2016 ELDERS ANNUAL REPORT

ELDERS LIMITED
ABN 34 004336636

Live it.

CONTENTS

HOW WE LIVE IT

Elders' business model, based on FY16 statistics

Retail Products	**Farm Supplies**	$1b retail sales
	Fertiliser	629k tonnes fertiliser
Agency Services	**Livestock**	9.0m head sheep 1.6m head cattle
	Wool	367k wool bales
	Grain	0.4m grain tonnes
Real Estate Services	**Farmland**	$889b farmland sales
	Residential	$568b Residential sales
	Property Management	6,950 properties under management
	Franchise	134 franchisees
Financial Services	**Agri Finance**	$2.8b loan book $1.5b deposit book $44m StockCo book
	Insurance	$610m gross written premium
Digital and Technical Services	**Fee for Service**	110 Agronomists
	Auctions Plus (50%)	578k head sheep 93k head cattle
	Elders Weather	64.4m hits
Feed and Processing Services	**Killara Feedlot**	53k head cattle
	Elders Indonesia	16k head cattle
	Elders China	$15m sales

ONE ELDERS VALUES

Integrity

Behaving with honesty and integrity in every interaction

Accountability

Being accountable for results

Teamwork

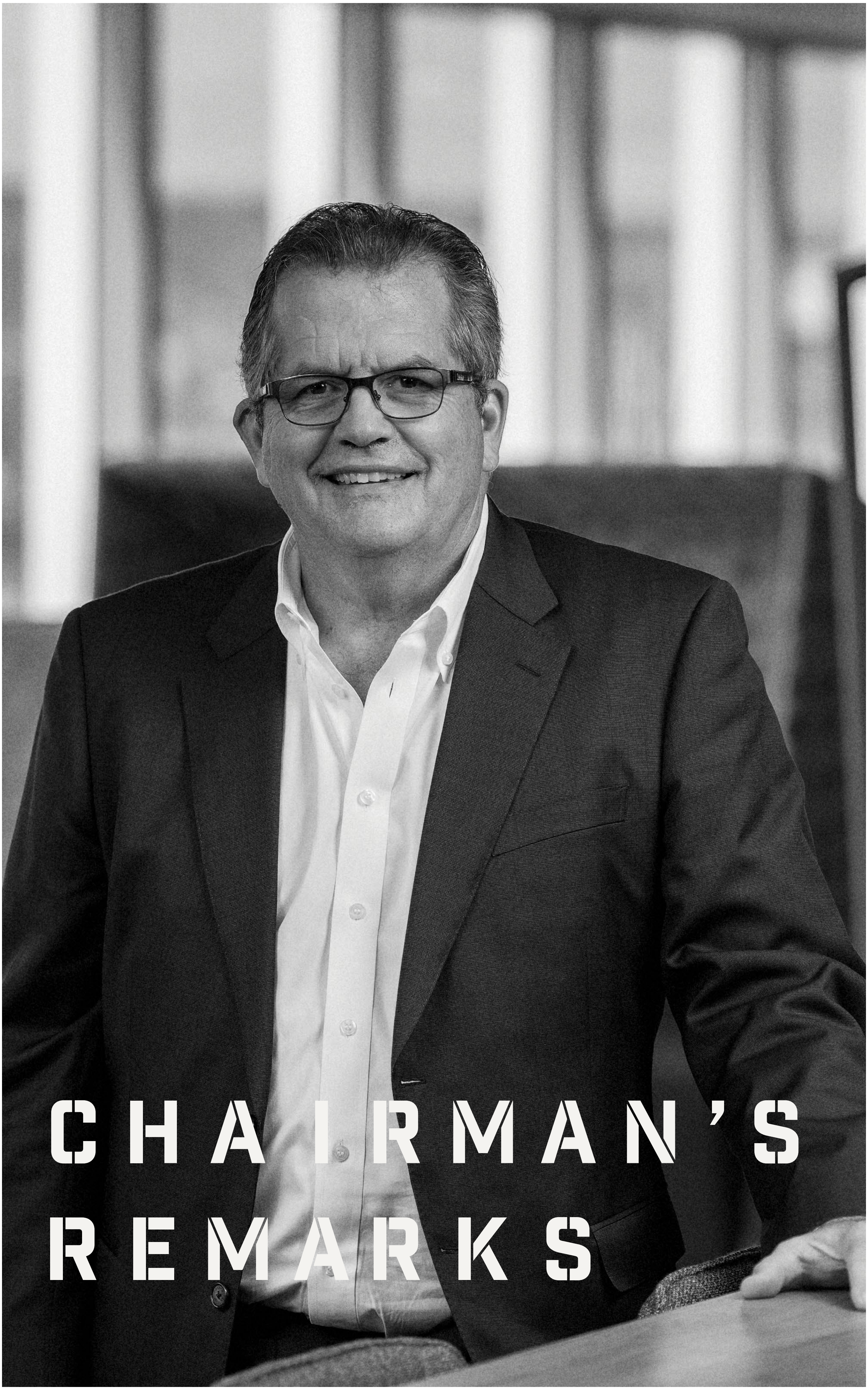
Using the power of the team, and respecting the contribution of every person

Customer Focus

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

Innovation

Delivering innovation and continuous improvement



CHAIRMAN'S REMARKS

Reflecting on the past 12 months to 30 September it is pleasing to see Elders has again finished the year in a much stronger position than which it began. A position that clearly demonstrates continued progress made with clear leadership and the hard work of our employees.

In my mind, we are yet another step closer to our end goal of becoming Australia's leading agribusiness.

Safety

The health and wellbeing of our employees and the communities in which they operate remains the key business priority at Elders.

This is evidenced by the continuous improvements we've seen to the Company's safety and wellbeing performance over the past 12 months, including a reduction in Lost Time Injuries from 14 to 4, and a continued very strong safety engagement rate with employees, where more than 80 percent of our people agree that "nothing is so important that it can not be done safely".

Our Chief Executive Officer will further outline our improvements and goals for a safe and healthy Elders, in his report, including the implementation of a safety engagement campaign.

Financial results

In the 12 months to 30 September 2016, Elders has made solid financial progress, recording a $51.6 million statutory profit, which is an improvement of $13.3 million on the previous year.

Our underlying profit after tax was up $13.2 million on last year, recording a $41.2 million profit for the 2016 financial year. These results were largely achieved through improved sales activity in retail and strong livestock agency performance, supported by a broad based focus on growth and efficiencies, in line with the Eight Point Plan.

Our financial results are discussed in detail in the Chief Executive Officer's report.

Strategic direction

The Board and management made an import trip to China in