadacre and Residential agency business – Recruitment of home loan brokers – Increased productivity through improvement initiatives and training

Financial Services

Elders distributes a wide range of banking, insurance and financial planning products through its Australian network. We work together with a number of third parties to enable us to deliver these products; Rural Bank and StockCo for banking and livestock funding products and Elders Insurance (a QBE subsidiary) for insurance. Collectively, these relationships enable us to offer a broad spectrum of products designed to assist our customers to grow their business.

Performance

Financial Services benefitted from growth in lending products, with the Rural Bank loan book growing $127 million (4%) on last year, and a modest increase in the total StockCo loan book balance, despite dry conditions.

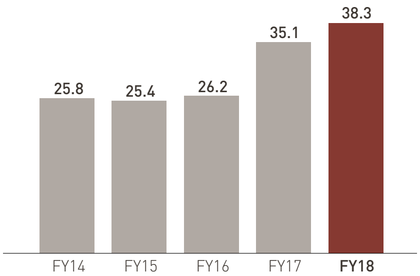
Insurance improved $1.8m from a full year of earnings from Elders' additional 10% equity interest in Elders Insurance.

Strategy

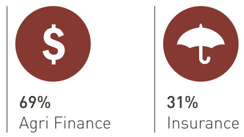
To deliver profitable growth of the financial services portfolio through business improvement, product development and upstream investment in our services business.

Strategy	Achievement	Plan
Deeper, more productive partnerships	– Strong progress towards renewal of relationship agreement with Rural Bank	– Investment in aligned financial service products – Collaborate with StockCo to develop new product offerings – Elders Insurance metro expansion
Increased market awareness and cross-sell within Elders	– Elders Insurance "Our way never gets old" brand campaign – StockCo online applications	– Elders Insurance national TV campaign – Joint marketing and sales campaigns with all product partners
Governance	– Elders Financial Planning awarded team of the year by Governance Risk and Compliance Institute	– Ensure financial services distribution arrangements are structured in a way that takes into account the interim and final recommendations of the Banking, Superannuation and Financial Services Royal Commission

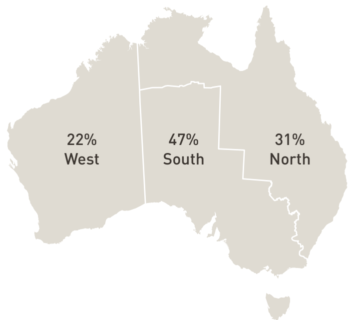
Financial Services margin ($m)



Margin by product



Margin split by geography



Feed and Processing Services

In Australia, Elders operates Killara Feedlot, a beef cattle feedlot near Tamworth in New South Wales. Elders imports, processes and distributes premium Australian meat in China and Indonesia.

Performance

Killara feedlot increased gross margin by $1.0 million (8%) on last year. Declining cattle prices softened the impact of higher feed costs, while high utilisation levels combined with reduced mortalities have driven efficiencies in cattle performance.

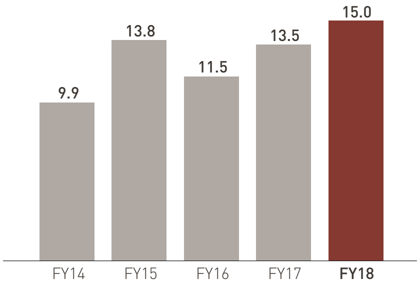
The Indonesian retail business was consistent across both periods, while the China business benefitted from improved procurement, which contributed to a $0.2 million (27%) increase in margin.

Strategy

To deliver continuous improvement in EBIT and ROC for all businesses with active portfolio composition management.

Strategy	Achievement	Plan
Robust systems	– Implementation of inventory procurement processes and ERP systems in both Indonesia and China businesses	– Improve reporting and transparency allowing effective decision making
Return on capital focus	– Capital upgrade plan at Killara allowed increased utilisation and efficiencies – Divestment of feedlot and abattoir operations in Indonesia	– Improve procurement strategies through backgrounding and use of external facilities for Killara – Allocation of capital based on approved business case discipline
Integrated red meat supply chain	– Increased Killara branded product line distribution in China and Indonesia	– Increase focus on higher margin markets – Expansion of Killara branded product in Bali market

Feed and Processing Services margin ($m)



Margin by product

Margin split by geography

Outlook

In line with the Eight Point Plan and the three-year goal to FY20, we are targeting 5-10% p.a. quality growth through the cycles, while maintaining a return on capital at or above 20%. This EBIT improvement is anticipated to be derived from organic and acquisition growth and continued focus on controlling base costs to offset inflationary increases.

The future financial performance of Elders will, as always, be subject to the influence of seasonal, market and international trade relation factors that affect the Australian farm sector. At the date of this report, the following conditions are forecast for FY19:

Retail Products

- A reduced summer cropping planting is anticipated in the first half of FY19 with continued dry conditions impacting demand for fertiliser and crop protection products
- Average winter cropping conditions will provide upside in the second half
- TitanAg acquisition benefit will increase earnings mainly in the second half
- Retail will continue to pursue geographical and crop segment growth opportunities

Agency Services

- Wool is anticipated to maintain growth with a solid pipeline of wool in store, decline in wool production and global demand to support high prices
- Cattle prices expected to ease further as production increases, with lamb prices to rise driven by strong export demand continuing
- Livestock volumes are expected to increase through continued footprint expansion and additional trading opportunities

Real Estate Services

- Supply of farmland property will continue to be subdued in line with livestock prices, however gains are expected from water broking activities
- Residential turnover and property management earnings will benefit from completed acquisitions

Financial Services

- Continued momentum and growth is likely from the banking and livestock funding products

Feed and Processing

- Killara feedlot earnings to be maintained despite high feed costs through continued high utilisation and improved efficiency

Costs and Capital

- Costs are expected to increase in line with footprint growth and continued Eight Point Plan investment
- Increased investment in both digital and technical area and information technology to continue into FY19

Board of Directors

Mr Mark Charles Allison

BAgrSc, BEcon, GDM, FAICD, AMP (HBS)
Appointed Chief Executive Officer and Managing Director in May 2014. He has extensive experience spanning 30 years in the agribusiness sector. He is a former Managing Director of Wesfarmers Landmark Limited and Wesfarmers CSBP Limited and Executive Director of GrainGrowers Limited. Prior to his appointment at Wesfarmers in 2001, Mr Allison held senior positions with Orica Limited as General Manager of Crop Care Australasia and with Incitec Limited as General Manager – Fertilisers. Between 1982 and 1996 Mr Allison performed a series of senior sales, marketing and technical roles in the Crop Protection, Animal Health and Fertiliser industries. Mr Allison was the Managing Director of Makhteshim Agan Australasia Pty Ltd from 2005 to 2007 and Managing Director and Chief Executive Officer of Jeminex Limited from 2007 to 2008. Mr Allison is a resident of South Australia.

Ms Robyn Clubb

BEc, CA, F Fin, MAICD
Non-Executive Director since September 2015. She is also Chairman of the Remuneration and Human Resources Commitee and a member of the Audit, Risk and Compliance Committee, Work Health and Safety Committee and Nomination and Prudential Committee. Robyn is a Chartered Accountant and Fellow of the Finance & Securities Institute of Australia, with senior executive experience of over twenty years in the financial services industry, working for organisations including AMP Limited and Citibank Limited.

She is currently a Director of Craig Mostyn Group Limited, Essential Energy, Chair of the Australian Wool Exchange Limited, Member of the Rice Marketing Board for the State of NSW, Councillor of the Royal Agricultural Society of NSW and Chair of the NSW Primary Industries Ministerial Advisory Council. Robyn is a former Non-Executive Director of Rural Bank Ltd, Beef CRC Limited, UrbanGrowth (a NSW state-owned corporation responsible for urban land development) and Murray Irrigation Limited. Ms Clubb is a resident of New South Wales.

Mr James Hutchison (Hutch) Ranck

BS Econ, FAICD
Appointed Chairman in April 2014. Non-Executive Director since June 2008. He is also Chairman of the Work Health and Safety Committee and the Nomination and Prudential Committee and a member of the Remuneration and Human Resources Committee, and the Audit, Risk and Compliance Committee. Hutch retired as Managing Director of DuPont (Australia) and Group Managing Director of DuPont ASEAN in May 2010. In his 31 years with DuPont Hutch led businesses in ANZ and Asia Pacific in Agriculture, Pharmaceuticals, and Industrial Chemicals. In the last 20 years Hutch has served as a director in a variety of companies and organisations including The CSIRO, the Business Council of Australia, an Australian Government Statutory Authority – APVMA, the Chemical and Plastics Association – PACIA, and The Crop Chemical Association – Crop Life. From 2000 until 2010 Hutch was a member of the Prime Minister's Science, Engineering and Innovation Council – PMSEIC. Currently Hutch is a director of Iluka Resource. Mr Ranck is a resident of New South Wales.

Mr Michael Carroll

BAgSc, MBA, FAICD
Non-Executive Director since September 2018. Mr Carroll has strong Non-Executive Director experience in the Australian listed company environment including current positions at Select Harvests Limited and Rural Funds Management Ltd (the responsible entity for Rural Funds Group) and former positions with Tassal Group Limited and Warrnambool Cheese & Butter Factory Company Holdings Limited. Other former board roles include Queensland Sugar Limited, Rural Finance Corporation of Victoria, the Australian Farm Institute, the Geoffrey Gardiner Dairy Foundation, and Meat and Livestock Australia Limited. Michael is in the process of transitioning off the Sunny Queen Australia Pty Limited board.

Michael also holds current directorships with non-listed companies including Paraway Pastoral Company Limited and Viridis Ag Pty Limited. He is also chair of the Australian Rural Leadership Foundation.

During his executive career, Michael held senior positions at the National Australia Bank (NAB) where he was responsible for establishing and leading NAB's Agribusiness division. Roles prior to this include several years as a senior advisor in NAB's Investments and Advisory unit. Before joining NAB, he worked for companies involved in animal health and crop care including Monsanto Agricultural Products.

Michael comes from a family who has been involved in agriculture for over 145 years and operates a cattle property in western Victoria.

Ms Diana Eilert

BSc (Syd), MCom (UNSW), GAICD, member of Chief Executive Women

Non-Executive Director since November 2017. With an executive career of more than 25 years, Ms Eilert brings four main skills to the Elders board – CEO level operational leadership, strategy, technology and digital disruption and customer experience/ marketing .

Ms Eilert's career includes roles as Group Executive for Suncorp's entire insurance business and subsequently Group Executive for Technology, People and Marketing. In her 10 years with Citibank, Diana's roles included Head of Credit Risk Policy, running the Mortgage business, and Lending Operations for Australia and New Zealand. She was also a Partner with IBM.

Diana is currently a Non-Executive Director of ASX listed companies Domain Holdings Australia Limited, Super Retail Group Limited and Navitas Limited, and has previously been a director of realestate.com.au (REA Group), Veda (data and analytics) and digital start-ups "onthehouse" and "OurDeal". In her final executive role as Head of Strategy and Corporate Development for News Limited, Diana developed a deep understanding of digital trends, disruption and alternate strategies for a large traditional business. Ms Eilert is a resident of New South Wales, sharing her time between Sydney and the family cattle farm on the NSW South Coast.

Mr Ian Wilton

MSc, FCCA, FCPA, FAICD, CA

Non-Executive Director since April 2014. He is also Chairman of the Audit, Risk and Compliance Committee and a member of the Work Health and Safety Committee, the Nomination and Prudential Committee and the Remuneration and Human Resources Committee. Ian is an accountant with extensive experience across the agricultural sector as both a Non-Executive Director and Senior Executive. He has held Chief Financial Officer positions with the sugar division of CSR Limited, Ridley Corporation Limited and GrainCorp Limited and was President and Chief Executive Officer of GrainCorp Malt. Mr Wilton is a Non-Executive Director and Chair of both the Sheep CRC Limited and Australian Innovation Company Ltd and a Non-Executive Director of Tivoli Investments Pty Ltd. He is also Chair of the advisory board of MacKays Banana Marketing. Mr Wilton is a resident of New South Wales.

Company Secretaries

Mr Peter Gordon Hastings

BA, LLB, GDLP, FGIA, Grad Dip Applied Corporate Governance, GAICD

Mr Hastings was appointed Company Secretary in February 2010. He held the position of Group Solicitor with the Elders Group between 1995 and 1999 and again between 2003 and 2010, and has also held the position of General Counsel since February 2010.

Ms Sanjeeta Singh

BEd (Primary), FGIA, Grad Dip Applied Corporate Governance

Ms Singh was appointed Joint Company Secretary in March 2016, after having been Assistant Company Secretary for the previous 6 years. Ms Singh has extensive experience in all governance activities having served with Elders for over 10 years.

Executive Management

Mark Allison
Managing Director
& Chief Executive Officer

BAgrSc, BEcon, GDM, FAICD, AMP (HBS)
Appointed Elders' Managing Director and Chief Executive Officer in 2014, Mark joined the business with extensive experience spanning more than thirty five years in the agribusiness sector. He is a former Managing Director of Wesfarmers Landmark Limited and Wesfarmers CSBP Limited and current Executive Director of GrainGrowers Limited and Chairman of Agribusiness Australia. Mark introduced and implemented the Eight Point Plan which returned Elders to its core business offerings and resulted in the first shareholder distribution in nearly a decade. The second Eight Point Plan is on track to lead the business to 2020, with the goal of building a business that can withstand seasonal, market demand and commodity price vagaries as well as the impacts of a variable climate and production constraints.

Richard Davey
Chief Financial Officer

B.Ec Acc, FCA, AMP (HBS)
Richard has more than 16 years with Elders, 6 years as Chief Financial Officer. In addition to be being responsible for finance, tax and treasury, Richard is also accountable for a significant part of the back office including information technology, indirect procurement accounts payable, credit and property. These areas consist a significant part of Elders' head office costs, which the team has been successful in reducing by almost 25% since the commencement of the Eight Point Plan. Richard sits on a number of the Company's joint venture boards, as well as quarterly boards for operational units, including the overseas entities. He has also managed operational responsibility for the feed and processing area for the past 2 years.

Prior to joining Elders in 2002, Richard spent 7 years with PricewaterhouseCoopers in both Australia and Canada.

Peter Hastings
Company Secretary
& General Counsel

BA, LLB, GDLP, FGIA, Grad Dip Applied Corporate Governance, GAICD
Peter is a highly experienced corporate lawyer with over 27 years' experience, commencing as Elders Company Secretary & General Counsel in 2010. Peter is an integral member of the team that worked hard to protect shareholder interests through many years of financial distress and, subsequently, that has positioned Elders for growth, and implemented strategies to achieve this.

Peter has responsibility for the Company's legal and compliance, company secretarial and risk and safety functions.

Karen Ross
General Manager Innovation, Digital & Brand

BCom, MAICD
Karen has an industrial relations background and most recently has moved into the digital and technical services field, having been the General Manager for Innovation, Digital & Brand since 2016. Karen is a key driver of the Thomas Elder Institute, providing a vehicle for Elders to collaborate with industry, suppliers and tertiary bodies to bring research, development and extension all into the one location.

James Cornish
General Manager – West Zone

DipBusM, AMP (HBS)
Since 2011 James has overseen the West Zone branch network as General Manager. With more than 23 years' experience in agribusiness, James has worked across a range of locations and products throughout Elders. The West Zone has achieved significant growth over the past 5 years having doubled EBIT performance from FY13 – one of the most recent acquisitions for the West Zone involved successfully integrating Southern Districts Estate Agency in to the network.

Malcolm Hunt
General Manager – South Zone

GCM, SMDP (AGSM), Wool Classer, Licensed RE Agent VIC, NSW, TAS, ACT
With close to 40 years under his belt as a wool broker, stock & station agent and network manager, Malcolm has operated as Elders' General Manager for the South Zone since 2012. Malcolm has led a key business unit that has played a significant role in Elders' resurgence and has continued to expand the Elders footprint, whilst assisting producers increase the productivity and profitability of their businesses.

Olivia Richardson
General Manager People & Culture

BMgmt(Hons)

Olivia was appointed General Manager People and Culture in January 2018. Having been with Elders for 12 years, she is well acquainted with Elders people, appreciating that they are loyal and committed to doing the best for their communities. Olivia's priorities includes investment in learning and development programs, maintaining a great organisational culture, and building on the pride in the pink shirt. Prior to Elders, Olivia has worked across Human Resources in FMCG, Financial Services and Telecommunications throughout Australia, the UK and Europe.

David Adamson
General Manager Agency

MBus(Acct), BAgBus, GAICD, Cert Pastoral Production — Longreach Pastoral College

General Manager Agency since 2014, David is responsible for product strategy and implementation in the livestock, wool and grain businesses. David's background in agricultural production, agri-finance and operations has provided the tools for product development across all parts of the agency business. An equity stake in both StockCo and Clear Grain Exchange have provided clients with more finance and marketing options for their livestock, wool and grain.

Liz Ryan
General Manager Financial Services

MBA, BCom/DipArts, GAICD

Liz has significantly increased the financial services gross margin and equity earnings since commencing in the role as General Manager Financial Services in 2016. Employee engagement and enablement survey results have materially improved, which is also reflected in the excellent customer net promoter scores. Liz is passionate about helping Australian primary producers achieve their personal and business financial goals through Elders' financial services offering.

Nick Fazekas
General Manager Retail

BAppSc – Ag

Nick has more than 27 years of experience in agricultural services. Since taking on the role of General Manger Retail in 2014, he has led his team in overseeing the strategy and procurement functions for the wider Elders retail business. In this period Nick and his team have been successful with the implementation of the Eight Point Plan Retail strategies. This has seen the Retail ROC lift from 6.9% in FY14 to 20.4% in FY18. Nick continues to focus on maintaining a capital light strategy while working with key suppliers to deliver greater retail revenue and margin. Future growth will also come from increasing the Retail footprint via strategic acquisitions; we have already seen success with the recent acquisitions of Ace Ohlsson and TitanAg which have assisted to drive improvement in Elders' ROC metrics.

Kiim Lim
General Manager Business Development

BCom, CPA

Kiim began her career with PricewaterhouseCoopers in 2001 in Penang, Malaysia and Adelaide. She commenced with Elders in March 2006 in various roles through the finance team prior to leading the Business Development function and becoming General Manager Business Development in 2018. Kiim has successfully completed many acquisitions including StockCo equity, Ace Ohlsson, Kerr & Co Livestock, TitanAg, and the divestment of live export and Indonesian feedlot and abattoir businesses.

Tom Russo
General Manager Real Estate

LLB(Hons), BA, Grad Dip LP, Dip Prop Serv(Agency Mgt)

Tom has previously been the Chief Executive of a specialist international law firm and practiced as a corporate lawyer with a focus on mergers and acquisitions, corporate finance, complex contractual projects, corporate governance and intellectual property. Tom played a pivotal part in devising and implementing the turnaround strategy for Elders, including executing a number of large and complex divestment initiatives. Since assuming responsibility for the real estate product in 2016, Tom's focus has been firmly on building the capability of the product team to deliver outstanding support to the real estate business to establish a foundation upon which to grow it. Tom has vastly improved the marketing, digital strategy and training capability in order to support the existing network and drive brand presence in all key markets.

Elders' Value:

Accountability

Being accountable for results

Elders is accountable to deliver value to its shareholders and clients in accordance with the Eight Point Plan.

The Eight Point Plan was originally developed in 2014 and is the culmination of the efforts of all our employees to identify what Elders exists for, what we excel at, and how we want to deliver the needs of our clients. This plan identifies and builds on our sustainable competitive advantages, and by product and geography anchors our future growth and development on these advantages.

Managing Director and CEO, Mark Allison, said "the Eight Point Plan marks a significant step in Elders' evolution to an efficient user of capital that produces acceptable returns for all its stakeholders.

Elders financial results and first shareholder dividends since 2008 reflected a milestone in the Company's progress under the direction of the first Eight Point Plan. The Eight Point Plan was re-launched in FY18 to lead the way to 2020.

"Over its 3 year term, the Eight Point Plan is accompanied by an aspirational target of creating sustainable EBIT growth through agricultural and seasonal cycles of 5% to 10% per annum and 20% ROC by providing value creating products and services both in Australia and internationally."

"As we moved out of the first three years of the Eight Point Plan and into the next growth phase, it has been evident that the business is committed to its strategic priorities and a resolve to realise continuous, solid, high quality growth. Elders seeks to reclaim its place as the agribusiness delivering the greatest real value to all its stakeholders in both Australia and internationally. Understanding and delivering on the needs of our clients is key to that goal."

"We are committed to doing what we said we would do – we're holding ourselves accountable to our shareholders and achieving consistent growth across the business through acquisitions, organic growth and reviewing business units that are not returning the required return on capital," Mr Allison said.

Elders has acquired a number of smaller bolt-on acquisitions, as well as notable acquisitions including Kerr & Co Livestock and TitanAg.

TitanAg

The purchase of TitanAg extends Elders' participation in the retail supply chain for quality agricultural chemicals. TitanAg is an Australian based producer and supplier of crop protection and animal health chemicals and fertiliser. TitanAg sources from China and India and formulates its products in Australia, via toll manufacturers. Since commencement of its business in 2006, TitanAg has sold these products in Australia under the TitanAg brand exclusively through Elders. TitanAg products have achieved good market recognition and acceptance initially in Victoria and South Australia, and in more recent years particularly in Western Australia and Northern New South Wales.

Based on the historical performance of TitanAg, Elders expects TitanAg to generate annualised additional EBIT between $6.5m and $7.5m in the year ending 30 September 2019.

Mr Allison said TitanAg extends Elders' participation in the supply chain for quality agricultural chemicals.

"TitanAg is a quality brand that has the potential to significantly grow sales of its product range. Many Australian primary producers have already identified TitanAg products as effective and reliable and we intend to grow what is already a very successful business."

"The Eight Point Plan marks a significant step in Elders' evolution to being an efficient user of capital that produces acceptable returns for all its stakeholders."

Clear Grain Exchange

In the 2018 financial year, Elders overhauled its grain marketing business to provide a highly relevant offering to clients and position it for growth. The new model, launched in November 2017, provides a more holistic and independent transaction offering to clients – complemented by a 20% stake in Clear Grain Exchange (CGX).

Previously known for accumulating grain on behalf of buyers, Elders has evolved its model to now act as an impartial party to grain transactions. Targeting growth and innovation, Elders utilises its 440 points of presence across its national network to make it easier for both growers and traders to buy and sell grain in Australia. By doing so Elders aims to create a more efficient market and ultimately return value at the farm-gate, the Australian grain industry as a whole and to Elders shareholders.

The 20% acquisition of CGX allows growers to list grain for sale to national and international buyers at their own price through a trading platform online. Elders can act on behalf of the grower, or they can sign up and set a price for traders to purchase. CGX traded more than 1.2 million tonnes in the last season and averaged $4.40/t above the best public bid as reported by independent analyst, Profarmer.

The change to our model has been driven by client feedback and market research, with evidence indicating growers can often be overwhelmed by searching for grain prices which may result in grain of the same grade trading at different values within a region. Elders Grain now has the benefit of achieving true price discovery by facilitating grain transactions in a single market place. Elders' aim is to make the process of buying and selling grain in Australia much easier and more efficient.

Mr Allison says the investment in CGX combined with the changes to the operating model fit with Elders' core philosophy of creating value at the farm-gate.

"CGX is an important piece of industry infrastructure and our investment in the platform, along with the other changes to our model, will provide clients more options when it comes to selling their grain."

Kerr & Co Livestock

Elders identified an opportunity to expand the agency footprint in Victoria during FY18, acquiring Kerr & Co Livestock based in Hamilton. Established in 1983 by Michael Kerr (and still managed by him and his first class team), Kerr & Co Livestock is the largest livestock business in south-west Victoria, acting as the agent in the sale of 416,000 sheep and 16,000 cattle annually.

Indonesia Divestment

Elders prioritises investment in, and retention and growth of, business units which generate a consistent return on capital at a level which creates wealth for our shareholders. High cattle costs and changing Indonesian governmental policies adversely affected the performance of Elders' Indonesian business. In FY18, following a comprehensive performance review of its feed and processing business unit, Elders deemed it appropriate to divest its Indonesian feedlot and abattoir.

"Elders is committed to the red meat industries in Australia and we continue to have a presence in Indonesia, China and Vietnam through our retail meat distribution businesses in those countries," Mr Allison said.

Elders' Value:
Customer Focus

Growing valuable customer relationships and showing pride and passion in our organisation

Our employees wear the pink shirt with passion, pride and meaning. Wearing the pink shirt for Brett Smith means providing quality of service through client relationships that is expected from such a well-known and respected brand.

Our employees wear the pink shirt with passion, pride and with awareness of the meaning of that shirt in rural communities. For Brett Smith, the pink shirt means providing quality service that draws on relationships with clients that are built over many years. Brett, and all our employees are aware that is expected from such a well-known and respected brand.

Brett Smith, District Wool Manager and Walgett Branch Manager, was named Elders' Employee of the Year in December 2017 and is just one example of our network providing exceptional service to clients.

For the last three years Brett has steadily built a reputation within his district and within the national wool industry, as a District Wool Manager who delivers exceptional service to his clients and who makes a valuable contribution to the industry as a whole.

In addition to the excellence of his service, Brett's engagement in industry bodies gives him a strong presence within the Walgett region and beyond. He is President of the North West Plains Sustainability Group, a progressive community driven group assisting North Western New South Wales producers with improving sustainable farming practices. Brett also runs Lifetime Ewe Management groups in the Walgett area to help producers increase profit margins and improve productivity. Brett was also named the 2017 National Council of Wool Selling Brokers of Australia's Wool Broker of the Year, demonstrating industry recognition for the passion he brings to his role and difference he makes to his clients' operations.

Brett has built extensive rapport with his clients who claim Brett is the "perfect package" when it comes to wool brokers. John Wheaton of Boorooma Pastoral Co has been a client of Brett's for three years and says that the service and expertise Brett brings to the role is difficult to come by, particularly for someone so young.

"I refer to Brett as the guy bridging the divide between technology and tradition, I am in my sixties and can comfortably say I have not dealt with a better broker. Brett shows genuine care and interest and is actively involved in our local community which is very important to me," says Mr Wheaton.

"Anyone can come in and do your shearing, but not everyone provides a marketing plan and can talk to you about the market and trends. Brett is honest and realistic and I consider myself very fortunate to have him looking after my business."

North Zone Wool Manager Bruce McLeish credits Brett's success to his exceptional communication skills with clients and also within his branch team.

"Brett's clients appreciate that he takes a holistic, honest and big picture approach to their business, going beyond seasonal advice by planning for the long-term, equipped with the latest advances and changes in the industry. He takes ownership of his professional development to ensure that the service he provides to clients is of the best quality."

"In just the three or so years that Brett has been with the branch, he has grown the wool business from 1000 bales in 2015 to more than 2800 in 2017. He has contributed to the turn-around of the branch by taking an interest in the well-being and development of his co-workers, and consistently working as a team player towards the bettering of the branch."

Brett said he was honoured to receive the award in front of his peers and that the opportunity to join Elders had been a turning point in his life.

"It's a great team that we have, and the way the wool industry is going at the moment, you wouldn't want to be in any other place. That's probably where Elders have really stuck it out through some hard times and got behind the wool industry."

"Elders and the wool industry have a great historical relationship and I see that only getting better. I'm honoured to be a part of it."

Directors' Report

The Directors present their report for the year ending 30 September 2018

Directors' Report

Current Directors

The directors of Elders in office during the financial year and until the date of this report were:

Non-Executive Directors

- James Hutchison Ranck, Chairman
- Ian Wilton
- Robyn Clubb
- Diana Eilert (appointed 14 November 2017)
- Michael Carroll (appointed 3 September 2018)

Executive Director

- Mark Charles Allison, Managing Director and Chief Executive Officer

Company Secretaries

- Peter Gordon Hastings
- Sanjeeta Singh

A summary of the experience, qualifications and special responsibilities of each Director and Company Secretary is provided on pages 31 to 33 of this annual report.

Ceased Director

James Andrew Jackson, a Non-Executive Director since 13 April 2014, retired on 14 December 2017.

Principal Activities

The principal activities of Elders during the year were:

- the provision of livestock, real estate and wool agency services;
- the provision of services and farm inputs to the rural sector;
- the provision of financial products and services to rural and regional customers;
- real estate operations in both rural and residential markets, including property management services;
- feedlotting of cattle;
- grain marketing; and
- red meat supply chains in Indonesia and China

Results and Review of Operations

The consolidated entity recorded a profit for the year, after tax and non-controlling interests, of $71.6 million (2017: profit of $116.0 million). A review of the operations and results of the consolidated entity and its principal businesses during the year is contained in pages 13 to 29 of this report.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the year not otherwise disclosed elsewhere in this annual report.

Events Subsequent to Balance Date

On 1 October 2018, Elders divested its Indonesian feedlot and processing assets. The proceeds from disposal of $3.5 million were equal to the carrying amount of assets held for sale at 30 September 2018.

There is no other matter or circumstance that has arisen since 30 September 2018 which is not otherwise dealt with in this report or in the consolidated financial statements, that has significantly affected or may significantly affect the operations of Elders, the results of those operations or the state of affairs of Elders in subsequent financial periods.

Likely Developments and Future Results

Discussion of likely developments in the operations of the consolidated entity and the expected results for those operations in future financial years is included on page 30 of this report.

Share and Other Equity Issues During the Year

The following ordinary shares were issued during the year:

Relevant date	No. of ordinary shares issued	Reason for issue
13 November 2017	1,694,790	Shares issued in connection with unlisted Employee Options
15 December 2017	181,120	Shares issued in accordance with Elders Dividend Reinvestment Plan for dividends paid on 15 December 2017.
15 June 2018	83,287	Shares issued in accordance with Elders Dividend Reinvestment Plan for dividend paid on 15 June 2018.

The total number of ordinary shares on issue at the date of this report is 115,818,637.

Dividends and Other Equity Distributions

On 12 November 2018 the Directors resolved to pay a final dividend of $0.09 per ordinary share, fully franked, bringing dividends for 2018 to $0.18 per share. In accordance with a determination made by the directors, Elders Dividend Reinvestment Plan remains in operation.

Dividends paid during the year were as follows:

Dividend	Date resolved	Date paid	Dividend per share	Franking rate %	Total Dividend
Special and Final Dividend for Year Ended 30 September 2017	13 November 2017	15 December 2017	Special $0.075 Final $0.075	100	$16.1m
Interim Dividend for Year Ended 30 September 2018	14 May 2018	15 June 2018	$0.09	100	$9.7m

Share Options and Performance Rights

Share options and rights may be granted to company executives under a long-term incentive plan forming part of Elders' remuneration structure. Information on this element of the remuneration structure is provided in the Remuneration Report commencing on page 55 of this annual report, and summarised below.

The following table sets out the details of all options and rights.

Details	Share Options	Share Performance Rights
Number held as at date of this report	0	2,357,200
Granted since end of previous financial year	0	710,000
Exercised since end of previous financial year	1,694,790	0
Lapsed since end of previous financial year	0	87,800
Vested since end of previous financial year	0	857,200

The total quantity of performance rights disclosed on page 62 of the Remuneration Report on issue as at 30 September 2018 would represent, if vested, 1.30% of the Company's issued ordinary shares.

Directors' Interests

At the date of this report, the relevant interests of the Directors in shares and other equity securities of Elders are detailed in the table below.

Non-Executive Directors do not participate in Elders' cash or equity incentive plans.

	No. of ordinary shares	No. of performance rights	No. of options
Non-Executive Directors			
J H Ranck	134,317	0	0
I Wilton	108,486	0	0
R Clubb	3,400	0	0
D Eilert	0	0	0
M Carroll	0	0	0
Executive Director			
M C Allison	654,344	740,000	0

Elders takes its obligations to prevent insider trading very seriously. In conformity with that approach, directors take a conservative view of when they can deal in Elders shares (even when trading windows are open), seeking to avoid both the real and perceived trading on inside information. This approach has, in recent times, limited the opportunities for Non-Executive Directors to acquire Elders' shares.

Attendance at Meetings by Directors

Details of director attendance at meetings in the 12 months to 30 September 2018 are set out below.

Committee attendance is only recorded where a director is a member of the relevant committee. Although Mr Allison is recorded as a non-member for some committees, he attended all meetings held for each of those committees.

	Board of Directors		Work Health and Safety Committee		Audit, Risk and Compliance Committee	
	Attended	No. of meetings held during relevant period	Attended	No. of meetings held during relevant period	Attended	No. of meetings held during relevant period
J H Ranck	19	19	2	2	5	5
R Clubb	19	19	2	2	5	5
I Wilton	19	19	2	2	5	5
M C Allison	19	19	-	-	-	-
D Eilert	15	15	2	2	3	4
M Carroll[1]	0	1	0	0	0	0

	Remuneration and Human Resources Committee		Nomination and Prudential Committee	
	Attended	No. of meetings held during relevant period	Attended	No. of meetings held during relevant period
J H Ranck	4	4	6	6
R Clubb	4	4	6	6
I Wilton	4	4	6	6
M C Allison	-	-	6	6
D Eilert	2	2	4	5
M Carroll[1]	0	0	0	0

1 M Carroll was appointed a director at the conclusion of the 3 September 2018 Board Meeting.

Indemnification of Officers and Auditors

Insurance arrangements established in previous years concerning officers of the consolidated entity were renewed during the period.

The consolidated entity paid an insurance premium in respect of a contract insuring each of the directors of Elders named earlier in this report and each full time executive officer, director and secretary of Australian group entities against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law. The terms of the policy prohibit the disclosure of the premiums paid.

Each director and other officer has entered into a Deed of Access, Insurance and Indemnity which provides:

- that Elders will maintain an insurance policy insuring the officer against any liability incurred by the officer in the officer's capacity as an officer of Elders or another group entity to the maximum extent allowed by law;
- for indemnity against liability as an officer, except to the extent of indemnity under the insurance policy or where prohibited by law; and
- for access to company documents and records, subject to undertakings as to confidentiality.

Remuneration of Directors and Senior Executives

Details of the remuneration arrangements in place for Key Management Personnel of Elders are set out in the Remuneration Report commencing on page 55. In compiling this report Elders has met the disclosure requirements prescribed in the Australian Accounting Standards and the Corporations Act 2001.

Environmental Performance Regulation

A number of Elders' operations are subject to environmental legislation. Such legislation is diverse and varies between state, territory and local authorities and various regulators. Detail of Elders' performance in relation to the various regulations is as follows.

Feedlots

Elders operates the Killara feedlot in Quirindi, New South Wales. Killara is subject to both state and local government environmental legislation. No breaches of environmental regulations affecting Killara were reported during the year ended 30 September 2018 or to the date of this report.

Saleyards

Saleyards are subject to various state, territory and local government environmental legislation and regulations, particularly relating to effluent management, dust and noise. These obligations vary from state to state and generally only apply to saleyards above a prescribed size. Elders expects its saleyard operations, irrespective of their size, to abide by the applicable laws and regulations.

No breaches of environmental regulations affecting Elders' saleyards were reported during the year ended 30 September 2018 or to the date of this report.

Retail Operations

Elders' retail operations are subject to state environmental regulations relating to the storage, handling, transport and sale of dangerous goods such as agricultural chemicals, fertilisers and poisons. Although these regulations are based on nationally recognised standards, the regulatory environment for the transporting, handling, storage, sale and use of such dangerous goods, chemicals and scheduled poisons is complex and subject to regulations imposed by each state and territory.

The majority of Elders' retail operations are accredited under the accreditation program operated by Agsafe. The program provides accreditation for premises and training and accreditation for employees in the safe handling, storage and transport of agricultural and veterinary chemicals. Agsafe provides assistance to Elders by providing appropriate training and safety programs including a program of recognised audits.

In August 2018, the Environmental Protection Agency attended the Barmera (SA) branch and determined that wastewater had been discharged onto neighbouring land. Appropriate actions were undertaken to ensure that wastewater is disposed of correctly in the future. Notwithstanding, the Environmental Protection Agency is investigating the discharge of the wastewater.

Elders is not aware of any other breaches of environmental regulations affecting Elders' retail operations that were reported during the year ended 30 September 2018 or to the date of this report. Elders is conducting a review of its environmental licensing.

Rounding of Amounts

The parent entity is a Group of the kind specified in ASIC Corporations (Rounding in Financial/Director's Report) Instrument 2016/191 issued by the Australian Securities and Investments Commission. In accordance with that class order, amounts in the financial report and Directors' report have been rounded to the nearest thousand dollars unless otherwise stated.

Non-Audit Services

Non-audit services provided by Elders' auditor, PricewaterhouseCoopers, to Elders during the financial year are disclosed below. Based on advice received from the Audit, Risk and Compliance Committee the Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed under the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact on the impartiality or objectivity of the auditor; and
- the nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

PricewaterhouseCoopers received or is due to receive the following amount for the provision of non-audit services:

- Other compliance and assurance services: Nil

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out overleaf.

This report, including the Remuneration Report commencing on page 55 is made in accordance with a resolution of Directors.

Hutch Ranck

J H Ranck
Chairman

M C Allison
Managing Director

Adelaide
12 November 2018

Auditor's Independence Declaration

As lead auditor for the audit of Elders Limited for the year ended 30 September 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Elders Limited and the entities it controlled during the period.

A G Forman
Partner
PricewaterhouseCoopers

Adelaide
12 November 2018

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Elders' Value: **Innovation**

Delivering innovation and continuous improvement

Elders shares a common goal with its clients and other industry participants of increasing the productivity and profitability of Australian agriculture. To achieve this goal, Elders partners with industry bodies and research institutions and is a leading member of Agribusiness Australia and supporter of the National Farmers' Federation.

Innovation is embedded in the Eight Point Plan, and in the culture of our business. Our people are always looking for new ways of operating to create returns for clients and our business. Elders is continuing to push boundaries in digital and technical services, reflecting the dynamic and rapidly changing face of Australian agriculture.

Expanded technical services offering to supercharge agri growth

During this financial year, Elders announced an expanded and diversified technical services offering, further renewing our emphasis on driving productivity growth for Australia's farmers and the agricultural sector. The initiative features a new commercial advisory business for clients, Thomas Elder Consulting, and a flagship research and development arm known as the Thomas Elder Institute.

"The new offerings build on and complement Elders' extensive and well established retail network of consultants. The significant investment, which is structured around a technology triangle model, will ensure continued and sustained growth for our iconic agribusiness and farming clients," Mr Allison said.

Thomas Elder Consulting

Elders' specialist agricultural consulting business, Thomas Elder Consulting (TEC) is a group of highly specialised consultants with expertise to offer whole farm management advice across all areas of our clients' operation.

Elders aims to recruit around 20 specialist consultants to TEC over the coming financial year. The consultants will complement the company's existing annual investment in agronomy and livestock production advice activities, which includes trial sites, projects with industry groups, and other research and development activity.

TEC consultants will be strategically located across Australia, providing a premium, consultancy model comprising expertise in the areas of farm business planning, benchmarking, water scheduling, precision agriculture, decision agriculture, livestock production and agronomy.

TEC consultants will add value to our existing offering by filling the gaps we have identified in services to primary producers. Our TEC consultants will enhance our clients' returns and sustainable productivity through the provision of cutting-edge, data-driven advice tailored to an individual client's needs.

Thomas Elder Institute

The new flagship research and development arm, Thomas Elder Institute (TEI) will apply for, secure and facilitate funding and investment in strategic research programs that provide returns to industry and the Elders business.

Through collaboration and cross-sectoral engagement, it will build on and secure new partnerships with universities and research institutions, multinational and national suppliers, government research and development agencies, and farming systems groups.

Mr Allison said, "the Thomas Elder Institute – which will facilitate the allocation of an expected $15 million of investment – will put us at the heart of agricultural collaboration and will support research development and extension through a true interdisciplinary approach that ensures agronomic solutions and productivity gains for Australian farmers. We will also invest in the development and extension of new-to-market products with suppliers, and explore profit-sharing arrangements post-commercialisation. It is exciting to think about what we can achieve."

TEI is being led by Dr John Evans who brings significant knowledge and experience of the agricultural research, development and extension (RD&E) space to the role. Dr Evans has considerable experience in facilitating the introduction of new products and technologies to the market, and engaging with industry, university and government RD&E providers servicing the agriculture sector.

Mr Allison said the expanded and diversified technical services offering would cultivate a best-in-class culture across the Elders business.

"Elders aims to cement its position as a leader in agricultural innovation, supporting the sustainable prosperity of our clients and customers, and generating consistent, reliable growth for our business."

Elders is continuing to push boundaries in digital and technical services.

AgIntel

In addition to TEC and TEI, Elders has partnered with D-CAT to create AgIntel – a remote imaging and monitoring product which delivers valuable insights to farmers by fusing sensor data from satellites to provide easily accessible crop and land insights. It allows our clients to remotely monitor paddock performance using up-to-the-minute soil, water and crop health indicators, as well as historical data, paddock imagery and trends.

Elders' Head of Technical Services, Graham Page said there is a growing demand from farmers for greater insights into their property in real time.

"Any sort of leverage we can get around making quicker decisions on farm is really important, as far as efficiency and profitability goes. If we can start identifying disease, nutrient deficiencies or insect attacks early enough, we can target where we need to investigate and treat," Mr Page said.

Smart Farmer app

Elders launched its Smart Farmer app this year, providing farm management data to clients – adding to its existing suite of apps which includes Elders Red Notebook, Elders Weather and Elders Grain.

The Smart Farmer app is a digital, decision-making dashboard tool, that brings together a number of key agricultural applications that can be used to plan on-farm activities. It allows farmers to easily access commodity prices, spray forecasts, water levels, Elders Weather and a document library with access to product labels and safety data sheets.

MLA and Elders partner to enhance producer engagement

A new partnership between Meat & Livestock Australia (MLA) and Elders will co-develop new ways to gather feedback about producer needs, ideas and programs and share targeted research information with red meat producers across Queensland to improve on-farm productivity.

The three-year pilot will utilise Elders' network of 75 Queensland-based livestock agents and senior managers to co-develop, establish and evaluate a new research adoption and co-innovation model. The program aims to better identify producer needs, as well as new research and development ideas, increase adoption of programs and better engage with innovative producers across Queensland.

Elders appointed Livestock Research, Development and Adoption (RD&A) Manager, Peter Gordon to oversee the pilot and assist the flow of information between producers, MLA and Elders.

The powerful combination of MLA, Elders and Australia's red meat producers in conducting research and developing innovative ideas will have great benefit for Australia's red meat industries.

New Elders Real Estate Website

With the real estate industry always on the hunt for the next big thing, Elders Real Estate launched an innovative, game-changing website this year which puts property sellers in the driver's seat. The website is integrated with CoreLogic to provide a free property value on residential property.

The new website forms part of Elders' digital strategy that is in place to grow brand awareness and engagement. Elders Real Estate continues to invest in digital technology, marketing support and tools for our network, alongside training and networking opportunities to position Elders as a leader in innovation.

Elders Real Estate's website is designed with the needs of clients, as well as agents, top of mind, providing individual sites for each office. The website is expected to drive more qualified leads to agents and allow sellers access to more information of relevance to them.

Elders' Value: **Teamwork**

Using the power of the team and respecting the contribution of every person

Elders Give It **is our community program, that provides a central employee contribution model which respects and recognises the contribution of every person in our network who provides support to the communities in which we operate. Elders has key partnerships with the Royal Flying Doctors Service (RFDS) and beyondblue. The Give It program enables employee payroll donations, and benefits from fundraising events, to be directed to those two great organisations which have significant impacts on rural and remote Australia.**

Both our charity partners of choice play an active role in supporting rural communities. Not only are these areas where we do business, it's where our people live, it's where their friends are, where their families are – so ensuring these locations have long-term support is important to Elders.

The RFDS puts doctors in the air to access the most remote locations in Australia, bringing emergency relief to patients located often hundreds of kilometres from medical help. In recognition of the partnership, an Elders-branded RFDS aircraft was unveiled in December 2017.

Managing Director and CEO Mark Allison said, "Elders and the RFDS share so much in common in terms of their commitment to rural and regional Australia, especially the health, wellbeing and prosperity of the people who live in these communities. It is only natural that a company such as Elders – whose roots are firmly entrenched in the rural landscape – supports an organisation such as the RFDS which provides emergency medical and primary health care services to those who live, work or travel in rural and remote Australia. With Elders on the ground supporting country communities and the RFDS in the skies above doing the same, our partnership is the perfect fit."

Elders' General Manager Innovation, Digital and Brand, Karen Ross, says that the Give It program allows employees to take part in activities that support their environment or community, depending on the time or resources they have at hand, rather than just making financial donations from a distance.

"Grass roots activities are now more accessible to our employees, providing a way for teams to take action at a local level. The program is designed for everyone to be able to give back, no matter their personal circumstance or their cause – whether they're time poor and want to donate, or they're able to lend a hand and gather resources to help with a local project. This program is essentially about community support – giving people the resources they need to access help, or provide help, wherever they are," she says.

Recipient of the inaugural One Elders Give It Award, Jake Smith was commended for the initiative he took to raise over $250,000 within his local community for a local family battling cancer.

As a Territory Sales Manager based at Elders Gundagai, Jake, with the assistance of locals, Brad Field and Nick Hawthorn, organised a stock drive, as well as a goods and services auction which opened the gates for the generosity of other local people and businesses to contribute.

"We were just three blokes who wanted to lend a hand, and once we started it was apparent that there were so many people looking for the opportunity to help in any way," said Mr Smith.

On acceptance of the award, Jake spoke of the role that Elders and his community played in supporting his family during his father's illness, setting a precedent for the way in which he would continue to help those around him.

"Our business is people. The opportunity to work with locals who want to support each other is amazing, but to be part of an organisation that nurtures and respects the aspect of community is truly special."

South Zone General Manager, Malcolm Hunt, says that the grass roots involvement that so many Elders' branches and people have with their communities across the country is one of the things that makes the Elders brand so iconic.

"The pink shirt is a recognised icon of rural Australia, and I couldn't be prouder that the people wearing this shirt are seen as advocates of support and assistance for their local communities," he said.

"Jake could not be more right when he says that our business is people. Rural communities are the fabric of our business, so supporting them and rewarding those who take initiative is something we need and are proud to do."


Elders
Give
it.


Elders

Remuneration Report

Remuneration Report

The Directors of Elders Limited present the Remuneration Report for the consolidated entity for the year ended 30 September 2018. The information provided in this report has been audited, unless otherwise indicated, as required by the *Corporations Act 2001 (Cth)* and forms part of the Directors' Report.

Key Messages

Our remuneration framework is designed to attract, motivate and retain talented people by differentiating rewards based on performance and to create value for all stakeholders.

This Remuneration Report provides shareholders with an understanding of Elders' remuneration policies and the link between our remuneration approach and our performance, in particular regarding Key Management Personnel (KMP). KMP includes Elders' Non-Executive Directors (NEDs), the Managing Director and Chief Executive Officer (MD & CEO), Chief Financial Officer (CFO) and those Executives who are direct reports to the MD & CEO and who manage a major revenue generating business unit. KMP is determined in accordance with the definition under the Accounting Standard AASB124 Related Party Disclosures as those persons with authority and responsibility for planning, directing, and controlling the activities of Elders during the financial year.

The following principles underpin Elders' Remuneration Policy and reward frameworks, which are approved by the Board and applied across the business:

- consider risk and reward to appropriately align with shareholder interests;
- drive sustainable long-term growth;
- create clear alignment between performance and individual remuneration outcomes;
- support gender pay equity;
- be market competitive, and aligned to impact and accountability;
- have sufficient flexibility to meet the changing needs of a diverse workforce; and
- be well-governed and prudentially sound to protect the long-term financial interests of the business.

A summary of key remuneration outcomes for the 2018 financial year is set out in table 1.

Changes to KMP

The following changes in KMP occurred in the year ended 30 September 2018:

Senior Executives

- Greg Dunne, General Manager Zone North ceased employment with Elders effective 30 September 2018
- Richard Norton was appointed to the position of General Manager Network and will commence in January 2019

Non-Executive Directors

- James Jackson resigned as Non-Executive Director effective 14 December 2017
- Diana Eilert joined Elders as Non-Executive Director effective 14 November 2017
- Michael Carroll joined Elders as Non-Executive Director effective 3 September 2018.

Fixed Remuneration

At the start of 2018 financial year, as part of the annual review of fixed remuneration across the organisation, the MD & CEO and Senior Executive KMP had their fixed remuneration reviewed. As a result, each Senior Executive KMP received a fixed remuneration increase ranging from 1.5% to 3.0% and the MD & CEO received a fixed remuneration increase of 2.3% effective from 1 January 2018 inline with market movements.

Variable Remuneration

Short-Term Incentive Plan

Elders STI pool is generated based on achievement of budgeted EBIT and Return on Capital, having regard to acceptable safety and compliance measures, aligning STI outcomes with Company performance. The MD & CEO and Senior Executive KMP STI outcomes ranged from 70% to 100% of maximum STI. More details on the STI outcomes has been outlined in section 4.

Long-term incentive grant in the year

The MD & CEO and selected senior management were granted rights under Elders Executive Long-Term Incentive Plan (LTIP) in the 2018 financial year. This grant has a 3-year performance period ending 30 September 2020, with key metrics of Absolute Total Shareholder Return, Earnings per Share growth and Return on Capital. The LTIP is designed to focus executives on continuing to drive sustainable growth and shareholder return. Details of this grant are outlined in table 4.

Long-term incentives vesting in the year

Our remuneration framework remains aligned with the strategy of the business and promotes long-term alignment with shareholders. As a result the performance rights granted in 2016 financial year under the Long-term Incentive Plan had a three year performance period which concluded 30 September 2018. Testing against the three performance conditions, being Elders' Absolute Total Shareholder Return, Earnings per Share growth and Return on Capital resulted in 100% vesting. Further details on the vesting are outlined on page 68.

Summary of Remuneration outcomes for 2018

Table 1 below sets out certain items of remuneration paid or payable to the MD & CEO and Senior Executive KMP in respect of the 2018 financial year. The information in Table 1 is unaudited and is different from and additional to that required by Accounting Standards and statutory requirements.

Table 9 on page 69 provides the audited remuneration disclosures as required under Accounting Standards and statutory requirements. Elders believes the information provided in Table 1 is useful to investors as it provides a simple overview of the remuneration paid or payable to the MD & CEO and Senior Executives.

Table 1 includes information on base salary, short-term incentive (STI) and long-term incentive (LTI), superannuation, other monetary and non-monetary benefits and termination benefits identical to that contained in Table 9, but omits the information on the issue of shares, share rights and options and long-term payments contained in Table 9. Additionally, Table 1 provides information on LTI based on rights vesting or options exercised during the financial year, which is not provided in Table 9.

Table 1 — Remuneration outcomes for 2018 (unaudited and non-IFRS)

	$	Base Salary	STI[1]	LTI[2]	Super-annuation	Other (monetary)	Other (non-monetary)[3]	Termination benefits[4]	Total
M C Allison	*MD & CEO*	858,810	835,541	2,418,000	20,169	-	-	-	4,132,520
R I Davey	*CFO*	505,681	184,800	604,500	20,169	-	-	-	1,315,150
J H Cornish	*GM Zone West*	351,829	130,900	483,600	20,169	-	1,200	-	987,698
G J Dunne	*GM Zone North*	378,393	140,600	523,900	20,169	-	4,654	538,465	1,606,181
M L Hunt	*GM Zone South*	380,905	202,100	523,900	20,169	-	33,770	-	1,160,844

1 *STI that will be paid for performance in the 2018 financial year.*

2 *Value of any performance rights that vested during the 2018 financial year based on the closing share price on the date of vesting, and options that were exercised during the 2018 financial year based on the difference between the exercise price and the closing share price on the date of exercise. This figure does not represent the value of rights granted during the 2018 financial year.*

3 *Provision of leased car parking and company leased tool of trade vehicle.*

4 *These benefits comply with Part 2D.2 of the Corporations Act 2001 (Cth)*

Section 1 — Key Management Personnel

Key Management Personnel for the purposes of this report include the following persons who were Non-Executive Directors, MD & CEO and Senior Executives during the financial year:

Table 2 — Key Management Personnel

Name	Position held	Period held in 2018 (if not full year)	
		Commenced	Ceased
Non-Executive Directors			
J H Ranck	*Chairman*		
R Clubb	*Director*		
J A Jackson	*Director*		14 December 2017
I Wilton	*Director*		
D Eilert	*Director*	14 November 2017	
M Carroll	*Director*	3 September 2018	
MD & CEO and Senior Executives			
M C Allison	*Managing Director and CEO*		
R I Davey	*Chief Financial Officer*		
J H Cornish	*Zone General Manager West*		
G J Dunne	*Zone General Manager North*		30 September 2018
M L Hunt	*Zone General Manager South*		

Section 2 — Remuneration Governance

A. Role of the Board and the Remuneration and Human Resources Committee

The Remuneration and Human Resources Committee (Committee) assists the Board in ensuring that Elders establishes and maintains remuneration strategies and policies aligned with Elders' overall objectives and in accordance with the practice set out in the ASX Corporate Governance Council Principles and Recommendations. The Board has delegated oversight of Elders' remuneration policies and practices to the Committee.

On an annual basis the Board reviews and approves the performance and remuneration plans and outcomes for the MD & CEO on the recommendation of the Committee. The plans and outcomes for the MD & CEO's direct reports are reviewed and approved annually by the Committee on the recommendation of the MD & CEO, and the MD & CEO approves the plans and outcomes for positions reporting to his direct reports. The Committee reviews the key elements of Senior Executive employment contracts as well as the MD & CEO's recommendations for equity incentives to Senior Executives and other senior managers in Elders. The Committee also reviews major remuneration policies and programs applying across Elders.

The role and responsibilities of the Committee are set out in the Corporate Governance Statement which along with the Committee's Charter is published on Elders' website at elders.com.au.

The Committee is comprised entirely of Non-Executive Directors.

B. Key Committee activities

During 2018, the Committee met on five occasions. The Committee has a strong focus on the relationship between business performance, risk management and remuneration with the following activities occurring during the year:

- establishing performance objectives for the organisation, and setting KPIs for the MD & CEO
- determining reward outcomes for the MD & CEO and review of the outcomes for Executive Committee
- review and approval of short-term and long-term incentive plans
- review of talent and succession plans for the Executive Committee
- monitoring of progress toward diversity objectives
- review of culture and employee effectiveness
- review of capability programs, including leadership and technical development
- monitoring workplace behaviour, and annual review of human resources policies, processes and guidelines.

C. Independent remuneration advice

The Committee is briefed by management, however, the Committee makes all decisions free of the influence of management.

Further to the management briefings, to assist in its decision-making, the Committee may, from time to time, seek independent advice from remuneration consultants, and in so doing will directly engage with the consultant without management involvement.

In the year ending 30 September 2018, no remuneration consultants were engaged during the year to provide remuneration recommendations as defined in section 9B of the Corporations Act 2001. However, the Committee utilises market data sourced from Korn Ferry Hay Group and other market survey providers in reviewing the MD & CEOs remuneration on an annual basis.

Section 3 — Managing Director & Chief Executive Officer and Senior Executive Remuneration

A. Remuneration framework & policy

The remuneration for executives is focused on a range of criteria, including:

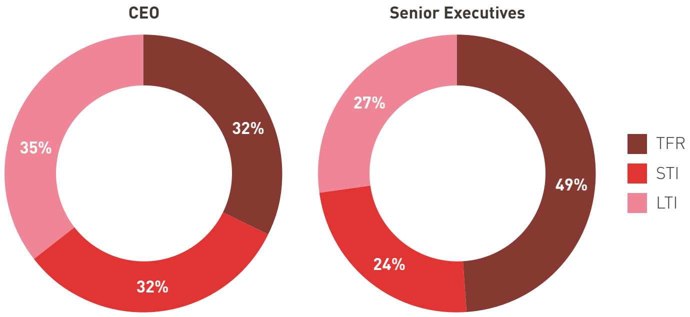
- appropriate reward for their roles and responsibilities
- balancing fixed and at-risk remuneration components with an appropriate balance between short and long-term incentives within the at-risk component
- performance measures reflecting long-term drivers of shareholder value
- paying for performance, where superior or upper quartile remuneration is only paid for demonstrable superior performance and
- remuneration is competitive when compared to both internal and external relativities.

The remuneration structure has been designed to support the Board's remuneration policy. Executive remuneration is made up of three elements:

- **Total fixed remuneration (TFR)** to provide market competitive salary including superannuation and non-monetary benefits
- **Short-term incentives (STI)** to reward for in-year performance at Elders' overall and business unit level
- **Long-term incentives (LTI)** to align with longer term strategy and shareholder value.

A description of each component is set out below. Remuneration packages are structured to ensure a portion of an executive's reward depends on meeting individual, business unit and Elders' targets and objectives, including maximising returns for shareholders.

Chart 1 — Remuneration structure



The above assumes the at-risk remuneration components are at their maximum, and represents Elders' intended policy in respect of remuneration structure.

These charts reflect the actual value of the LTI component being granted to KMP being 110% of Total Fixed Remuneration for the MD & CEO and 55% of Total Fixed Remuneration for the Senior Executive KMP.

B. Total fixed remuneration

Total Fixed Remuneration (TFR) is made up of base salary, superannuation and any other benefits (including Fringe Benefits Tax on those benefits) that the executive has nominated to receive as part of his or her package. These benefits may include motor vehicle leases, car parking and any additional superannuation contributions beyond the statutory maximum.

The level of TFR is set by reference to market activity for like positions and is determined by the level of knowledge required to perform the position, the problem solving complexities of the position, level of autonomy to make decisions and the particular capabilities, talents and experience the individual brings to the position.

TFR is reviewed annually and is adjusted according to market relativity, Elders' overall performance and the executive's performance over the previous year, as assessed through Elders' Performance and Development Planning (PDP). PDP assesses employee performance against a number of agreed key performance indicators, including measures for safety, financial and operational performance, key relationships and efficiency and growth.

C. Short-term incentive

The key features of the short-term incentive plan applying to the MD & CEO and Senior Executives during the year are set out in the table below:

Table 3 — Short-term incentive plan

<table>
<tr><th></th><th colspan="3">MD & CEO</th><th>Senior Executives</th></tr>
<tr><td>Maximum STI opportunity as % of TFR</td><td colspan="3">100% of TFR</td><td>50% of TFR</td></tr>
<tr><td rowspan="5">Performance measure(s)</td><td></td><td></td><td>Weighting</td><td rowspan="5">Senior Executives are eligible for an STI if Elders achieves threshold financial performance hurdles including Underlying EBIT and ROC.
The STI is based on Elders' overall, business unit and individual performance against KPIs set for:
– Safety
– Financial and operational performance (including EBIT and ROC)
– Key relationships (people and customers)
– Efficiency and growth (Eight Point Plan milestones).</td></tr>
<tr><td>Safety</td><td>Driving significant progress in achieving an injury free workplace.</td><td>10%</td></tr>
<tr><td>Financial and Operational Performance</td><td>Achievement of financial outcomes including Underlying Earnings Before Interest and Tax (EBIT) and Return on Capital (ROC) targets.</td><td>40%</td></tr>
<tr><td>People and Key Relationships</td><td>Achievement of targets relating to employee effectiveness, diversity and customer satisfaction.</td><td>15%</td></tr>
<tr><td>Efficiency and Growth</td><td>Achievement of targets relating to creating value through the delivery of key milestones of the Eight Point Plan.</td><td>35%</td></tr>
<tr><td>Governance</td><td colspan="3">Assessment of the MD & CEO's performance against the relevant KPIs is determined by the Remuneration and Human Resources Committee (Committee) with recommendation for STI payment referred to the Board for approval.</td><td>Assessment of performance against the above measures and individual KPIs is determined by the MD & CEO with recommendation for STI payment referred to the Committee and then to the Board for approval.</td></tr>
<tr><td>Exercise of discretion</td><td colspan="4">The MD & CEO may recommend discretionary incentive payments to executives (except himself) for approval by the Committee.</td></tr>
<tr><td>Service condition</td><td colspan="4">Any STI payable to executives who become eligible to participate in the STI Plan during the course of the year, either through joining Elders or being promoted within Elders, will be pro-rated accordingly.</td></tr>
<tr><td>Payment</td><td colspan="4">Payments are made in cash or elected to be paid as shares; Senior Executives may elect to salary sacrifice to acquire Elders' shares via the Deferred Employee Share Plan.</td></tr>
<tr><td>Clawback</td><td colspan="4">Elders may recover amounts made, where the STI was calculated on financial results due to:
– a material non-compliance with any financial reporting requirement; or
– misconduct of any employees, contractors or advisers; and
as a result, of which the actual metrics and outcomes used to determine the STI were incorrect, and as such a lower payment would have been made based on the restated results.</td></tr>
</table>

D. Long-term incentive

The Board considers, in accordance with generally accepted remuneration practices in Australia, that equity-based long-term incentives are integral in aligning executive interests with Elders' longer term strategy and the interests of shareholders.

As such, Elders currently offers long-term incentives to the MD & CEO and selected senior management. These offers are made under Elders Executive Incentive Plan (Plan), adopted in December 2014. Participation remains at the Board's discretion.

Subject to the ASX Listing Rules, in conformity with the Rules the Board has discretion to make adjustments to one or more of:

- the exercise price of the options
- the number of options/rights
- the number of shares received upon exercise of options/vesting of rights and
- the performance conditions,

in the event of a corporate restructuring, major transaction or capital event or to prevent any unintended consequences.

a — Current Long-Term Incentives – 2017 and 2018 grants

The CEO & MD and selected senior management were offered grants under the Long-Term Incentive Plan in the current and prior years each with a 3 year performance period as follows:

- 2017 LTI grant (grant date 16-Dec-16) – to be tested following 30 September 2019; and
- 2018 LTI grant (grant date 14-Dec-17) – to be tested following 30 September 2020

Details of the actual grant are outlined in Table 4.

The rights granted in 2018 financial year to the CEO & MD were approved by shareholders at Elders' AGM held on 14 December 2017. Following this the Board then approved a grant of performance rights to selected senior management on 14 December 2017.

The performance measures of the 2018 financial year grant are in accordance with the 2016 and 2017 grant being Total Shareholder Return (TSR), Earnings Per Share (EPS) and Return on Capital (ROC) being appropriate measures of shareholder return and Elders' financial performance in line with Elders' three-year strategic plan.

The 2016 LTI grant (grant date 17-Dec-15) performance period ended 30 September 2018, details on the outcome of the testing of this grant are outlined in table 8.

KMP are not permitted to deal in Elders' securities without prior permission from Elders and are only permitted to trade during trading windows and are required to disclose all dealings on an annual basis. The measures are designed principally to manage insider trading risk, and align the interests of KMP with Elders' security holders generally.

The current LTIPs and equity participation plans are summarised within the following table.

Table 4 — Long-Term Incentive Plan detail

	MD & CEO		Senior Executives	
Maximum LTI opportunity as % of TFR	110% of TFR		55% of TFR	
As at 30 September 2018 No of rights outstanding and no of participants				
Grant date:				
16-Dec-16	280,000 Rights	1 participant	555,000 Rights	10 participants
14-Dec-17	200,000 Rights	1 participant	465,000 Rights	13 participants
Performance period:				
16-Dec-16	Three years – 1 October 2016 to 30 September 2019			
14-Dec-17	Three years – 1 October 2017 to 30 September 2020			
Performance conditions:				
16-Dec-16	The performance rights will be split into three tranches, each carrying a different performance condition.			

Tranche	Performance Condition	% of total grant
1	Absolute Total Shareholder Return (TSR)	**50%**
2	Earnings per Share (EPS) growth	**25%**
3	Return on Capital (ROC)	**25%**

14-Dec-17	The performance conditions of this grant mirror those of the 16-Dec-16 grant.

	MD & CEO	Senior Executives
Performance measures and vesting		
16-Dec-16	**Tranche 1 – Absolute TSR Performance Rights** 50% of rights vest subject to an absolute TSR performance condition. The absolute TSR performance condition is tested based on Elders' average annual compound TSR over the three-year performance period 1 October 2016 ending on 30 September 2019. The % of TSR rights that will vest is determined as follows:	

Absolute TSR over performance period	% of Rights in tranche that vest
Less than 12% average annual compound TSR	Nil
Equals 12% average annual compound TSR	50%
Greater than 12% but less than 20% average annual compound TSR	50-100% on a straight line sliding scale
Equal to or greater than 20% average annual compound TSR	100%

Absolute TSR will be measured using opening and closing share prices determined as follows:

- the opening share price value will be $3.8426, being the 5 trading day VWAP up to and including 30 September 2016; and
- the closing share price value will be based on the 5 trading day VWAP up to and including the last day of the performance period, 30 September 2019.

Tranche 2 – EPS Growth Performance Rights
25% of rights vest in full if Earnings Per Share Compound Annual Growth Rate (EPS CAGR) is greater than or equal to 15% for the performance period.

Tranche 3 – ROC Performance Rights
25% of rights vest in full if ROC is greater than or equal to 20% for the financial year ending 30 September 2019.

In addition to the performance conditions above, performance rights will only vest if the share price on the vesting date is greater than or equal to the 5 trading day VWAP up to and including 30 September 2016 ($3.8426).

Upon vesting of performance rights one fully paid share in Elders will be allocated for each performance right.

	MD & CEO	Senior Executives
14-Dec-17	**Tranche 1 – Absolute TSR Performance Rights** 50% of rights vest subject to an absolute TSR performance condition. The absolute TSR performance condition is tested based on Elders' average annual compound TSR over the three-year performance period 1 October 2017 ending on 30 September 2020. The % of TSR rights that will vest is determined as follows:	

Absolute TSR over performance period	% of Rights in tranche that vest
Less than 12% average annual compound TSR	Nil
Equals 12% average annual compound TSR	50%
Greater than 12% but less than 15% average annual compound TSR	50-100% on a straight line sliding scale
Equal to or greater than 15% average annual compound TSR	100%

Absolute TSR will be measured using opening and closing share prices determined as follows:

- the opening share price value will be $4.8266, being the 5 trading day VWAP up to and including 30 September 2017; and
- the closing share price value will be based on the 5 trading day VWAP up to and including the last day of the performance period, 30 September 2020.

Tranche 2 – EPS Growth Performance Rights
25% of rights vest in full if Earnings Per Share Compound Annual Growth Rate (EPS CAGR) is greater than or equal to 10% for the performance period.

Tranche 3 – ROC Performance Rights
25% of rights vest in full if ROC is greater than or equal to 20% for the financial year ending 30 September 2020.

In addition to the performance conditions above, performance rights will only vest if the share price on the vesting date is greater than or equal to the 5 trading day VWAP up to and including 30 September 2017 ($4.8286).

Upon vesting of performance rights one fully paid share in Elders will be allocated for each performance right.

Performance testing	Testing of the performance conditions will occur once the results for the financial year ended (30 September) have been approved by the Board. There will be no re-testing of performance.

Table 5 — Other equity schemes in which one or more KMP participate

Name of Plan	Description	Eligibility Criteria	Number of participants as at		Number of shares outstanding as at	
			30 Sept 2017	30 Sept 2018	30 Sept 2017	30 Sept 2018
Deferred Employee Share Plan (DESP)	This plan enables participants to salary sacrifice remuneration of up to $5,000 to acquire restricted shares. Tax can be deferred up to 7 years. Elders makes no contribution to this plan other than funding the cost of administration. There are no further performance or service conditions once shares are purchased.	All permanent employees.	141	169	185,851	179,623

Note: No KMP participated in the DESP in 2017 or 2018. M C Allison and G J Dunne participated in previous DESP offers and currently hold 1,685 and 5,768 shares respectively under this Plan (with no change to holdings compared to the same time last year, 30 September 2017).

Section 4 — Link Between Elders' Financial Performance and Executive Reward

A. Elders performance

Our Executive remuneration is aligned to our strategic and business objectives and designed to create shareholder wealth.

STI payments are awarded to executives on achievement of a range of financial and non-financial performance targets (see Table 3).

Under the LTI grants issued, 17 December 2015, 16 December 2016 and 17 December 2017 the performance conditions as outlined in Tables 4 and 8 include absolute Total Shareholder Return (TSR), Earnings Per Share (EPS) and Return on Capital (ROC).

The following table shows Elders' performance in relation to a number of financial and operational performance measures over a five-year period.

Table 6 — Elders' performance

Performance measure ($ millions)	2014	2015	2016	2017	2018
Sales revenue	1,427.7	1,502.0	1,519.3	1,582.5	1,613.3
Underlying EBIT	22.3	40.5	56.1	71.0	74.6
Statutory profit	3.0	38.3	51.6	116.0	71.6
Return on Capital based on underlying earnings	11.9%	21.9%	28.1%	28.6%	24.20%
Cashflow from operating activities	15.1	(5.3)	48.7	81.6	(12.1)

Note: The 2017 figures in the table above are restated to reflect continuing operations as at 30 September 2018. 2018 Cashflow from operating activities is affected by higher retail debtors, due to the late season and timing of receipts, and agency services have returned to normalised year end balances.

Chart 2 — Absolute TSR %

The following chart shows Elders' TSR performance over the last five years against the ASX/S&P 200 Accumulation Index.

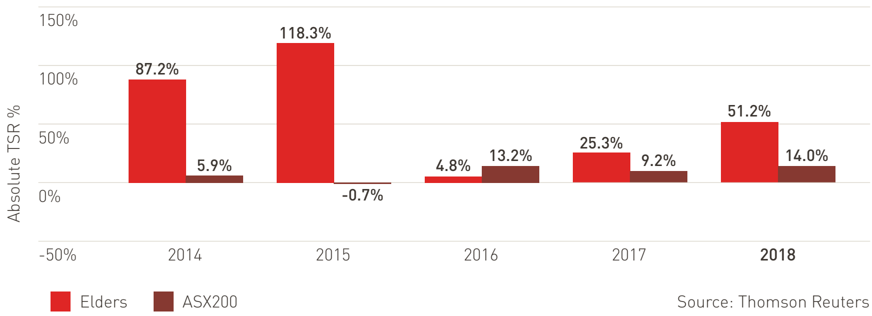
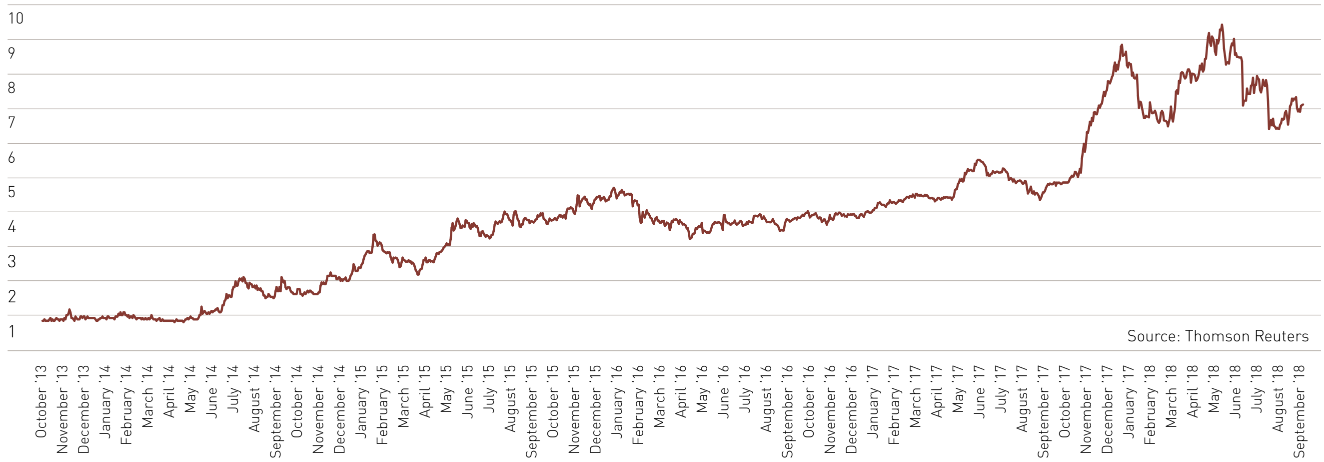


Chart 3 — Elders five year share price history

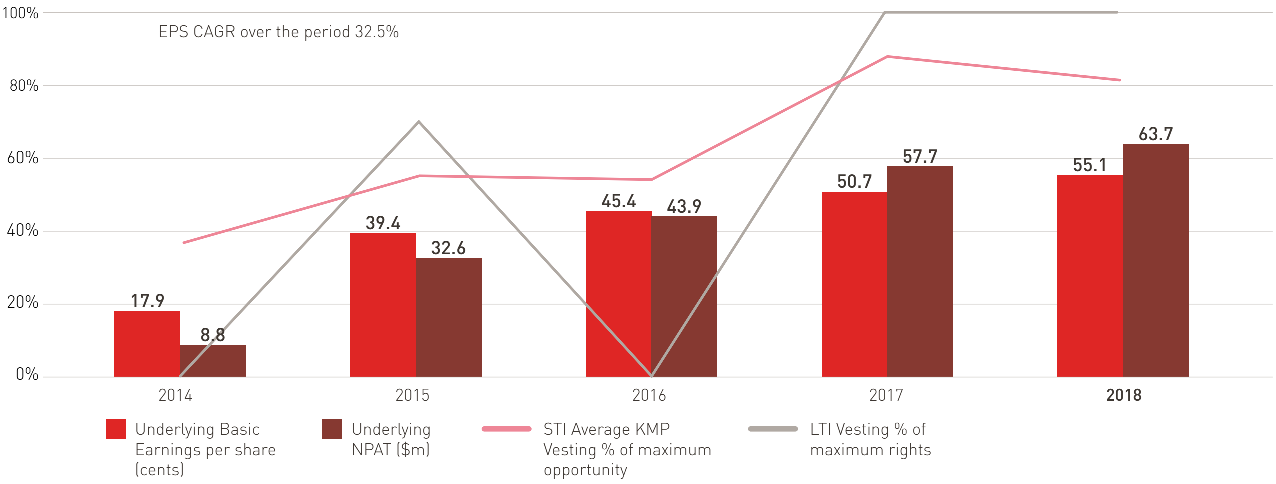
No dividends were declared or paid (interim or final) from 2014 to 2016 financial year. A final dividend and special dividend of 7.5 cents each (15 cents total) was paid for 2017 and an interim and final dividend of 9 cents each was declared for the 2018 financial year.



Note: In December 2014, Elders consolidated shares from 10 to 1. To enable a proper comparison, the share price in the above graph reflects that consolidation for the full year period.

Chart 4 — Underlying EPS and NPAT and Executive Remuneration

A summary of the underlying EPS and NPAT and average short term incentives and long-term incentive vesting over the last 5 years is outlined below.



Note: EPS and NPAT figures are consistent with that disclosed in the relevant financial report for the particular year presented.

For 2015 the 70% LTI vesting represents the vesting of Tranche 3 of the 2011 Grant with Tranche 1 and Tranche 2 lapsing in full. No Long-term incentive grants were due to vest in the 2016 financial year hence the reason of nil vesting in 2016.

B. KMP 2018 STI Outcomes

All STI payments for 2018 performance were paid according to plan performance measures. The following table provides a summary of the KMP performance targets and outcomes for 2018:

Table 7 — STI outcomes and performance against targets for 2018

KMP	Safety		Financial and Operational Performance		People and Key relationships		Efficiency and Growth		Maximum STI Opportunity $	Awarded STI %	Forfeited STI %
Name Position Title	Company	Business Unit	Company	Business Unit	Company	Business Unit	Company	Business Unit			
M C Allison *MD & CEO*	●		●		◐		●		883,948	95%	5%
R I Davey *CFO*	●	●	●	●	●	◐		◐	263,900	70%	30%
J H Cornish *Zone GM West*	●	●	●	○	●	●		●	186,916	70%	30%
G J Dunne *Zone GM North*	●	●	●	◐	●	◐		◐	200,743	70%	30%
M L Hunt *Zone GM South*	●	●	●	●	●	●		◐	202,008	100%	0%

● Maximum performance achieved ◐ Threshold/Minimum performance achieved ○ Threshold/Minimum performance not met

C. KMP 2018 LTI Outcomes

The 3 year performance period of the 2016 financial year performance rights granted under the Long-Term Incentive Plan concluded on 30 September 2018.

The rights were split into three tranches, each carrying a different performance condition. The testing resulted in 100% vesting of the rights for each tranche with the results as follows:

Table 8 — Finalised long-term incentive – 2016 grant

<table>
<tr><th>% of total grant</th><th>Performance measures</th><th>Outcome of testing</th></tr>
<tr><td colspan="3">Tranche 1 – Total Shareholder Return (TSR)</td></tr>
<tr><td>50%</td><td>Based on Elders' average annual compound TSR over the three year performance period 1 October 2015 ending on 30 September 2018.
TSR rights were subject to a target goal and a stretch goal.
The % of TSR performance rights that vest were determined as follows:
<table>
<tr><th>Absolute TSR over performance period</th><th>% of Rights in tranche that vest</th></tr>
<tr><td>Less than 12% average annual compound TSR</td><td>Nil</td></tr>
<tr><td>Equals 12% average annual compound TSR</td><td>50%</td></tr>
<tr><td>Greater than 12% but less than 20% average annual compound TSR</td><td>50-100% on a straight line sliding scale</td></tr>
<tr><td>Equal to or greater than 20% average annual compound TSR</td><td>100%</td></tr>
</table>
Absolute TSR was measured using opening and closing share prices determined as follows:
– the opening share price value of $3.965
– the closing share price value based on the 5 trading day Volume Weighted Average Price (VWAP) up to and including the last day of the performance period; and
– dividend paid.</td><td>Elders' TSR Compound Average Growth Rate over the performance period was 23.6% being higher than the stretch hurdle of 20%.
Resulting in 100% vesting of tranche.
Notes in regards to calculation:
The starting price of $3.965 to calculate the Compound Average Growth Rate was adjusted for the June 2016 Entitlement Offer as per Thomson Reuters adjustment value of 0.96668 to cater for the capital change and produces an adjusted Starting VWAP of $3.83.
The TSR for the period also takes into account the three dividend payments of 7.5c and 7.5c for 2017 and interim dividend of 9c for 2018.</td></tr>
<tr><td colspan="3">Tranche 2 – Earnings per Share Growth (EPS)</td></tr>
<tr><td>25%</td><td>EPS rights vest in full if the EPS Compound Annual Growth Rate (CAGR) over the performance period was greater than or equal to 15%.</td><td>Elders' EPS Compound Annual Growth Rate over the performance period was 24% based on a starting EPS of 38.9 (as at 30 September 2015) and 74.3 at the end of the performance period.
Resulting in 100% vesting of tranche.
Notes in regards to calculation:
The number of shares used to calculate EPS CAGR is the actual number of shares for each performance period based on the audited accounts adjusted to exclude shares issued associated with non-growth i.e. hybrid buyback.</td></tr>
<tr><td colspan="3">Tranche 3 – Return on Capital (ROC)</td></tr>
<tr><td>25%</td><td>ROC rights vest in full if ROC was greater than or equal to 20% for the financial year ending 30 September 2018.</td><td>Elders return on capital as at 30 September 2018 was 24.2% being higher than 20% performance condition.
Resulting in 100% vesting of tranche.</td></tr>
</table>

The total number of vested performance rights under the 2016 grant is 857,200. Individual vesting outcomes are outlined in Table 12.

Section 5 — Managing Director & CEO and Senior Executive Remuneration Details

Table 9 — Details of MD & CEO and Senior Executive remuneration for the 2017 and 2018 financial years

		Short-term payments			Post-employ-ment	Share-based payments		Long-term payments			
		Base salary	STI	Other[1]	Super-annuation	Options	Share Rights	Long Service Leave	Termination benefits[2]	Total	% perfor-mance-related[3]
M C Allison	2018	858,810	835,541	-	20,169	-	1,018,533	24,740	-	2,757,793	67%
	2017	839,082	864,075	-	19,724	203,700	558,200	16,999	-	2,501,780	65%
R I Davey	2018	505,681	184,800	-	20,169	-	273,225	11,797	-	995,672	46%
	2017	458,721	220,000[4]	-	19,724	50,925	150,125	33,585	-	933,080	45%
J H Cornish	2018	351,829	130,900	1,200	20,169	-	207,625	5,655	-	717,378	47%
	2017	343,845	110,000	1,200	19,724	40,740	115,300	5,898	-	636,707	42%
G J Dunne[5]	2018	378,393	140,600	4,654	20,169	-	212,425	8,394	538,465	1,303,100	27%
	2017	366,338	190,000	4,486	19,724	44,135	120,100	8,993	-	753,776	47%
M L Hunt	2018	380,905	202,100	33,770	20,169	-	212,425	17,328	-	866,697	48%
	2017	368,770	190,000	39,816	19,724	44,135	120,100	5,004	-	787,549	45%
Total	**2018**	**2,475,618**	**1,493,941**	**39,624**	**100,845**	**-**	**1,924,233**	**67,914**	**538,465**	**6,640,640**	
	2017	**2,376,756**	**1,574,075**	**45,502**	**98,620**	**383,635**	**1,063,825**	**70,479**	**-**	**5,612,892**	

1 *Comprising the provision of leased car parking (Cornish, Dunne, Hunt), company leased vehicle (Hunt).*
2 *These benefits, which comprise redundancy payments under Elders' redundancy policy and payments in lieu of notice, comply with Part 2D.2 of the Corporations Act 2001 (Cth).*
3 *Performance related remuneration consists of STI and share rights and options as a percentage of total remuneration. Share rights includes performance rights disclosed in Table 12.*
4 *R I Davey received an additional $70,000 in relation to his 2017 financial year short term incentive which was previously stated as $150,000 in the 2017 Remuneration Report, to reflect his contribution and efforts in the 2017 year.*
5 *G J Dunne ceased employment 30 September 2018.*

Section 6 — Managing Director & CEO and Senior Executive Contract Terms, Loans and Transactions

A. Contractual arrangements with KMP

In 2018 Elders had employment contracts with the MD & CEO and Senior Executives. Details of the employment contracts are set out in the table below.

Table 10 — Contractual arrangements

Component	MD & CEO	Senior Executives
Contract Duration	Ongoing until terminated by either party	
Notice (without cause) initiated by:		
Elders	12 months	6 months
Individual	6 months	3 months
	Payment in lieu of notice may be made equivalent to the remuneration the MD & CEO and Senior Executive would have received over the notice period. Payment may be awarded under a short-term or long-term incentive plan in accordance with plan rules.	
Notice for Serious Misconduct	Elders may terminate immediately. No payment in lieu of notice or other termination payments are payable under the employment agreement.	
Redundancy	Not applicable	Due to genuine redundancy, as defined by the Fair Work Act 2010, the Senior Executive is entitled to a retrenchment payment in accordance with Elders' policy. This payment is also subject to the rules and limitations specified in the Corporations Act 2001 and Corporations Regulations.
Change of Control	Not specifically referenced in contract	In the event of a Change of Control or Disposal of Business resulting in a material diminution in the roles and responsibility of the Senior Executive, the Senior Executive may terminate their contact on three months' notice. If this occurs, Elders will pay the Senior Executive the equivalent of up to 12 months TFR.

B. Other transactions with KMP

There are no loans to KMP outstanding in the current or prior year.

From time to time, sales and purchases occur during the year between subsidiaries of the Group and entities that certain directors of Elders have direct or indirect control over. These transactions are conducted on the same terms and conditions as those entered into by other Elders employees or customers on an arm's length basis and are trivial or domestic in nature.

Section 7 — Non-Executive Director Remuneration

A. Remuneration Framework & Policy

Non-Executive Directors are remunerated by way of fees in the form of cash and superannuation, and in accordance with Recommendation 8.2 of the ASX Corporate Governance Council Principles and Recommendations.

The MD & CEO and Senior Executives do not receive directors' fees.

Non-Executive Directors do not participate in Elders' cash or equity incentive plans and do not receive retirement benefits other than superannuation contributions disclosed in this report.

Non-Executive Directors have formal letters of appointment with Elders. Length of tenure is governed by Elders' Constitution and the ASX Limited Listing Rules, which provides that all Non-Executive Directors are subject to re-election by shareholders in the manner set out in the Corporate Governance Statement published at elders.com.au.

Non-Executive Director fees are reviewed by the Board on an annual basis, taking into consideration the accountability and time commitment of each director, supported, where appropriate and necessary, by advice from external remuneration consultants.

The Board believes Elders' Non-Executive Directors should own securities in Elders to further align their interests with the interests of other shareholders. Details of Non-Executive Directors' shareholdings in Elders can be found in Table 13 of this Report.

B. Non-Executive Director remuneration in 2018

Total fees for the financial year ended 30 September 2018 remain well within the aggregate fee limit of $1,200,000 per annum, approved by the Board following Elders' 2013 Annual General Meeting. Statutory superannuation guarantee contributions are excluded from the aggregate fee limit.

Each Non-Executive Director was entitled to an annual base fee of $100,000, except the Chairman who was entitled to a total annual composite fee including committee fees of $240,000. All amounts exclude superannuation, which is paid up to the maximum contribution base in line with Superannuation Guarantee legislation.

During the financial year ended 30 September 2018, as compensation for time spent on committee business, the following fees applied:

- Each member of the **Audit, Risk and Compliance Committee** was entitled to $16,000 per annum, except for the Committee Chairman who was entitled to $30,000 per annum to reflect the significant workload associated with this position.
- Each member of the **Work Health and Safety Committee** was entitled to $10,000 per annum.
- Each member of the **Remuneration and Human Resources Committee** was entitled to $10,000 per annum, except for the Committee Chairman who was entitled to $15,000 per annum to reflect the workload associated with the position.
- Members of the **Nomination and Prudential Committee** receive no further fees for membership of this Committee.

Actual Committee fees paid are provided as "Board Committee Fees" in Table 11 below. The base Board fee has remained unchanged since 2014.

Table 11 — Non-Executive Director remuneration details

		Short-term payments		Post employment	Total
		Base Board Fee	Board Committee Fees	Superannuation	
J H Ranck	2018	240,000	-	20,169	260,169
	2017	240,000	-	19,724	259,724
R Clubb[1]	2018	100,000	39,988	13,299	153,287
	2017	100,000	36,000	12,920	148,920
J A Jackson[2]	2018	20,635	8,460	2,764	31,859
	2017	100,000	41,000	13,395	154,395
I Wilton	2018	100,000	50,000	14,250	164,250
	2017	100,000	50,000	14,250	164,250
D Eilert[3]	2018	88,258	28,714	11,112	128,084
	2017	n/a	n/a	n/a	n/a
M Carroll[3]	2018	8,333	3,000	1,077	12,410
	2017	n/a	n/a	n/a	n/a
Total	**2018**	**557,226**	**130,162**	**62,671**	**750,059**
	2017	**540,000**	**127,000**	**60,289**	**727,289**

1 R Clubb was appointed Chair of Remuneration and Human Resources Committee effective 14 December 2017 with an increase in her Committee fees from this date to reflect this appointment.

2 J A Jackson ceased as Non-Executive Director 14 December 2017.

3 D Eilert commenced as a Non-Executive Director 14 November 2017 and M Carroll commenced as Non-Executive Director 3 September 2018.

Section 8 — Additional Statutory Information

Table 12 — Details of MD & CEO and Senior Executive current long-term incentive grants

KMP Grant Date	Balance at Start of Period	Granted	Vesting date	Vested		Lapsed		Balance at End of Period	Expensed at End of Period	Fair Value at grant date[1]	Rights maximum value yet to vest[2]
	No.	No.		No.	%	No.	%	No.	$	$	$
M C Allison											
17-Dec-15	260,000	-	12-Nov-18	260,000	100	-	-	-	296,400	889,200	-
16-Dec-16	280,000	-	Nov-19	-	-	-	-	280,000	261,800	785,400	261,800
14-Dec-17	-	200,000	Nov-20	-	-	-	-	200,000	460,333	1,381,000	920,667
	540,000	**200,000**		**260,000**	**-**	**-**	**-**	**480,000**	**1,018,533**	**3,055,600**	**1,182,467**
R I Davey											
17-Dec-15	75,000	-	12-Nov-18	75,000	100	-	-	-	72,000	216,000	-
16-Dec-16	75,000	-	Nov-19	-	-	-	-	75,000	78,125	234,375	78,125
14-Dec-17	-	60,000	Nov-20	-	-	-	-	60,000	123,100	369,300	246,200
	150,000	**60,000**		**75,000**	**-**	**-**	**-**	**135,000**	**273,225**	**819,675**	**324,325**
J H Cornish											
17-Dec-15	55,000	-	12-Nov-18	55,000	100	-	-	-	52,800	158,400	-
16-Dec-16	60,000	-	Nov-19	-	-	-	-	60,000	62,500	187,500	62,500
14-Dec-17	-	45,000	Nov-20	-	-	-	-	45,000	92,325	276,975	184,650
	115,000	**45,000**		**55,000**	**-**	**-**	**-**	**105,000**	**207,625**	**622,875**	**247,150**
G J Dunne[3]											
17-Dec-15	60,000	-	12-Nov-18	60,000	100	-	-	-	57,600	172,800	-
16-Dec-16	60,000	-	Nov-19	-	-	20,000	33	40,000	62,500	187,500	-
14-Dec-17	-	45,000	Nov-20	-	-	30,000	66	15,000	92,325	276,975	-
	120,000	**45,000**		**60,000**	**-**	**50,000**	**100**	**55,000**	**212,425**	**637,275**	**-**
C C Hall[4]											
17-Dec-15	20,000	-	12-Nov-18	20,000	100	-	-	-	-	172,800	-
	20,000	**-**	**Nov-19**	**20,000**	**-**	**-**	**-**	**-**	**-**	**172,800**	**-**
M L Hunt											
17-Dec-15	60,000	-	12-Nov-18	60,000	100	-	-	-	57,600	172,800	-
16-Dec-16	60,000	-	Nov-19	-	-	-	-	60,000	62,500	187,500	62,500
14-Dec-17	-	45,000	Nov-20	-	-	-	-	45,000	92,325	276,975	184,650
	120,000	**45,000**		**60,000**	**-**	**-**	**-**	**105,000**	**212,425**	**637,275**	**247,150**

1 Fair value is used to calculate the value of performance options when granted. The fair value at Grant Date is independently determined using Monte Carlo simulation techniques which take into account the exercise price, the term of the rights, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the options.

2 The maximum value of the performance rights yet to vest has been determined as the fair value amount at grant date that is yet to be expensed. The minimum value of deferred shares yet to vest is nil, as the shares will be forfeited if the vesting conditions are not met.

3 G J Dunne ceased employment on 30 September 2018 however as per the LTI Plan Rules a portion of G J Dunne's rights have continued on foot, based on the percentage of performance period completed for each grant as at termination date.

4 C C Hall ceased employment on 16 September 2016 however a percentage of his long-term incentive grants continued on foot.

Note: The fair value per performance right at grant date is as follows, with the grant date under the Accounting Standards differing for the MD & CEO and Senior Executive grants, resulting in a different fair value.

	MD & CEO Grant		Senior Executive Grant	
Performance Rights 18 December 2015	Tranche 1	$ 2.26	Tranche 1	$ 1.64
	Tranche 2 & 3	$ 4.58	Tranche 2 & 3	$ 4.12
Performance Rights 16 December 2016	Tranche 1	$ 1.63	Tranche 1	$ 1.94
	Tranche 2 & 3	$ 3.98	Tranche 2 & 3	$ 4.31
Performance Rights 14 December 2017	Tranche 1	$ 6.64	Tranche 1	$ 5.81
	Tranche 2 & 3	$ 7.17	Tranche 2 & 3	$ 6.50

Table 13 — KMP shareholdings

		Shares held at start of year	Shares acquired during the year as part of remuneration	Shares acquired during the year through the vesting of LTI	Other shares acquired (disposed of) during the year	Balance of shares held at end of financial period
Non-Executive Directors						
J H Ranck	2018	130,000	-	-	4,317	134,317
	2017	125,000	-	-	5,000	130,000
R Clubb	2018	3,400	-	-	-	3,400
	2017	1,200	-	-	2,200	3,400
J A Jackson[1]	2018	10,000	-	-	-	10,000
	2017	37,500	-	-	(27,500)	10,000
I Wilton	2018	105,000	-	-	3,486	108,486
	2017	100,000	-	-	5,000	105,000
D Eilert[2]	2018	-	-	-	-	-
	2017	n/a	n/a	n/a	n/a	n/a
M Carroll[2]	2018	-	-	-	-	-
	2017	n/a	n/a	n/a	n/a	n/a
MD & CEO and Senior Executives						
M C Allison	2018	54,344	-	600,000	-	654,344
	2017	22,107	-	-	32,237	54,344
R I Davey	2018	1,750	-	150,000	(100,000)	51,750
	2017	2,008	-	-	(258)	1,750
J H Cornish	2018	29,190	-	120,000	(149,190)	-
	2017	29,528	-	-	(338)	29,190
G J Dunne	2018	43,459	-	130,000	(148,953)	-
	2017	44,054	-	-	(595)	43,459
M L Hunt	2018	-	-	130,000	(130,000)	-
	2017	-	-	-	-	-
Total	**2018**	**377,143**	**-**	**1,130,000**	**(520,340)**	**986,803**
	2017	**361,397**	**-**	**-**	**15,746**	**377,143**

1 J A Jackson ceased as a Director on 14 December 2017, balance is at date of cessation.
2 D Eilert commenced as a Director on 14 November 2017 and M Carroll commenced as a Director on 3 September 2018 balance is at date of commencement.
Note: No other changes occurred during the year. None of the shares above are held nominally by the Non-Executive Directors or MD & CEO and Senior Executives.
Elders takes its obligations to prevent insider trading very seriously. In conformity with that approach, directors take a conservative view of when they can deal in Elders shares (even when trading windows are open), seeking to avoid both real and perceived trading on inside information. This approach has, in recent times, limited the opportunities for Non-Executive Directors to acquire Elders' shares.

Elders Limited Annual Financial Report

For the year ending 30 September 2018

Elders Limited Annual Financial Report

30 September 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2018

	Note	2018 $000	2017 $000
Continuing operations			
Sales revenue	3	1,613,278	1,582,520
Cost of sales		(1,265,201)	(1,250,276)
Gross profit from continuing operations		**348,077**	**332,244**
Equity accounted profits	12	7,016	5,411
Distribution expenses		(233,053)	(219,430)
Administrative expenses		(47,395)	(47,186)
Finance costs	3	(6,854)	(7,265)
Other items of income/(expense)	3	(6,093)	55,001
Profit from continuing operations before income tax benefit/(expense)		**61,698**	**118,775**
Income tax benefit/(expense)	4	19,342	(4,109)
Profit from continuing operations after income tax benefit/(expense)		**81,040**	**114,666**
Net profit/(loss) of discontinued operations, net of tax	2	(7,113)	3,905
Net profit for the period		**73,927**	**118,571**
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		(328)	(1,211)
Other comprehensive loss for the period, net of tax		**(328)**	**(1,211)**
Total comprehensive income for the period		**73,599**	**117,360**
Profit for the period is attributable to:			
Non-controlling interest		2,359	2,576
Owners of the parent	19	71,568	115,995
		73,927	**118,571**
Total comprehensive income for the period is attributable to:			
Non-controlling interest		2,359	2,576
Owners of the parent		71,240	114,784
		73,599	**117,360**
Reported operations			
Basic earnings per share (cents per share)	5	62.0¢	101.9¢
Diluted earnings per share (cents per share)	5	60.7¢	98.9¢
Continuing operations			
Basic earnings per share (cents per share)	5	68.1¢	98.4¢
Diluted earnings per share (cents per share)	5	66.7¢	95.6¢
Discontinued operations			
Basic earnings per share (cents per share)	5	(6.2)¢	3.4¢
Diluted earnings per share (cents per share)	5	(6.2)¢	3.3¢

The accompanying notes form an integral part of this consolidated statement of comprehensive income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Note	2018 $000	2017 $000
Current assets			
Cash and cash equivalents	14(b)	11,641	35,186
Trade and other receivables	6	444,796	385,641
Livestock	7	32,528	44,616
Inventory	8	147,757	111,101
Assets classified as held for sale	2(a)	3,568	-
Total current assets		**640,290**	**576,544**
Non current assets			
Other financial assets		1,269	1,269
Equity accounted investments	12	54,337	53,842
Property, plant and equipment	10	27,318	29,885
Intangibles	11	128,991	81,230
Deferred tax assets	4	78,014	59,382
Total non current assets		**289,929**	**225,608**
Total assets		**930,219**	**802,152**
Current liabilities			
Trade and other payables	9	371,907	355,539
Interest bearing loans and borrowings	15	184,001	130,266
Current tax payable	4	1,166	109
Provisions	13	45,856	49,077
Total current liabilities		**602,930**	**534,991**
Non current liabilities			
Other payables	9	12,668	5,343
Interest bearing loans and borrowings	15	1,074	216
Provisions	13	4,998	3,924
Total non current liabilities		**18,740**	**9,483**
Total liabilities		**621,670**	**544,474**
Net assets		**308,549**	**257,678**
Equity			
Contributed equity	17	1,426,835	1,422,255
Reserves	18	(26,034)	(27,596)
Retained earnings	19	(1,094,027)	(1,139,118)
Total parent entity equity interest		**306,774**	**255,541**
Non-controlling interests		1,775	2,137
Total equity		**308,549**	**257,678**

The accompanying notes form an integral part of this consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2018

	Note	2018 $000	2017 $000
Cash flow from operating activities			
Receipts from customers		7,122,234	7,104,407
Payments to suppliers and employees		(7,133,344)	(7,017,838)
Dividends received		7,338	5,592
Interest and other costs of finance paid		(5,513)	(7,095)
Income taxes paid		(2,847)	(3,467)
Net operating cash flows	**14(a)**	**(12,132)**	**81,599**
Cash flow from investing activities			
Payments for property, plant and equipment		(4,099)	(3,481)
Payments for equity accounted investments		(650)	(30,306)
Payments for intangibles		(1,605)	(590)
Payments for acquisition through business combinations		(32,329)	(11,828)
Proceeds from sale of property, plant and equipment		292	198
Proceeds from disposal of controlled entity		-	2,696
Proceeds from sale of plantations		-	1,300
Net investing cash flows		**(38,391)**	**(42,011)**
Cash flow from financing activities			
Proceeds from issue of shares, net of costs		2,651	-
Purchase of shares for incentive schemes		-	(127)
Proceeds of borrowings		52,867	8,622
Hybrid equity distributions		-	(3,557)
Hybrid equity repurchased		-	(42,009)
Dividends paid		(25,819)	-
Partnership profits		(2,721)	(2,482)
Net financing cash flows		**26,978**	**(39,553)**
Net (decrease)/increase in cash held		**(23,545)**	**35**
Cash at the beginning of the financial year		35,186	35,151
Cash at the end of the financial year	**14(b)**	**11,641**	**35,186**

The accompanying notes form an integral part of this consolidated statement of cash flows.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2018

$000	Issued capital	Hybrid equity	Reserves	Retained earnings	Non-controlling interest	Total equity
As at 1 October 2017	**1,422,255**	**-**	**(27,596)**	**(1,139,118)**	**2,137**	**257,678**
Profit for the period	-	-	-	71,568	2,359	73,927
Other comprehensive income/(loss):						
Exchange differences on translation of foreign operations	-	-	(328)	-	-	(328)
Total comprehensive income/(loss) for the period	**-**	**-**	**(328)**	**71,568**	**2,359**	**73,599**
Transactions with owners in their capacity as owners:						
Issued capital	2,651	-	-	-	-	2,651
Dividends paid	-	-	-	(25,819)	-	(25,819)
Dividend reinvestment plan	1,929	-	-	(1,929)	-	-
Partnership profit distributions/dividends paid	-	-	-	-	(2,721)	(2,721)
Cost of share based payments	-	-	3,161	-	-	3,161
Reallocation of equity	-	-	(1,271)	1,271	-	-
As at 30 September 2018	**1,426,835**	**-**	**(26,034)**	**(1,094,027)**	**1,775**	**308,549**
As at 1 October 2016	**1,422,382**	**36,830**	**(29,063)**	**(1,246,064)**	**2,419**	**186,504**
Profit for the period	-	-	-	115,995	2,576	118,571
Other comprehensive income/(loss):						
Exchange differences on translation of foreign operations	-	-	(1,211)	-	-	(1,211)
Total comprehensive income/(loss) for the period	**-**	**-**	**(1,211)**	**115,995**	**2,576**	**117,360**
Transactions with owners in their capacity as owners:						
Partnership profit distributions/dividends paid	-	-	-	-	(2,482)	(2,482)
Other movements in non-controlling interest	-	-	-	-	(376)	(376)
Hybrid equity repurchased net of transaction costs	-	(42,009)	-	-	-	(42,009)
Hybrid equity distributions	-	-	-	(3,557)	-	(3,557)
Cost of share based payments	-	-	2,205	-	-	2,205
Reallocation of equity	-	5,179	-	(5,179)	-	-
Other	(127)	-	473	(313)	-	33
As at 30 September 2017	**1,422,255**	**-**	**(27,596)**	**(1,139,118)**	**2,137**	**257,678**

The accompanying notes form an integral part of this consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

ABOUT THIS REPORT

Corporate information

The consolidated financial report of Elders Limited for the year ended 30 September 2018 was authorised for issue in accordance with a resolution of the Directors on 12 November 2018. Elders Limited (the Parent) is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Company are described in the Directors' Report and note 1. References in this consolidated financial report to 'Elders' are to Elders Limited and each of its controlled entities unless the context requires otherwise.

Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial report has also been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value, and biological assets that are measured at fair value less costs to sell.

The financial report is presented in Australian dollars and under the ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

Both the functional and presentation currency of Elders and its Australian subsidiaries is Australian Dollars (AUD). Subsidiaries incorporated in countries other than Australia (see note 21), which have a functional currency other than Australian Dollars, are translated to the presentation currency.

Transactions in foreign currencies are initially recorded by subsidiaries at their respective functional currency rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

The financial report has been prepared on a going concern basis.

Comparative information which relates to prior periods is restated to be comparable with current year disclosures.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Elders Limited and its subsidiaries as at 30 September 2018. Control is achieved when Elders is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When Elders has less than a majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee.

Elders re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date Elders gains control until the date Elders ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of Elders and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Elders' accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Elders are eliminated in full on consolidation.

Significant accounting judgements, estimates and assumptions

The preparation of Elders' consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial result or the financial position reported in future periods. Judgements, estimates and assumptions which are material to the financial report are found in the following notes:

Note 4	Recovery of deferred tax assets
Note 8	Accounting for rebates
Note 10	Impairment of non-financial assets other than brand names and goodwill
Note 11	Impairment of brand names and goodwill

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

ABOUT THIS REPORT

New accounting standards and interpretations

(i) New and Revised Accounting Standards

A number of new amendments to standards and interpretations became operative for the financial year ended 30 September 2018 and have been applied in preparing these consolidated financial statements. None of these have materially impacted Elders and its policies.

(ii) Accounting Standards and Interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for future reporting periods. Elders has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

In regard to:

- AASB 15 Revenue from Contracts with Customers (which is effective for Elders beginning 1 October 2018), Elders has completed an assessment on the impact of the adoption of AASB 15 on the consolidated financial statements. This has included reviewing significant revenue streams and significant sales contract terms. Elders has assessed that adoption of this standard is not expected to have a significant impact.
- AASB 9 Financial Instruments (which is effective for Elders beginning 1 October 2018), Elders has assessed that based on the financial instruments currently held by Elders, the adoption of this standard is expected to have no significant impact.
- AASB 16 Leases (which is effective for Elders beginning 1 October 2019), Elders has commenced an initial assessment of the potential impact on its reported assets and liabilities on adoption of AASB 16. So far the most significant impact identified is that Elders will recognise new assets and liabilities for its operating leases related to property and vehicles. In addition, the nature of expenses related to these leases will change as AASB 16 replaces the straight line operating lease expense with a depreciation charge for right of use assets and an interest expense on lease liabilities. Elders has not yet determined the financial impact on adoption, or which transition approach to employ. Details of Elders' operating leases are disclosed in note 24 of the financial statements.

The notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of Elders. They include the applicable accounting policies applied and significant estimates and judgements made. Specific accounting policies are disclosed in their respective notes to the financial statements.

The notes are organised into the following sections:

Section	
Group performance	Provides additional information regarding financial statement lines that are most relevant to explaining Elders' performance during the period.
Working capital	Provides additional information regarding financial statement lines that are most relevant to explaining the assets used to generate Elders' trading performance during the period and liabilities incurred as a result.
Capital employed	Provides additional information regarding financial statement lines that are most relevant to explaining the capital investment made that allows Elders to generate its operating result during the period and liabilities incurred as a result.
Net debt	Provides additional information regarding financial statement lines that are most relevant to explaining Elders' net debt position and borrowings for the period.
Risk management	Provides information relating to Elders' exposure to various financial risks, its impact on the financial position and performance of Elders and how these risks are managed.
Equity	Provides additional information regarding financial statement lines that are most relevant to explaining the equity position of Elders at the end of the period, including the dividends declared and/or paid during the period.
Group structure	Summarises how the group structure affects the financial position and performance of Elders as a whole.
Other information	Includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

GROUP PERFORMANCE — NOTE 1: SEGMENT INFORMATION

Identification of reportable segments

Elders has identified its operating segments to be Network, Feed and Processing, Live Export (now discontinued) and Other. This is the basis on which internal reports are reviewed and used by the Chief Executive Officer (the chief operating decision maker) in assessing performance and in determining allocation of resources. Discrete financial information about each of these operating businesses is reported to the Chief Executive Officer on at least a monthly basis. Elders operates predominantly within Australia. All other geographical operations are not material to the financial statements.

Type of product and service

- Network includes the provision of a range of products and services through a common distribution channel, including agricultural retail products, agency services and financial services.
- Feed and Processing includes Killara feedlot, a beef cattle feedlot near Tamworth in New South Wales. In Indonesia and China, Elders imports, processes and distributes premium Australian meat. The Indonesian feedlot and abattoir assets have been classified as held for sale and discontinued due to the impending sale of that business.
- Live Export facilitated principal position trades of dairy, beef feeder, beef slaughter and breeding cattle, and sheep from Australia and New Zealand to international markets by sea or air freight. Elders exited the live export business in the prior period.
- The Other segment includes the general investment activities not associated with the other business segments and the administrative corporate office activities, including centrally held costs not allocated to the other segments.

Accounting policies and intersegment transactions

The accounting policies used by Elders in reporting segments internally are the same as those contained in the financial statements. Segment results have been determined on a consolidated basis and represent the earnings before corporate net financing costs and income tax expense.

	Network	Feed and Processing	Live Export	Other	Total
2018	$000	$000	$000	$000	$000
Sales revenue	1,438,644	189,438	-	530	1,628,612
Equity accounted profits	7,016	-	-	-	7,016
Earnings before interest, tax, depreciation and amortisation	117,572	3,293	-	(52,314)	68,551
Depreciation and amortisation	(2,907)	(1,283)	-	(644)	(4,834)
Segment result	**114,665**	**2,010**	**-**	**(52,958)**	**63,717**
Corporate net interest expense					(6,818)
Profit from ordinary activities before tax					**56,899**
Segment result	114,665	2,010	-	(52,958)	63,717
Discontinued operations results	-	4,835	-	-	4,835
Continuing profit/(loss) before net borrowing costs and tax expense	**114,665**	**6,845**	**-**	**(52,958)**	**68,552**
Corporate net interest expense					(6,854)
Continuing profit before tax expense					**61,698**
Segment assets	705,166	66,933	-	158,120	930,219
Segment liabilities	333,753	8,282	-	279,635	621,670
Net assets	**371,413**	**58,651**	**-**	**(121,515)**	**308,549**
Carrying value of equity accounted investments	54,337	-	-	-	54,337
Acquisition of non current assets (cash outflow)	35,546	1,619	-	1,518	38,683
Non cash income/(expense) other than depreciation and amortisation	(1,868)	(779)	-	1,471	(1,176)
Profit/(loss) on sale of non current assets	(122)	-	-	-	(122)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

GROUP PERFORMANCE — NOTE 1: SEGMENT INFORMATION

	Network	Feed and Processing	Live Export	Other	Total
2017	$000	$000	$000	$000	$000
Sales revenue	1,426,017	176,716	99,002	601	1,702,336
Equity accounted profits	5,411	-	-	-	5,411
Earnings before interest, tax, depreciation and amortisation	116,945	6,035	5,907	6,591	135,478
Depreciation and amortisation	(2,512)	(1,178)	-	(444)	(4,134)
Segment result	**114,433**	**4,857**	**5,907**	**6,147**	**131,344**
Corporate net interest expense					(7,530)
Profit from ordinary activities before tax					**123,814**
Segment result	114,433	4,857	5,907	6,147	131,344
Discontinued operations results	-	603	(5,907)	-	(5,304)
Continuing profit/(loss) before net borrowing costs and tax expense	**114,433**	**5,460**	**-**	**6,147**	**126,040**
Corporate net interest expense					(7,265)
Continuing profit before tax expense					**118,775**
Segment assets	567,599	72,202	-	162,351	802,152
Segment liabilities	309,952	8,747	-	225,775	544,474
Net assets	**257,647**	**63,455**	**-**	**(63,424)**	**257,678**
Carrying value of equity accounted investments	53,842	-	-	-	53,842
Acquisition of non current assets (cash outflow)	44,989	1,216	-	-	46,205
Non cash income/(expense) other than depreciation and amortisation	(2,530)	-	-	36,533	34,003
Profit/(loss) on sale of non current assets	(524)	-	1,955	-	1,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

GROUP PERFORMANCE — NOTE 2: DISCONTINUED OPERATIONS

Financial period 30 September 2018

Elders' investment in the Indonesian feedlot and abattoir operations are classified as held for sale at 30 September 2018. As required by AASB 5 Non-current Assets Held for Sale and Discontinued Operations, the 2017 comparative discontinued operations disclosed below has been represented to show the effects of this classification.

Financial period 30 September 2017

Elders' investment in Live Export was sold during the prior period and was classified as a discontinued operation.

	Cont	Disc	Total	Cont	Disc	Total
	2018 $000	2018 $000	2018 $000	2017 $000	2017 $000	2017 $000
Sales revenue	1,613,278	15,334	1,628,612	1,582,520	119,816	1,702,336
Cost of sales	(1,265,201)	(15,581)	(1,280,782)	(1,250,276)	(114,494)	(1,364,770)
Gross profit	**348,077**	**(247)**	**347,830**	**332,244**	**5,322**	**337,566**
Other revenues	7,016	-	7,016	5,411	-	5,411
Distribution expenses	(233,053)	(3,838)	(236,891)	(219,430)	(4,556)	(223,986)
Administration expenses	(47,395)	-	(47,395)	(47,186)	-	(47,186)
Other items of income/(expenses)	(6,093)	(750)	(6,843)	55,001	4,538	59,539
Profit/(loss) before borrowing costs and tax expense	**68,552**	**(4,835)**	**63,717**	**126,040**	**5,304**	**131,344**
Finance (costs)/income	(6,854)	36	(6,818)	(7,265)	(265)	(7,530)
Profit/(loss) before tax expense	**61,698**	**(4,799)**	**56,899**	**118,775**	**5,039**	**123,814**
Income tax benefit/(expense)	19,342	(2,314)	17,028	(4,109)	(1,134)	(5,243)
Net profit/(loss) for year	**81,040**	**(7,113)**	**73,927**	**114,666**	**3,905**	**118,571**
Net profit/(loss) attributable to non-controlling interest	(2,359)	-	(2,359)	(2,576)	-	(2,576)
Net profit/(loss) attributable to members of the parent entity	**78,681**	**(7,113)**	**71,568**	**112,090**	**3,905**	**115,995**

Revenue and expenses						
Sales revenue:						
Sale of goods and biological assets	1,321,601	15,334	1,336,935	1,246,598	119,816	1,366,414
Debtor interest associated with sales	5,655	-	5,655	5,579	-	5,579
Commission and other selling charges	286,022	-	286,022	330,343	-	330,343
	1,613,278	**15,334**	**1,628,612**	**1,582,520**	**119,816**	**1,702,336**
Other expenses:						
Insurance fair value adjustment	-	-	-	2,270	-	2,270
Gain on divested assets	-	-	-	-	1,955	1,955
Live export exit costs	-	-	-	-	2,583	2,583
Impairment reversal/(impairment) of assets	-	(750)	(750)	54,785	-	54,785
IT infrastructure refresh costs	(3,933)	-	(3,933)	(2,054)	-	(2,054)
Merger and acquisition due diligence	(2,160)	-	(2,160)	-	-	-
	(6,093)	**(750)**	**(6,843)**	**55,001**	**4,538**	**59,539**

GROUP PERFORMANCE — NOTE 2: DISCONTINUED OPERATIONS

The net cash flow of the discontinued operations is as follows:

	2018	2017
	$000	$000
Operating activities	2,654	10,399
Investing activities	(505)	2,654
Financing activities	-	-
Net cash inflow/(outflow)	**2,149**	**13,053**

(a) Assets and liabilities – held for sale operations

Indonesian feedlot and abattoir assets	3,568	-

Elders recognised fair value decreases of $0.8 million to revalue the Indonesian feedlot and abattoir assets to the lower of their carrying value or fair value less costs to sell.

Accounting Policy
A discontinued operation is a component of the entity that has been disposed of that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income and the assets and liabilities are presented separately on the face of the statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

GROUP PERFORMANCE — NOTE 3: REVENUE AND EXPENSES

	Note	2018 $000	2017 $000
Sales revenue			
Sale of goods and biological assets		1,321,601	1,246,598
Debtor interest associated with sales		5,655	5,579
Commission revenue		286,022	330,343
		1,613,278	**1,582,520**
Discontinued operations	2	15,334	119,816
		1,628,612	**1,702,336**
Other items of income/(expense)			
Insurance fair value adjustment		-	2,270
Impairment reversal of assets		-	54,785
IT infrastructure refresh costs		(3,933)	(2,054)
Merger and acquisition due diligence		(2,160)	-
		(6,093)	**55,001**
Discontinued operations	2	(750)	4,538
		(6,843)	**59,539**
Finance costs/(income)			
Interest expense		5,978	6,386
Unwinding of discounts in regards to liabilities		876	879
		6,854	**7,265**
Discontinued operations	2	(36)	265
		6,818	**7,530**
Specific expenses: depreciation and amortisation			
Depreciation and amortisation		4,396	3,723
		4,396	**3,723**
Discontinued operations		438	411
		4,834	**4,134**
Specific expenses: employee benefit expense			
Salaries, wages and incentives		153,060	144,972
Superannuation and other employee costs		28,891	27,708
Share based payments		3,161	2,205
		185,112	**174,885**
Discontinued operations		1,953	2,083
		187,065	**176,968**
Operating lease expenditure		34,445	43,163

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

GROUP PERFORMANCE — NOTE 3: REVENUE AND EXPENSES

Accounting Policy

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to Elders and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue from the sale of goods is recognised when there has been a transfer of risks and rewards to the customer (through the execution of a sales agreement at the time of delivery of the goods to the customer), no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed (for shipped goods this is the bill of lading).

(ii) Rendering of agency services

Revenue from the rendering of services is recognised as the service is provided.

(iii) Interest income

Revenue is recognised as it accrues using the effective interest rate method.

(iv) Dividend income

Revenue is recognised when Elders' right to receive the payment is established. Dividends received from equity accounted investments are accounted for in accordance with the equity method of accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

GROUP PERFORMANCE — NOTE 4: INCOME TAX

Significant Accounting Judgements, Estimates and Assumptions

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable the future taxable profit will be available to utilise those temporary differences. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies.

(a) Major components of income tax expense are:

	2018 $000	2017 $000
Income statement		
Current income tax expense	(3,884)	(3,019)
Adjustments in respect of current income tax of previous years	66	66
Deferred income tax benefit/(expense)	20,846	(2,290)
Income tax benefit/(expense) reported in the statement of comprehensive income	**17,028**	**(5,243)**

(b) Reconciliation of income tax expense applicable to accounting profit/(loss) before income tax at the statutory income tax rate to income tax expense at Elders' effective income tax rate is as follows:

	2018 $000	2017 $000
Accounting profit/(loss) before tax from:		
– Continuing operations	61,698	118,775
– Discontinued operations	(4,799)	5,039
Total accounting profit before tax	**56,899**	**123,814**
Income tax (expense) at 30% (2017: 30%)	(17,070)	(37,144)
Adjustments in respect of current income tax of previous years	66	66
Share of equity accounted profits	2,105	1,623
Non-assessable (losses)/profits	(2,734)	1,241
Recognition of previously unrecognised losses	38,957	29,259
Other	(4,296)	(288)
Income tax benefit/(expense) as reported in the statement of comprehensive income	**17,028**	**(5,243)**
Aggregate income tax benefit/(expense) is attributable to:		
– Continuing operations	19,342	(4,109)
– Discontinued operations	(2,314)	(1,134)
	17,028	**(5,243)**
Current tax payable	**1,166**	**109**

Tax losses

Elders has tax losses for which no deferred tax asset is recognised in the statement of financial position of $131.5 million (2017: $170.8 million) which are available indefinitely for offset against future taxable profits subject to continuing to meet relevant statutory tests.

Tax Consolidation

Elders and its 100% owned Australian resident subsidiaries are in a tax consolidated group. Elders Limited is the head entity of the tax consolidated group. Members of the Group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

GROUP PERFORMANCE — NOTE 4: INCOME TAX

(c) Major components of deferred income tax:

	Statement of Financial Position		Movement	
	2018 $000	2017 $000	2018 $000	2017 $000
Deferred income tax assets				
Losses available to offset against future taxable income	82,037	57,437	24,600	14,186
Provision for employee entitlements	14,875	14,843	32	3,109
Other provisions	1,657	3,205	(1,548)	(658)
Capitalised expenses	2,516	4,831	(2,315)	(3,408)
Other	1,152	1,063	89	(51)
Gross deferred income tax assets	**102,237**	**81,379**	**20,858**	**13,178**
Deferred income tax liabilities				
Inventory	(872)	(869)	(3)	786
Intangibles	(22,596)	(20,304)	(2,292)	(18,619)
Other	(755)	(824)	69	(89)
Gross deferred income tax liabilities	**(24,223)**	**(21,997)**	**(2,226)**	**(17,922)**
Movement in net deferred tax asset			**18,632**	**(4,744)**
Deferred income tax benefit/(expense) recognised in the statement of comprehensive income			20,846	(2,290)
Deferred income tax liabilities recognised for intangibles acquired as part of business combinations			(2,214)	(2,454)
			18,632	**(4,744)**
Net deferred tax asset	**78,014**	**59,382**		

Accounting Policy

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income.

Deferred income tax is recognised on temporary differences. Deferred income tax assets are recognised for taxable temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

GROUP PERFORMANCE — NOTE 5: EARNINGS PER SHARE

	2018	2017
Weighted average number of ordinary shares ('000) used in calculating basic EPS	115,523	113,859
Dilutive share options ('000)	2,357	3,430
Adjusted weighted average number of ordinary shares used in calculating dilutive EPS ('000)	**117,880**	**117,289**

The following reflects the net profit/(loss) and share data used in the calculations of earnings per share (EPS):

	2018	2017
	$000	$000
Reported operations		
Basic and dilutive		
Net profit attributable to members (after tax)	**71,568**	**115,995**
Reported operations:		
Basic earnings per share (cents per share)	62.0 ¢	101.9 ¢
Diluted earnings per share (cents per share)	60.7 ¢	98.9 ¢
Continuing operations		
Basic		
Net profit attributable to members (after tax)	71,568	115,995
Less: Net loss/(profit) of discontinued operations (net of tax)	7,113	(3,905)
Net profit of continuing operations (net of tax)	**78,681**	**112,090**
Continuing operations earnings per share:		
Basic earnings per share (cents per share)	68.1 ¢	98.4 ¢
Diluted earnings per share (cents per share)	66.7 ¢	95.6 ¢
Discontinued operations		
Net (loss)/profit of discontinued operations (net of tax)	**(7,113)**	**3,905**
Discontinued operations earnings per share:		
Basic earnings per share (cents per share)	(6.2)¢	3.4 ¢
Diluted earnings per share (cents per share)	(6.2)¢	3.3 ¢

Accounting Policy

Basic earnings per share amounts are calculated by dividing net profit or loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares. Hybrids acquired by Elders are not considered dilutive.

WORKING CAPITAL — NOTE 6: RECEIVABLES

	2018	2017
	$000	$000
Current		
Trade debtors	424,094	369,938
Allowance for doubtful debts	(3,141)	(6,658)
	420,953	**363,280**
Amounts receivable from equity accounted investments	17,216	16,531
Prepayments	1,318	1,852
Other receivables	5,309	3,978
Total current receivables	**444,796**	**385,641**
Movements in the allowance for doubtful debts – trade debtors		
Opening balance of allowance for doubtful debts	6,658	4,499
Trade debts written off	(3,926)	(826)
Trade debts provided for during the year	409	2,985
Closing balance of allowance for doubtful debts	**3,141**	**6,658**

Included in trade debtors is $74.7 million (2017: $68.0 million) which is subject to credit insurance with various terms and conditions.

Trade receivables are generally on 30 to 90 day terms with the exception of livestock receivables which are on 10 day terms. In some instances deferred terms in excess of 90 days are offered. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $0.4 million (2017: $3.0 million) has been recognised by Elders. During the period, no individual amount within the impairment allowance was considered material.

The ageing analysis of trade debtors is as follows:		
Current – within terms	**333,243**	**305,687**
Trade debtors past due but not considered impaired		
1-30 days	70,016	50,601
31-60 days	10,753	3,686
61-90 days	2,510	1,539
+91 days	4,431	1,767
Trade debtors past due and considered impaired		
+91 days	3,141	6,658
Total trade debtors	**424,094**	**369,938**

Related party receivables
For terms and conditions of related party receivables refer to note 26.

Fair value and credit risk
Due to the short term nature of trade and other current receivables, their carrying value is assumed to approximate their fair value. For other receivables the carrying amount is not materially different to their fair values. The maximum exposure to credit risk is the fair value of each class of receivables. Details regarding credit risk exposure are disclosed in note 16.

Foreign exchange and interest rate risk
Details regarding the foreign exchange and interest rate risk exposure are disclosed in note 16, including those relating to derivative related balances.

Accounting Policy
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment. Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that Elders will not be able to collect the receivable. Financial difficulties of the debtor, default payment or debts greater than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

WORKING CAPITAL — NOTE 7: BIOLOGICAL ASSETS

Livestock

	2018	2017
	$000	$000
Current		
Fair value at the end of the period	**32,528**	**44,616**

At balance date 20,635 head of cattle (2017: 27,040) are included in livestock. This represents cattle held in Australia for feedlotting purposes. The prior year also included 5,569 head of cattle held in Indonesia.

Elders is exposed to a number of risks related to its livestock:

Regulatory and environmental risks

Elders is subject to laws and regulations and has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and ensure systems in place are adequate to manage those risks.

Supply and demand risk

Elders is exposed to financial risk in respect of livestock activity. The primary financial risk associated with this activity occurs due to the length of time between expending cash on the purchase and ultimately receiving cash from the sale to third parties. Elders' strategy to manage this financial risk is to actively review and manage its working capital requirements. Elders is exposed to risks arising from fluctuations in price and sales volumes, and product substitution. Where possible, Elders manages these risks by aligning volumes with market supply and demand.

Other risks

Elders' livestock are exposed to the risk of damage from disease and other natural forces. Elders has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspections and industry pest and disease surveys.

Accounting Policy

Elders holds biological assets in the form of livestock. Livestock is measured at fair value internally as there is no observable market for them. Where there are unobservable inputs for an asset or liability, these are classified as Level 3 Price Inputs. The value is based on the estimated exit price per kilogram and the value changes for the weight of each animal as it progresses through the feedlot program. The key factors affecting the value of each animal are price/kg, days on feed and the feed conversion ratio. The market value increments or decrements are recorded in profit and loss.

Significant changes in any of the significant unobservable valuation inputs for feedlot cattle in isolation would result in significantly higher or lower fair value measurement.

WORKING CAPITAL — NOTE 8: INVENTORY

Significant Accounting Judgements, Estimates and Assumptions

Accounting for rebates

Elders receives rebates associated with the purchase of retail goods from suppliers. These vary in nature and include price and volume rebates. Rebates, in line with the relevant contractual arrangements, are recognised as a reduction to cost of sales when the sale of the particular product occurs.

	2018	2017
	$000	$000
Current		
Retail	137,102	102,958
Other	10,655	8,143
Total inventory	**147,757**	**111,101**

Inventory write-downs recognised as an expense totalled $1.6 million (2017: $2.0 million).

Accounting Policy

Inventories are valued at the lower of cost and net realisable value. Costs are assigned to individual items of inventory predominately on the basis of weighted average cost. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Supplier rebates are recognised as a reduction in the cost of inventory and are recorded as a reduction in cost of sales when the inventory is sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

WORKING CAPITAL — NOTE 9: TRADE AND OTHER PAYABLES

	2018	2017
	$000	$000
Current		
Trade creditors	326,405	314,750
Other creditors and accruals	43,933	37,841
Payables to associated companies	1,569	2,948
	371,907	**355,539**
Non current		
Other creditors and accruals	12,668	5,343
Total trade and other payables	**384,575**	**360,882**

Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 16, including those relating to derivative forward contracts.

Accounting Policy

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. The carrying amount of trade and other payables are assumed to be the same as their fair values. They represent liabilities for goods and services provided to Elders prior to the end of the financial year that remain unpaid and arise when Elders becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within supplier terms.

Financial guarantees

Financial guarantee contracts issued by Elders are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specific debtor fails to make a payment when due in accordance with the terms of the debt instrument. Financial guarantee contracts are recognised initially at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation. Information regarding financial guarantees is set out in note 15.

CAPITAL EMPLOYED — NOTE 10: PROPERTY, PLANT AND EQUIPMENT

Significant Accounting Judgements, Estimates and Assumptions

Impairment of non-financial assets other than brand names and goodwill
Elders assesses impairment of all assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. These include product performance, technology, climate, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. It is Elders' policy to conduct bi-annual internal reviews of asset values, which are used as sources of information to assess for indicators of impairment. Assets have been tested for impairment in accordance with the accounting policies, including the determination of recoverable amounts of assets using the higher of value in use and fair value less cost to sell.

Reconciliation of carrying amounts at beginning and end of period:

	Freehold land	Buildings	Leasehold improvements	Plant and equipment (owned)	Plant and equipment (leased)	Assets under construction	Total
	$000	$000	$000	$000	$000	$000	$000
2018							
Carrying amount at beginning of period	5,164	8,296	5,652	9,851	603	319	29,885
Additions	-	466	891	2,480	1,563	262	5,662
Additions through business combinations	-	-	-	192	272	-	464
Disposals	(2)	(13)	(14)	(111)	(236)	-	(376)
Depreciation expense	-	(734)	(799)	(1,880)	(561)	-	(3,974)
Impairment	(548)	-	-	(202)	-	-	(750)
Transfer to held for sale	(1,134)	(1,336)	-	(1,078)	-	(20)	(3,568)
Exchange fluctuations	(62)	28	(59)	68	-	-	(25)
Transfers from assets under construction	-	135	-	155	-	(290)	-
Carrying amount at end of period	**3,418**	**6,842**	**5,671**	**9,475**	**1,641**	**271**	**27,318**
Cost	3,418	14,336	12,794	26,799	2,545	271	60,163
Accumulated depreciation and impairment	-	(7,494)	(7,123)	(17,324)	(904)	-	(32,845)
	3,418	**6,842**	**5,671**	**9,475**	**1,641**	**271**	**27,318**
2017							
Carrying amount at beginning of period	5,354	7,860	6,241	8,704	732	1,671	30,562
Additions	-	761	89	1,849	391	391	3,481
Additions through business combinations	-	-	519	142	-	-	661
Disposals	-	(5)	(405)	(275)	(37)	-	(722)
Depreciation expense	-	(656)	(792)	(1,785)	(390)	-	(3,623)
Exchange fluctuations	(190)	(91)	-	(151)	-	(42)	(474)
Transfers from assets under construction	-	427	-	1,274	-	(1,701)	-
Other	-	-	-	93	(93)	-	-
Carrying amount at end of period	**5,164**	**8,296**	**5,652**	**9,851**	**603**	**319**	**29,885**
Cost	5,164	15,970	12,224	27,440	1,031	319	62,148
Accumulated depreciation and impairment	-	(7,674)	(6,572)	(17,589)	(428)	-	(32,263)
	5,164	**8,296**	**5,652**	**9,851**	**603**	**319**	**29,885**

All property, plant and equipment is pledged as security, refer to note 15 for interest bearing loans and borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

CAPITAL EMPLOYED — NOTE 10: PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, Elders recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repairs and maintenance are recognised in profit or loss as incurred.

Property, plant and equipment, excluding freehold land and assets under construction, are depreciated over the estimated useful economic life of specific assets as follows:

	Life	Method
Buildings	50 years	Straight line
Leasehold improvements	Lease term	Straight line
Plant and equipment – owned	3 to 10 years	Straight line
Plant and equipment – leased	Lease term	Straight line
Network infrastructure	5 to 25 years	Straight line

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that Elders will obtain ownership by the end of the lease term.

The useful lives are consistent with those of the prior period. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate at each financial year end.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount. These are included in the statement of comprehensive income.

CAPITAL EMPLOYED — NOTE 11: INTANGIBLES

Significant Accounting Judgements, Estimates and Assumptions

Impairment of brand names and goodwill

Elders assesses impairment of assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. These include product performance, technology, climate, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. It is Elders' policy to conduct bi-annual internal reviews for indicators of impairment. If indicators exist, assets are tested for impairment through determination of recoverable amounts of assets using the higher of value in use and fair value less cost to sell.

Elders determines whether the brand names and goodwill are impaired or whether it is appropriate to reverse any previous impairments on an annual basis. This requires an estimation of the recoverable amount of the associated cash-generating units, using a value in use discounted cash flow methodology, to which the brand names or goodwill is allocated.

Reconciliation of carrying amounts at beginning and end of period:

	Goodwill	Rent rolls & loan books	Brand names	Other	Total
Non current	$000	$000	$000	$000	$000
2018					
Carrying amount at beginning of period	9,216	7,734	62,979	1,301	81,230
Additions	-	-	-	1,078	1,078
Additions through business combinations	38,702	710	8,169	-	47,581
Disposals	-	(38)	-	-	(38)
Amortisation	-	(843)	-	(17)	(860)
Carrying amount at end of period	**47,918**	**7,563**	**71,148**	**2,362**	**128,991**
Cost	47,918	8,945	71,148	2,379	130,390
Accumulated amortisation and impairment	-	(1,382)	-	(17)	(1,399)
	47,918	**7,563**	**71,148**	**2,362**	**128,991**
2017					
Carrying amount at beginning of period	2,052	2,751	5,615	-	10,418
Additions	-	590	-	-	590
Additions through business combinations	7,164	4,904	2,579	1,301	15,948
Amortisation	-	(511)	-	-	(511)
Impairment reversal	-	-	54,785	-	54,785
Carrying amount at end of period	**9,216**	**7,734**	**62,979**	**1,301**	**81,230**
Cost	9,216	8,307	62,979	1,301	81,803
Accumulated amortisation and impairment	-	(573)	-	-	(573)
	9,216	**7,734**	**62,979**	**1,301**	**81,230**

For impairment testing purposes, all intangibles except for the Elders' Brand Name are allocated to the Network CGU, which is also an operating segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

CAPITAL EMPLOYED — NOTE 11: INTANGIBLES

Elders Brand Name

For the purposes of impairment testing, the Elders Brand Name has not been allocated to individual CGU's but rather assessed against all CGU's expected to benefit from it. The recoverable amount of the cash generating units to which the Elders Brand Name has been allocated to have been determined based on a value in use calculation using cash flow projections approved by management that covers a period of 5 years. Future cash flows are based on budgets and forecasts taking into account current market conditions and known future business events that will impact cash flows. The discount rate applied to the cash flow projections is 10.6% pre-tax (2017: 10.6% pre-tax) which has been determined based on a weighted average cost of capital calculation which incorporates the specific risks relating to the cash generating units identified.

The calculation of value in use for the cash generating units expected to benefit from the Elders Brand Name was based on the following key assumptions:

Gross margin

Gross margin is expected to increase from financial year 2018 levels due to:

- Increased earnings from geographical expansion through acquisitions and footprint growth as implemented in the 2018 financial year
- Higher earnings from continued organic growth focus across our product and service portfolio

Selling, general and administrative expenses

Ongoing emphasis on cost control will be offset by investment directly linked to margin improvement and control enhancement, including implementation of remuneration models which drive performance and growth.

Growth rate estimates

Cash flows are based on the 2019 budget. No EBIT growth for years 2 to 5 or perpetuity has been incorporated in the discounted cash flow.

Discount rates

Discount rates reflect management's estimate of the time value of money and the specific risk not already reflected in the cash flows.

Accounting Policy

(i) Brand names

The brand name intangibles are deemed to have an indefinite useful life and are not amortised. The brand name value represents the value attributed to brands when acquired through business combinations and is carried at cost less accumulated impairment losses. The brand names have been determined to have an indefinite useful life due to there being no foreseeable limit to the period over which they are expected to generate net cash inflows, given the strength and durability of the brands and the level of marketing support. The brands have been in the rural and regional Australian market for many years, and the nature of the industry Elders operates in is such that brand obsolescence is not common, if appropriately supported by advertising and marketing spend.

Expenditure incurred in developing, maintaining or enhancing the brand names is expensed in the year that it occurred.

(ii) Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

(iii) Rent rolls and loan books

Rent rolls and loan books have been acquired and are carried at cost less accumulated amortisation and impairment losses. These intangible assets have been determined to have finite useful lives and are amortised over their useful lives of 10 years and tested for impairment whenever there is an indicator of impairment.

The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate and is thus accounted for on a prospective basis.

CAPITAL EMPLOYED — NOTE 12: EQUITY ACCOUNTED INVESTMENTS

	Balance	Ownership Interest	
		2018 %	2017 %
Auctions Plus Pty Ltd	30-Jun	50	50
Elders Financial Planning Pty Ltd	30-Sep	49	49
Elders Insurance (Underwriting Agency) Pty Ltd	31-Dec	20	20
StockCo Holdings Pty Ltd	30-Jun	30	30
Clear Grain Pty Ltd	30-Jun	20	-

	Consolidated entity investment		Contribution to net profit		Dividends received	
	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000
Auctions Plus Pty Ltd	1,362	1,450	979	992	1,067	755
Elders Financial Planning Pty Ltd	729	974	-	-	245	1,225
Elders Insurance (Underwriting Agency) Pty Ltd	42,134	41,363	6,575	4,364	5,804	3,612
StockCo Holdings Pty Ltd	9,481	10,055	(574)	55	-	-
Clear Grain Pty Ltd	631	-	36	-	55	-
Equity accounted investments	**54,337**	**53,842**	**7,016**	**5,411**	**7,171**	**5,592**

All equity accounted investments are Australian resident companies. On 1 November 2017, Elders acquired 20% in Clear Grain Pty Ltd for $0.7 million.

Summary financial information for equity accounted investees is as follows:

	Profit/(loss) after income tax	Assets	Liabilities
	$000	$000	$000
2018			
Auctions Plus Pty Ltd	1,958	3,749	1,088
Elders Financial Planning Pty Ltd	(144)	3,791	470
Elders Insurance (Underwriting Agency) Pty Ltd	32,880	61,077	51,654
StockCo Holdings Pty Ltd	(1,913)	221,310	223,378
Clear Grain Pty Ltd	180	911	991
Total	**32,961**	**290,838**	**277,581**
2017			
Auctions Plus Pty Ltd	1,984	4,016	1,179
Elders Financial Planning Pty Ltd	(157)	4,699	863
Elders Insurance (Underwriting Agency) Pty Ltd	21,817	56,938	51,380
StockCo Holdings Pty Ltd	185	192,893	193,073
Total	**23,829**	**258,546**	**246,495**

Accounting Policy

Elders' equity accounted investments are accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent. Equity accounted investments are entities over which Elders has significant influence and that are neither subsidiaries nor joint ventures. Elders generally deems it has significant influence if it has 20% of the voting rights.

Under the equity method, equity accounted investments are carried in the consolidated financial statements at cost plus post acquisition changes in Elders' share of net assets of the investment. Goodwill relating to the investment is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of comprehensive income reflects Elders' share of the results of operations of the equity accounted investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

CAPITAL EMPLOYED — NOTE 13: PROVISIONS

Reconciliation of carrying amounts at beginning and end of period:

	Employee entitlements	Restructuring provisions	Make good	Onerous contracts	Other	Total
	$000	$000	$000	$000	$000	$000
2018						
As at beginning of period	49,755	1,115	265	1,005	861	53,001
Arising during year	14,570	-	20	-	254	14,844
Utilised	(15,167)	(915)	(89)	(878)	(440)	(17,489)
Unused amounts reversed	-	-	-	-	(210)	(210)
Discount rate adjustment	412	-	-	-	-	412
Provisions arising from entities acquired	296	-	-	-	-	296
Transfer between provisions	-	(100)	-	100	-	-
	49,866	**100**	**196**	**227**	**465**	**50,854**
Disclosed as:						
Current	44,868	100	196	227	465	45,856
Non current	4,998	-	-	-	-	4,998
Total	**49,866**	**100**	**196**	**227**	**465**	**50,854**
2017						
As at beginning of period	39,342	3,176	-	3,990	502	47,010
Arising during year	14,575	344	265	1,055	610	16,849
Utilised	(5,404)	(3,317)	-	(411)	(199)	(9,331)
Unused amounts reversed	-	(152)	-	(2,565)	(52)	(2,769)
Discount rate adjustment	435	-	-	-	-	435
Provisions arising from entities acquired	807	-	-	-	-	807
Transfer between provisions	-	1,064	-	(1,064)	-	-
	49,755	**1,115**	**265**	**1,005**	**861**	**53,001**
Disclosed as:						
Current	45,831	1,115	265	1,005	861	49,077
Non current	3,924	-	-	-	-	3,924
Total	**49,755**	**1,115**	**265**	**1,005**	**861**	**53,001**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

CAPITAL EMPLOYED — NOTE 13: PROVISIONS

Accounting Policy

Provisions are recognised when Elders has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When Elders expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' service up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Restructuring provisions

Provisions are only recognised when general recognition criteria provisions are fulfilled. Additionally, Elders needs to follow a detailed formal plan about the business or part of the business concerned, the location and the number of employees affected, a detailed estimate of the associated costs, and appropriate time line. The people affected have a valid expectation that the restructuring is being carried out or the implementation has been initiated already.

Make Good (Restoration)

Where Elders has entered into leasing arrangements that require the leased asset to be returned at the end of the lease term in its original condition, an estimate is made of the costs of restoration or dismantling of any improvements and a provision is raised.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of complying with the contract. Before a provision is established, Elders recognises any impairment loss on the assets associated with that contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

NET DEBT — NOTE 14: CASH FLOW STATEMENT RECONCILIATION

(a) Reconciliation of net profit after tax to net cash flows from operations

	2018	2017
	$000	$000
Profit after income tax expense	73,927	118,571
Adjustments for non cash items:		
Depreciation and amortisation	4,834	4,134
Unwinding of discount in regards to payables	876	879
Equity accounted profits	(7,016)	(5,411)
Dividends from equity accounted investments	7,171	5,592
Fair value adjustments to equity accounted investments	-	(2,270)
Other fair value adjustments	29	(396)
Impairment/(impairment reversal)	750	(54,785)
Doubtful debts	409	2,985
Employee entitlements	14,982	15,010
Other provisions	64	(495)
Other write downs	1,304	2,030
Net (profit)/loss on sale of non-current assets	122	524
Net (profit) on sale of controlled entity	-	(1,955)
Net tax movements	(20,554)	1,097
Other non cash items	3,161	2,205
	80,059	87,715
– (Increase)/decrease in receivables and other assets	(47,823)	(13,143)
– (Increase)/decrease in inventories	(36,893)	(505)
– Increase/(decrease) in payables and provisions	(7,475)	7,532
Net cash flows from operating activities	**(12,132)**	**81,599**

(b) Cash and cash equivalents

Cash at bank and in hand	**11,641**	**35,186**

(c) Net debt reconciliation

Cash and cash equivalents	11,641	35,186
Borrowings - repayment within one year	(184,001)	(130,266)
Borrowings - repayment after one year	(1,074)	(216)
Net debt	**(173,434)**	**(95,296)**
Cash and liquid investments	11,641	35,186
Gross debt - fixed interest rates	(121,621)	(120,608)
Gross debt - variable interest rates	(63,454)	(9,874)
Net debt	**(173,434)**	**(95,296)**

At balance date, Elders held $22.0 million (2017: $21.5 million) of client monies in trust which are off balance sheet. The funds are held on behalf of clients in the Real Estate business and Elders is bound by the relevant legislation in each state in relation to controls and governance over the funds.

Accounting Policy

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash deposits as defined above, net of outstanding bank overdrafts.

NET DEBT — NOTE 15: INTEREST BEARING LOANS AND BORROWINGS

	2018	2017
	$000	$000
Current		
Trade receivables and other working capital funding	183,454	129,874
Lease liabilities	547	392
	184,001	**130,266**
Non current		
Lease liabilities	1,074	216
	1,074	**216**
Total current and non current	**185,075**	**130,482**

Elders also has an ancillary facility in relation to contingent funding, such as bank guarantees. As at 30 September 2018, $5.5 million had been issued (2017: $5.2 million).

Assets pledged as security

Secured loans are secured by various fixed and floating charges over all the assets of Elders Limited (either directly or indirectly). Lease liabilities are secured by a charge over the leased assets.

Fair value

The carrying value of interest bearing liabilities approximates fair value.

Accounting Policy

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Borrowings are classified as current liabilities unless Elders has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

RISK MANAGEMENT — NOTE 16: FINANCIAL INSTRUMENTS

Elders' principal financial instruments comprise cash, receivables, payables, interest bearing loans and borrowings, and derivatives.

Risk exposures and responses

Elders manages its exposure to key financial risks, including interest rate and currency risk in accordance with its financial risk management policy. The objective of the policy is to support the delivery of financial targets while protecting future financial security. The main risks arising from Elders' financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Elders uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange prices. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

(a) Interest rate risk

Elders' exposure to market interest rates relates primarily to short term debt obligations. The level of debt is disclosed in note 15. At September 2018 interest on $120.0 million (2017: $120.0 million) of secured loans was hedged under a floating to fixed arrangement, meaning at balance date, Elders had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk:

	2018	2017
	$000	$000
Financial assets		
Cash and cash equivalents	11,641	35,186
	11,641	**35,186**
Financial liabilities		
Trade receivables and other working capital funding	(63,454)	(9,874)
Net exposure	**(51,813)**	**25,312**

Elders constantly analyses its interest rate exposure so as to manage its cash flow volatility arising from interest rate changes. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. At balance dates, if interest rates had moved as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post tax profit/equity Higher/(lower)	
+ 100 basis points	(518)	253
- 100 basis points	518	(253)

RISK MANAGEMENT — NOTE 16: FINANCIAL INSTRUMENTS

(b) Liquidity risk

Liquidity risk arises from Elders' financial liabilities and the subsequent ability to meet our obligations to repay their financial liabilities as and when they fall due. Elders' objective is to maintain a balance between continuity of funding and flexibility through the use of committed available lines of credit. Elders manages its liquidity risk by monitoring the total cash inflows and outflows expected on a daily basis. Elders has established comprehensive risk reporting covering its business units that reflect expectations of management of the expected settlement of financial assets and liabilities.

(i) Non derivative financial liabilities

The following liquidity risk disclosures reflect all contractually fixed pay-offs, repayments and interest resulting from the recognised financial liabilities and financial guarantees as of 30 September 2018. For the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which Elders can be required to pay. When Elders is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which we are required to pay. For financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called. The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows of non-derivative financial instruments.

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-5 years
	$000	$000	$000	$000	$000
2018					
Non derivative financial assets:					
Cash and cash equivalents	11,641	11,641	11,641	-	-
Trade and other receivables	447,937	447,937	447,937	-	-
	459,578	**459,578**	**459,578**	**-**	**-**
Non derivative financial liabilities:					
Interest bearing loans and borrowings	(185,290)	(185,290)	(183,454)	(631)	(1,205)
Trade and other payables	(381,710)	(381,710)	(365,049)	(6,990)	(10,497)
Financial guarantees	-	(5,528)	(5,528)	-	-
	(567,000)	**(572,528)**	**(554,031)**	**(7,621)**	**(11,702)**
Net inflow/(outflow)	**(107,422)**	**(112,950)**	**(94,453)**	**(7,621)**	**(11,702)**
2017					
Non derivative financial assets:					
Cash and cash equivalents	35,186	35,186	35,186	-	-
Trade and other receivables	392,299	392,299	392,299	-	-
	427,485	**427,485**	**427,485**	**-**	**-**
Non derivative financial liabilities:					
Interest bearing loans and borrowings	(130,162)	(130,162)	(129,554)	(387)	(221)
Trade and other payables	(357,539)	(357,539)	(354,390)	(1,149)	(2,000)
Financial guarantees	-	(5,207)	(5,207)	-	-
	(487,701)	**(492,908)**	**(489,151)**	**(1,536)**	**(2,221)**
Net inflow/(outflow)	**(60,216)**	**(65,423)**	**(61,666)**	**(1,536)**	**(2,221)**

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RISK MANAGEMENT — NOTE 16: FINANCIAL INSTRUMENTS

(ii) Derivative financial instruments

Due to the unique characteristics and inherent risks to derivative instruments, Elders separately monitors liquidity risk arising from transacting in derivative instruments. The following table details the liquidity risk arising from derivative financial assets and liabilities held by Elders at balance date. Net settled derivatives comprise forward exchange and interest rate hedges, which are recognised within receivables on the statement of financial position.

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-5 years
	$000	$000	$000	$000	$000
2018					
Derivative assets – net settled	312	312	312	-	-
Total inflow	**312**	**312**	**312**	**-**	**-**
2017					
Derivative assets – net settled	83	83	83	-	-
Total inflow	**83**	**83**	**83**	**-**	**-**

(c) Credit risk

Credit risk arises from Elders' financial assets, which comprise cash and cash equivalents, trade and other receivables, and derivative instruments. Elders' exposures to credit risk arise from potential default of the counterparty, with the maximum exposure equal to the carrying amount of the financial assets. The ageing of trade and other receivables at balance date is reported at note 6. The credit risk associated with cash and derivatives is located primarily in Australia.

Elders minimises concentrations of credit risk by undertaking transactions with a large number of debtors in various locations. The credit risk amounts do not take into account the value of any collateral or security. The creditworthiness of counterparties is regularly monitored and subject to defined credit policies, procedures, limits and insurance positions. The amounts disclosed do not reflect expected losses and are shown gross of provisions. The maximum exposure to credit risk at the reporting date was:

	2018	2017
	$000	$000
Cash and cash equivalents	11,641	35,186
Trade and other receivables	447,625	392,216
Derivative financial assets	312	83
	459,578	**427,485**
Location of credit risk		
Australia	452,215	420,699
Asia	7,363	6,786
Total	**459,578**	**427,485**

RISK MANAGEMENT — NOTE 16: FINANCIAL INSTRUMENTS

(d) Foreign currency risk

Elders is exposed to movements in the exchange rates of a number of currencies. These are primarily generated from the following activities:

- Purchase and sale contracts written in foreign currency;
- Receivables and payables denominated in foreign currencies; and
- Commodity cash prices that are partially determined by movements in exchange rates.

Foreign exchange risk is managed within Board approved limits using forward foreign exchange and foreign currency contracts. Where possible, exposures are netted off against each other to minimise the cost of hedging. Hedge accounting is not applied, with foreign currency contracts fair valued at balance date with gains and losses recognised immediately through the statement of comprehensive income. At 30 September 2018, Elders had the following AUD exposures to foreign currencies that were not designated in cash flow hedges:

	2018	**2017**
	$000	$000
Financial assets		
Cash and cash equivalents – CNY	609	945
Cash and cash equivalents – IDR	1,301	1,136
Receivables – CNY	2,733	2,564
Receivables – IDR	2,720	2,141
	7,363	**6,786**
Financial liabilities		
Payables – CNY	(1,224)	(556)
Payables – IDR	(1,599)	(3,095)
Interest bearing loans and borrowings – CNY	(3,286)	(320)
	(6,109)	**(3,971)**
Net exposure	**1,254**	**2,815**

Given the foreign currency balances included in the statement of financial position at balance date, if the Australian dollar at that date strengthened by 10% with all other variables held constant, then the impact on post tax profit/(loss) arising on the balance sheet exposure would be as follows:

	Post tax profit Higher/(lower)	
CNY	117	(250)
IDR	(242)	(18)

A 10% weakening of the Australian dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables are held constant.

Accounting Policy

Elders uses forward currency contracts to hedge risks associated with foreign currency rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. Derivative assets and liabilities are classified as non-current in the statement of financial position when the remaining maturity is more than 12 months, or current when the remaining maturity is less than 12 months.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

RISK MANAGEMENT — NOTE 16: FINANCIAL INSTRUMENTS

(e) Fair value of financial assets and liabilities

Elders use various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

All forward exchange derivative contracts were measured at fair value using the level 2 method. Fair value of derivative instruments approximates the carrying value. The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit and loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

The fair value of financial instruments as well as the method used to estimate the fair values are summarised in the table below:

	2018			2017		
	Quoted market price (Level 1)	**Valuation technique - market observable inputs (Level 2)**	**Valuation technique – non market observable inputs (Level 3)**	**Quoted market price (Level 1)**	**Valuation technique - market observable inputs (Level 2)**	**Valuation technique – non market observable inputs (Level 3)**
	$000	$000	$000	$000	$000	$000
Financial assets						
Derivatives	-	312	-	-	83	-
	-	**312**	**-**	**-**	**83**	**-**

EQUITY — NOTE 17: CONTRIBUTED EQUITY

	2018	2017
	$000	$000
Issued and paid up capital		
115,818,637 ordinary shares (September 2017: 113,859,440)	**1,426,835**	1,422,255

The movement in the dollar balance of share capital is a result of:

- $2.7 million increase due to options issued in connection with the 2015 long term incentive plan; and
- $1.9 million of dividends where the shareholders have participated in the dividend reinvestment plan.

Elders considers both capital and net debt as relevant components of funding, hence, part of its capital management. When managing capital and net debt, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Accounting Policy
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are included in equity as a deduction, net of tax, from the proceeds.

EQUITY — NOTE 18: RESERVES

Reconciliation of carrying amounts at beginning and end of period:

	Business combination reserve	Employee equity benefits reserve	Foreign currency translation reserve	Total
	$000	$000	$000	$000
2018				
Carrying amount at beginning of period	(25,945)	3,916	(5,567)	(27,596)
Exchange differences on translation of foreign operations	-	-	(328)	(328)
Cost of share based payments	-	3,161	-	3,161
Transfer to retained earnings	-	(1,271)	-	(1,271)
Carrying amount at end of period	**(25,945)**	**5,806**	**(5,895)**	**(26,034)**
2017				
Carrying amount at beginning of period	(26,418)	1,711	(4,356)	(29,063)
Exchange differences on translation of foreign operations	-	-	(1,211)	(1,211)
Cost of share based payments	-	2,205	-	2,205
Other	473	-	-	473
Carrying amount at end of period	**(25,945)**	**3,916**	**(5,567)**	**(27,596)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

EQUITY — NOTE 18: RESERVES

Nature and purpose of reserves

(i) Business combination reserve

The reserve is used to record the differences between the carrying value of non-controlling interests and the consideration paid/received, where there has been a transaction involving non-controlling interests that do not result in a loss of control.

Under agreements entered into with a number of non-controlling interests, the non-controlling shareholders have put options over their interests. These options are exercisable in accordance with the terms of each agreement. The potential liability for Elders under the put options is based on expectations of the exercise price and timing, discounted to present value using Elders' incremental borrowing rate. The recognition of the put options is reflected in the business combination reserve and as a financial liability within current liabilities.

(ii) Employee equity benefits reserve

This reserve is used to record the value of equity benefits provided to employees, including key management personnel as part of their remuneration.

(iii) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries, including exchange differences arising from loans which are deemed to be net investments in a foreign operation.

Accounting Policy

The results of subsidiaries incorporated in countries other than Australia, are translated into Australian Dollars (presentation currency) as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at reporting date. Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of net investments in overseas subsidiaries are taken to the foreign currency translation reserve. If such a subsidiary was sold, the proportionate share of exchange differences would be transferred out of equity and recognised in profit or loss.

EQUITY — NOTE 19: RETAINED EARNINGS

	2018	**2017**
	$000	$000
Retained earnings at the beginning of the financial year	(1,139,118)	(1,246,064)
Net profit attributable to owners of the parent	71,568	115,995
Dividends paid	(25,819)	-
Transfer from employee equity benefits reserve	1,271	-
Hybrid equity distribution	-	(3,557)
Reallocation of equity	(1,929)	(5,179)
Other	-	(313)
Retained earnings at the end of the financial year	**(1,094,027)**	**(1,139,118)**

EQUITY — NOTE 20: DIVIDENDS

On 15 December 2017, Elders paid a fully franked final dividend of 7.5 cents per share, and a fully franked special dividend of 7.5 cents per share. These distributions totalled $17.3 million (2017: Nil). The cash outflow was $16.1 million, with the difference reinvested by shareholders.

On 15 June 2018, Elders paid a fully franked interim dividend of 9 cents per share. This distribution totalled $10.4 million (2017: Nil). The cash outflow was $9.7 million, with the difference reinvested by shareholders.

Subsidiary equity dividends on ordinary shares:		
Dividends paid to non-controlling interests during the year	**2,721**	**2,482**
Franking credits available to the parent for subsequent financial years based on tax rate of 30% (2017: 30%)	**20,300**	**24,900**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

GROUP STRUCTURE — NOTE 21: INVESTMENTS IN CONTROLLED ENTITIES

(a) Schedule of controlled entities

	Country of Incorporation		% Held by Group 2018	2017
Ace Ohlsson Pty Limited	Australia	(a)	100	100
Agsure Pty Ltd	Australia	(a)	100	100
AI Asia Pacific Operations Holding Limited	Hong Kong SAR		100	100
Air International Asia Pacific Operations Pty Ltd	Australia	(f)	100	100
Air International Vehicle Air Conditioning (Shanghai) Co Ltd	China		100	100
APO Administration Limited	Hong Kong SAR	(e)	100	100
APT Projects Pty Ltd	Australia	(f)	100	100
Aqa Oysters Pty Ltd	Australia	(f)	77	77
Argo Trust No. 2	Australia	(g)	100	100
Ashwick (Vic) No 102 Pty Ltd	Australia	(f)	100	100
B & W Rural Pty Ltd	Australia		75.5	75.5
BWK Holdings Pty Ltd	Australia	(f)	100	100
Chemseed Australia Pty Ltd	Australia	(f)	100	100
Elders Automotive Group Pty Ltd	Australia	(f)	100	100
Elders Burnett Moore WA Pty Ltd	Australia	(f)	100	100
Elders China Trading Company	China		100	100
Elders Communications Pty Ltd	Australia	(f)	100	100
Elders Finance Pty Ltd	Australia	(a)	100	100
Elders Fine Foods (Shanghai) Company	China		100	100
Elders Fine Foods Vietnam Company Limited	Vietnam		100	100
Elders Forestry Finance Pty Ltd	Australia	(f)	100	100
Elders Forestry Management Pty Ltd	Australia	(f)	100	100
Elders Forestry Pty Ltd	Australia	(f)	100	100
Elders Global Wool Holdings Pty Ltd	Australia	(f)	100	100
Elders Home Loans Pty Ltd	Australia	(f)	100	100
Elders Management Services Pty Ltd	Australia	(f)	100	100
Elders Merchandise Limited	New Zealand	(h)	-	100
Elders PT Indonesia	Indonesia		100	100
Elders Real Estate (Tasmania) Pty Ltd	Australia	(f)	100	100
Elders Real Estate (WA) Pty Ltd	Australia	(f)	100	100
Elders Real Estate Limited	New Zealand	(h)	-	100
Elders Rural Holdings Limited	New Zealand	(h)	-	100
Elders Rural Services Australia Limited	Australia		100	100
Elders Rural Services Limited	Australia	(a)	100	100
Elders Services Company Pty Ltd	Australia	(f)	100	100
Elders Stock (SI) Ltd	New Zealand	(h)	-	100
Elders Telecommunications Infrastructure Pty Ltd	Australia	(f)	100	100
Elders Victorian Feedlot Pty Ltd	Australia	(f)	100	100
EVIA Rural Finance Ltd	New Zealand	(h)	-	100
Family Hospitals Pty Ltd	Australia	(f)	100	100
Fares Exports Pty Ltd	Australia	(f)	100	100
Gisborne Farmers Ltd	New Zealand	(h)	-	100
ITC Timberlands Pty Ltd	Australia	(f)	100	100
JS Brooksbank & Co Australasia Ltd	New Zealand		100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

GROUP STRUCTURE — NOTE 21: INVESTMENTS IN CONTROLLED ENTITIES

	Country of Incorporation		% Held by Group	
			2018	2017
JSB New Zealand Limited	New Zealand		100	100
Keratin Holdings Pty Ltd	Australia	(f)	100	100
Killara Feedlot Pty Ltd	Australia	(a)	100	100
Manor Hill Pty Ltd	Australia	(f)	100	100
New Ashwick Pty Ltd	Australia	(f)	100	100
Prestige Property Holdings Pty Ltd	Australia	(f)	100	100
Primac Exports Pty Ltd	Australia	(f)	100	100
Primac Pty Ltd	Australia	(f)	100	100
PT Agri Integrasi Mandiri	Indonesia		100	100
Redray Enterprises Pty Ltd	Australia	(f)	100	100
SDEA Nominees Pty Ltd	Australia	(a)	100	100
Titan Ag Pty Ltd	Australia	(a), (b), (d)	100	-
Ultrasound Australia Pty Ltd	Australia	(a)	100	100
Victorian Producers Co-operative Company Pty Ltd	Australia	(f)	100	100

- The parties that comprise the Closed Group are denoted by (a). Parties added to the Closed Group during the year are denoted by (b). Parties removed from the Closed Group during the year are denoted by (c).
- Entities acquired or registered during the period are denoted by (d).
- Entities exempted from audit requirements due to overseas legislation or non-corporate status are denoted by (e).
- Entities classified by the Corporations Act as small proprietary companies relieved from audit requirements are denoted by (f).
- Entity denoted by (g) is a controlled special purpose entity related to trade receivable financing program.
- Entities denoted by (h) are entities that were disposed of, deregistered or liquidated during the year.

Accounting Policy
The results of subsidiaries incorporated in countries other than Australia, are translated into Australian Dollars (presentation currency) as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at reporting date. Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

(b) Deed of Cross Guarantee

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 dated 29 September 2016, relief has been granted to these controlled entities of Elders Limited from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' reports. As a condition of the Class Order, Elders Limited, and the controlled entities subject to the Class Order, entered into a Deed of Cross Guarantee. The effect of the deed is that Elders Limited has guaranteed to pay any deficiency in the event of the winding up of any member of the Closed Group, and each member of the Closed Group has given a guarantee to pay any deficiency, in the event that Elders Limited or any other member of the Closed Group is wound up.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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GROUP STRUCTURE — NOTE 21: INVESTMENTS IN CONTROLLED ENTITIES

Certain members of the Closed Group, in addition to certain controlled entities, are guarantors in connection with the consolidated entity's borrowings facilities disclosed at note 15. A consolidated statement of comprehensive income and consolidated statement of financial position, comprising Elders Limited and the controlled entities which are a party to the deed, after elimination of all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 September 2018 is set out as follows:

	2018	2017
	$000	$000
Statement of comprehensive income of the Closed Group		
Sales revenue	196,583	147,141
Cost of sales	(172,362)	(130,734)
Gross profit	**24,221**	**16,407**
Other revenue	25,000	40,000
Distribution expenses	(14,309)	(9,119)
Administrative expenses	(11,116)	(8,528)
Other items of income /(expense)	5,847	(71,709)
Finance costs	(999)	(1,033)
Profit/(loss) before income tax benefit/(expense)	**28,644**	**(33,982)**
Income tax benefit/(expense)	17,028	(5,243)
Profit/(loss) after income tax benefit/(expense)	**45,672**	**(39,225)**

	2018	2017
Consolidated statement of financial position of the Closed Group		
Current assets		
Cash and cash equivalents	6,336	1,910
Trade and other receivables	17,415	9,449
Livestock	32,528	36,336
Inventory	9,658	3,546
Total current assets	**65,937**	**51,241**
Non current assets		
Other financial assets	164,134	146,158
Property, plant and equipment	9,710	9,124
Intangibles	1,301	1,301
Deferred tax assets	78,104	59,382
Total non current assets	**253,249**	**215,965**
Total assets	**319,186**	**267,206**
Current liabilities		
Trade and other payables	9,404	8,557
Provisions	1,233	971
Total current liabilities	**10,637**	**9,528**
Total liabilities	**10,637**	**9,528**
Net assets	**308,549**	**257,678**
Equity		
Contributed equity	1,426,835	1,422,255
Reserves	5,806	3,916
Retained earnings	(1,124,092)	(1,168,493)
Total equity	**308,549**	**257,678**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

GROUP STRUCTURE — NOTE 22: PARENT ENTITY

Information relating to the parent entity of the Group, Elders Limited:

	2018	2017
	$000	$000
Results:		
Net profit for the period after income tax expense	48,420	69,096
Total comprehensive income	**48,420**	**69,096**
Financial position:		
Current assets	305	108
Non current assets	308,906	258,395
Total assets	**309,211**	**258,503**
Current liabilities	662	825
Total liabilities	**662**	**825**
Net assets	**308,549**	**257,678**
Issued capital	1,426,835	1,422,255
Retained earnings	(1,161,344)	(1,208,493)
Profit reserve	37,252	40,000
Employee equity reserve	5,806	3,916
Total equity	**308,549**	**257,678**

Guarantees

As disclosed in note 21, the parent entity has entered into a Deed of Cross Guarantee with certain controlled entities. The effect of this Deed is that Elders Limited and each of these controlled entities has guaranteed to pay any deficiency of any of the companies party to the Deed in the event of any of those companies being wound up.

The parent entity is a party to various guarantees and indemnities pursuant to bank facilities and operating lease facilities extended to the Group as disclosed in notes 24 and 25.

GROUP STRUCTURE — NOTE 23: BUSINESS COMBINATIONS-CHANGES IN THE COMPOSITION OF THE ENTITY

(a) Acquisitions

Current period acquisitions

On 1 December 2017, Elders gained control of the Kerr & Co livestock business, which is located in the Western District of Victoria. The business was acquired for a total consideration of $8.7 million, including $2.7 million of deferred consideration. The transaction resulted in the recognition of goodwill and brand name of $8.7 million.

On 1 May 2018, Elders acquired Titan Ag Pty Ltd, which is an Australian based producer and supplier of crop protection chemicals. The business was acquired for a total consideration of $31.4 million, including $9.7 million of deferred consideration. The transaction resulted in the recognition of goodwill and brand name of $33.5 million.

During the current period, Elders also acquired other retail and agency businesses for a total consideration of $5.0 million, including $1.8 million of deferred consideration. These transactions resulted in the recognition of $4.5 million of goodwill. These acquisitions are not material to the group.

Prior period acquisitions

In the prior period, Elders acquired a real estate and retail business for a total consideration net of cash acquired of $16.0 million. These transactions resulted in the recognition of $7.2 million of goodwill. These acquisitions were not material to the group.

(b) Disposals

Current period disposals

There were no disposals during the current period.

Prior period disposals

In the prior period, Elders exited the Live Export business and disposed the net assets of the business. The proceeds from disposal were $2.7 million which resulted in a gain on sale of $1.9 million.

Accounting Policy

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, Elders elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When Elders acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of AASB 139, it is measured in accordance with the appropriate AASB standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

OTHER INFORMATION — NOTE 24: EXPENDITURE COMMITMENTS

Operating lease commitments – Elders as a lessee

Elders' operating lease commitments relate to property leases associated with the branch network and vehicle leases. The lease commitments comprise base amounts adjusted where necessary for escalation clauses primarily based on inflation rates. Leases generally provide the right of renewal at the end of the lease term.

	2018	2017
	$000	$000
Operating lease commitments:		
– Within one year	26,094	28,929
– After one year but not later than five years	32,076	35,244
– After more than five years	4,024	5,744
Total minimum lease payments	**62,194**	**69,917**

Accounting Policy

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in the arrangement.

(i) Elders as a lessee

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(ii) Elders as a lessor

Leases in which Elders retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

OTHER INFORMATION — NOTE 25: CONTINGENT LIABILITIES

There are potential legal matters that occur in the ordinary course of business that are being considered by Elders' legal advisors. Based on the current information available, the following applies:

Unquantifiable contingent liabilities

- Elders has contingent obligations in respect of real property let or sub-let by subsidiaries of Elders.
- Elders has contingent obligations in respect of real property sub-let to the purchaser of Elders' former Sandalwood estate
- Benefits are payable under service agreements with employees of Elders under certain circumstances such as achievement of prescribed performance hurdles, occurrence of certain events or termination of employment for reasons other than serious misconduct.
- Subsidiaries of Elders have, from time to time in the ordinary course, provided parent company guarantees in respect of certain contractual obligations of their subsidiaries. The contingent exposure under those guarantees on a consolidated basis is no greater than the exposure of the subsidiary having the principal contractual obligation.
- Subsidiaries of Elders have from time to time provided warranties and indemnities in connection with the disposal of assets. The Directors are not aware at the present time of any material exposures under the warranties of indemnities.
- Various legal claims for damages resulting from the use of products or services of Elders, and from the contracts entered into or alleged to have been entered into by Elders, are in existence for which no provision has been raised as it is not currently probable that these claims will succeed or it is not practical to estimate the potential effect of these claims. The Directors are of the view that none of these claims based on the net exposure is likely to be material.
- As announced to the Australian Securities Exchange on 14 May 2018, Elders has been informed by its subsidiary, PT Elders Indonesia (PTEI), that the regional police in Bengkulu were investigating allegations of corruption in respect of the licensing body in Indonesia which was responsible for issuing licences to a small palm oil plantation previously operated by PTEI. Elders does not know if that investigation is proceeding. This matter has been reported by Elders to both the Komisi Pemberantasan Korupsi in Indonesia (which appears to have advised the matter does not fall within its terms of reference) and the Australian Federal Police in Australia (which is evaluating the matter). Elders currently considers that this matter is unlikely to have a material impact on Elders.

Other guarantees

As disclosed in note 21, the parent entity has entered into a Deed of Cross Guarantee with certain controlled entities. The effect of this Deed is that Elders Limited and each of these controlled entities has guaranteed to pay any deficiency of any of the companies party to the Deed in the event of any of those companies being wound up.

The parent entity and certain subsidiaries of Elders are parties to various guarantees and indemnities pursuant to bank facilities and operating lease facilities extended to Elders.

OTHER INFORMATION — NOTE 26: RELATED PARTY DISCLOSURES

The ultimate controlling entity of the Group is Elders Limited.

As part of sharing office space with branches in the Network segment, Elders incurred costs on behalf of Elders Financial Planning Pty Ltd and Elders Insurance (Underwriting Agency) Pty Ltd and recharged these at arm's length. During the year, Elders provided a loan of $4.0 million to StockCo (2017: $10.0 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

OTHER INFORMATION — NOTE 27: SHARE BASED PAYMENT PLANS

(a) Long Term Incentive Performance Rights

In 2016, 970,000 performance rights were granted to eligible executives with a three year performance period and split into three tranches. Each tranche carries a different performance condition being Absolute TSR, EPS Growth and Return on Capital. Upon vesting of performance rights one fully paid share in Elders will be allocated for each performance right. An expense of $0.9 million (2017: $0.8 million) was recognised in profit and loss during the year in relation to these performance rights. As at 30 September 2018, 857,200 rights were outstanding.

In 2017, 895,000 performance rights were granted to eligible executives with a three year performance period and split into three tranches. Each tranche carries a different performance condition being Absolute TSR, EPS Growth and Return on Capital. Upon vesting of performance rights one fully paid share in Elders will be allocated for each performance right. An expense of $0.8 million (2017: $0.9 million) was recognised in profit and loss during the year in relation to these performance rights. As at 30 September 2018, 835,000 rights were outstanding.

In 2018, 710,000 performance rights were granted to eligible executives with a three year performance period and split into three tranches. Each tranche carries a different performance condition being Absolute TSR, EPS Growth and Return on Capital. Upon vesting of performance rights one fully paid share in Elders will be allocated for each performance right. An expense of $1.5 million was recognised in profit and loss during the year in relation to these performance rights. As at 30 September 2018, 665,000 rights were outstanding.

(b) Long Term Incentive Options

Incentive options associated with the 2015 long term incentive plan vested during the period. As a result 1,694,790 shares were issued after the relevant participant paid the requested exercise price of $1.57. Net proceeds to Elders upon exercise was $2.7 million.

OTHER INFORMATION — NOTE 28: AUDITORS' REMUNERATION

	2018	2017
	$000	$000
Amounts received or due and receivable by the auditor PricewaterhouseCoopers for:		
– auditing or review of financial statements	486,000	505,000
– other services	-	33,650
	486,000	**538,650**

OTHER INFORMATION — NOTE 29: KEY MANAGEMENT PERSONNEL

Remuneration of Directors and other Key Management Personnel

For information on the Remuneration Policy, Structure and the relationship between remuneration payment and performance please refer to the Remuneration Report.

Short term	4,766,571	4,593,333
Long term	67,914	70,479
Post employment	163,516	158,909
Termination benefits	538,465	-
Share based payments	1,924,233	1,447,460
	7,460,699	**6,270,181**

OTHER INFORMATION — NOTE 30: SUBSEQUENT EVENTS

On 1 October 2018, Elders divested its Indonesian feedlot and processing assets. The proceeds from disposal of $3.5 million were equal to the carrying amount of assets held for sale at 30 September 2018.

There is no other matter or circumstance that has arisen since 30 September 2018 which is not otherwise dealt with in this report or in the consolidated financial statements, that has significantly affected or may significantly affect the operations of Elders, the results of those operations or the state of affairs of Elders in subsequent financial periods.

Directors' Declaration

In accordance with a resolution of the Directors of Elders Limited, the Directors declare:

1. In the opinion of the Directors:
   (a) the financial statements and notes of Elders Limited for the financial year ended 30 September 2018 are in accordance with the Corporations Act 2001, including:
      (i) Giving a true and fair view of its financial position as at 30 September 2018 and of its performance for the year ended on that date; and
      (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001
   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in the basis of preparation
   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 September 2018.
3. In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 21 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the deed of cross guarantee.

On behalf of the Board

J H Ranck
Chairman

M C Allison
Managing Director

Adelaide
12 November 2018

Independent auditor's report

To the members of Elders Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Elders Limited (the Company) and its controlled entities (together Elders or the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 September 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 September 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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T: +61 8 8218 7000, F: +61 8 8218 7999, www.pwc.com.au

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Elders operates branches throughout Australia and works with primary producers to provide:

- Retail products: Rural farm inputs including seeds, fertilisers, agricultural chemicals, animal health products and general rural merchandise.
- Agency services: A range of marketing options for livestock, wool and grain.
- Real estate services: Agency services primarily involved in the marketing of farms, stations and lifestyle estates and includes a network of residential real estate agencies providing agency and property management services.
- Financial services: Elders distributes a wide range of banking, insurance and financial planning products.

Elders provides feed and processing services in Australia and operates the Killara feedlot, a beef cattle feedlot near Tamworth in New South Wales. Previously, the Group operated an integrated feedlot, abattoir and meat distribution business in Indonesia, however these operations have been discontinued in the current year and the related feedlot and abattoir assets classified as held for sale at balance date. The Group divested its Indonesian feedlot and abattoir assets on 1 October 2018. Elders has a business in China which imports, processes and distributes premium Australian meat in China.

Materiality

For the purpose of our audit we used overall Group materiality of $3.1 million, which represents approximately 5% of the Group's profit before tax excluding amounts associated with the exit of the Indonesian feedlot and abattoir business and acquisition related costs.

We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.

We chose to use the Group's profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We adjusted the Group's profit before tax for amounts associated with the planned exit of the Indonesian feedlot and abattoir business and acquisition related costs, specifically the due diligence costs associated with a potential large acquisition as they are unusual or infrequently occurring items which are not expected to recur from year to year or otherwise significantly affect the underlying trend of performance of the Group.

We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable benchmarks.

Audit Scope

Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

The Group's operations are mainly in Australia, Indonesia and China.

Our audit work focused on the Australian operations' financial information given their financial significance to the Group as a whole. While the majority of our audit procedures were performed at the head office, we also attended the Killara feedlot and a sample of branches across the Australian network.

The operations in Indonesia and China did not contribute materially to the Group profit before tax. We did however perform specified risk focussed audit procedures over certain balances in each of these businesses.

We performed further audit procedures at a Group level, including procedures over the consolidation of the Group's businesses and the preparation of the financial and remuneration reports.

Key audit matters

Amongst other relevant topics, we communicated the following key audit matters to the Audit, Risk and Compliance Committee:

- Recoverability of deferred tax assets
- Accounting for rebates

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	*How our audit addressed the key audit matter*
Recoverability of deferred tax assets *(Refer to note 4)* Elders disclosed unused tax losses of $213.5 million available for use in future periods. Elders recognised net deferred tax assets of $78.0 million at 30 September 2018 in the consolidated statement of financial position, of which $82.0 million arises from tax losses carried forward. Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable on future taxable profits. This was a key audit matter due to the quantum of the accumulated losses available as well as the judgement involved by the Group in preparing forecasts to demonstrate the future utilisation of these losses.	We performed the following procedures, amongst others: • Assessed the forecast profits over the relevant utilisation period and evaluated whether the forecasts were consistent with Board approved budgets, and had been appropriately adjusted for the differences between accounting profits and taxable profits. • With assistance from PwC tax specialists, examined the ability to carry forward the tax losses for future use and considered the appropriateness of the deductions in the forecasts. • Tested the mathematical accuracy of the forecasts. • Performed a reconciliation of tax losses recognised and utilised in the current year, as detailed in note 4. • Recalculated deferred tax asset balances which comprise temporary differences between tax and accounting values and tax losses. • Evaluated the adequacy of the disclosures made in light of the requirements of Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*
Accounting for rebates *(Refer to note 8)* Elders receives rebates in connection with the purchase of retail goods for resale from suppliers. These rebates are varied in nature and include price and volume rebates. Elders recognises the rebates as a reduction to the cost of inventory purchased and a reduction in cost of sales when the inventory is sold. In accordance with Australian Accounting Standards, rebates should only be recognised as a reduction in cost of sales when the associated performance conditions have been met. This requires a detailed understanding by the Group of the various contractual arrangements. We considered rebates to be a key audit matter because: • Supplier arrangements are complex in nature and vary between suppliers. • Whilst the Group have taken steps in the current period to further automate elements of the process, it continues to rely on manual inputs and processes. • Judgement is involved by the Group to determine the amount of rebates that should be recognised in the consolidated statement of comprehensive income and the amounts that should be deferred to inventory.	We performed the following procedures, amongst others: • For a sample of rebates recognised as a reduction to cost of sales, we: – agreed terms and conditions back to individual supplier agreements and recalculated the amount of the rebate; and – considered if the rebate amount was only recognised as a reduction in cost of sales when a sale of the relevant product had occurred. • For a sample of rebates receivable at balance date, we: – agreed the Group's calculation of the rebate receivable to the terms in the relevant supplier agreement; and – tested the key components of rebates receivable including rebate accruals and amounts received over the course of the year. • To assess the completeness of rebates being recorded against inventory on hand at balance date we: – obtained a listing of stock on hand at balance date and for a sample of stock items, we traced the rebate percentage back to supplier agreements and recalculated the rebate amount offset against inventory; and – confirmed, for a sample of rebates receivable, that when the related inventory was still on hand at balance date, the rebate amount had been appropriately deducted from inventory. • Evaluated the adequacy of the disclosures made in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 September 2018, including the Chairman's Remarks, CEO's Report, Elders' Values, Year in Brief, A Year of Progress, Operating and Financial Review, Material Business Risks, Review of Operations, Board of Directors, Executive Management, Directors' Report, Shareholder Information and Company Directory, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 55 to 73 of the directors' report for the year ended 30 September 2018.

In our opinion, the remuneration report of Elders Limited for the year ended 30 September 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

A G Forman
Partner

Adelaide
12 November 2018

ASX Additional Information

(a) Distribution of Ordinary Shares as at 1 November 2018

	No. of Ordinary Shares	No. of Ordinary Holders
1 – 1,000	2,989,900	7,088
1,001 – 5,000	9,516,927	4,098
5,001 – 10,000	5,098,274	694
10,001 – 100,000	13,985,285	569
100,001 – maximum	84,228,251	55
Total	**115,818,637**	**12,504**
The number of holders holding less than a marketable parcel		921

(b) Voting rights

All ordinary shares carry one vote per share without restriction.

(c) Stock Exchange quotation

The Company has one class of quoted securities being the ordinary shares (ELD) which is listed on the Australian Securities Exchange. The Home Exchange is Sydney.

(d) Twenty Largest Shareholders as at 1 November 2018

The twenty largest holders of Elders Ordinary Shares were as follows:	No. of Shares	% of Shares
J P MORGAN NOMINEES AUSTRALIA LIMITED	21,393,969	18.472%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	19,614,986	16.936%
CITICORP NOMINEES PTY LIMITED	12,842,562	11.089%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	7,318,600	6.319%
NATIONAL NOMINEES LIMITED	3,768,557	3.254%
BELL SECURITIES PTY LIMITED	2,993,344	2.585%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	2,974,963	2.569%
BNP PARIBAS NOMS PTY LTD <DRP>	1,702,872	1.470%
BRAZIL FARMING PTY LTD	1,143,802	0.988%
VENN MILNER SUPERANNUATION PTY LTD	750,000	0.648%
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	658,072	0.568%
MR MARK CHARLES ALLISON	652,659	0.564%
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	573,992	0.496%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	446,056	0.385%
MR JAMES GARDINER	400,000	0.345%
ELIANAELYSIA PTY LTD <ANGUS INVESTMENT A/C>	353,976	0.306%
MR KWOK CHING CHOW & MS PIK YUN PEGGY CHAN	340,000	0.294%
PACIFIC AGRIFOODS INVESTMENTS PTY LTD	335,456	0.290%
MR JOHN DRAGUN <J AND B DRAGUN S/F A/C>	315,500	0.272%
AMP LIFE LIMITED	304,797	0.263%
Total	**78,884,163**	**68.110%**

(e) The number of shares held by substantial shareholders in the Company, as disclosed in substantial holding notices given to the Company as at 1 November 2018:

Shareholder	No. of Shares	Voting power %
Hebang Biotechnology (Hong Kong) Investment Limited	7,239,000	6.25
Schroder Investment Management Australia Limited	7,089,982	6.23
Vinva Investment Management	5,875,221	5.07


Elders

Shareholder Information

Share Registry

Boardroom Pty Limited
Level 12, 225 George Street,
Sydney, NSW, 2001

1300 737 760

+61 (0)2 9279 0664

enquiries@boardroomlimited.com.au

boardroomlimited.com.au

Enquiries

Shareholders with enquiries about their shareholdings should contact the Company's share registry, Boardroom, on the above contact details.

Online shareholder information

Shareholders can obtain information about their holdings or view their account instructions online.

For identification and security purposes, you will need to know your Reference Number (HIN/SRN), Surname/Company Name and Post/Country Code to access. This service is accessible via the Investor Centre on the Company's website or direct via the Boardroom website at investorserve.com.au.

Tax and dividend/interest payments

Elders is obliged to deduct tax from dividend/interest payments (which are not fully franked) to holders registered in Australia who have not quoted their Tax File Number (TFN) to the Company. Shareholders who have not already quoted their TFN can do so by contacting Boardroom.

Change of address

Issuer Sponsored Shareholders who have changed their address should advise Boardroom in writing. Written notification can be emailed, posted or faxed to Boardroom at the address given above and must include both old and new addresses and the Securityholder Reference Number (SRN) of the holding.

Alternatively, holders can amend their details on-line via Boardroom's website. Shareholders who have broker sponsored holdings should contact their broker to update these details.

Annual Report mailing list

Shareholders who wish to vary their annual report mailing arrangements should advise Boardroom online or in writing.

Electronic versions of the report are available to all via the Company's website. Annual Reports will be mailed to all shareholders who have elected to be placed on the mailing list for this document.

Investor information

Information about the Company is available from a number of sources:

Website:
elders.com.au

Subscribe:
Shareholders can nominate to receive company information electronically via the Investor Centre on the Company's website. This service is also hosted by Boardroom and holders can register through InvestorServe on Boardroom's website.

Publications:
The annual report is the major printed source of company information.
Other publications include the Half-yearly report, company press releases, presentations and Investor Presentations.

All publications can be obtained either through the Company's website or by contacting the Company.

Company Directory

Directors

Mr James H Ranck — *BS Econ, FAICD, Chairman*

Mr Mark C Allison — *BAgrSc, BEcon, GDM, FAICD*

Ms Diana Eilert — *BSc (Syd), MCom (UNSW), GAICD*

Mr Ian Wilton — *FCCA, FCPA, FAICD, CA*

Ms Robyn Clubb — *BEc, CA, F Fin, MAICD*

Mr Michael Carroll — *BAgSc, MBA, FAICD*

Secretaries

Mr Peter G Hastings — *BA, LLB, GDLP, FGIA, Grad Dip Applied Corporate Governance, GAICD*

Ms Sanjeeta Singh — *BEd (Primary), FGIA, Grad Dip Applied Corporate Governance*

Registered Office

Level 10, 80 Grenfell Street
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(08) 8410 1597

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Share Registry

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Level 12, 225 George Street
Sydney, NSW, 2001

1300 737 760

+61 (0)2 9279 0664

boardroomlimited.com.au

Auditor

PricewaterhouseCoopers

Bankers

- Australia & New Zealand Banking Group
- National Australia Bank
- Coöperative Centrale Raiffeisen – Boerenleenbank (Rabobank Australia)

Stock Exchange Listing

Elders Limited ordinary shares are listed on the Australian Securities Exchange under the ticker code "ELD"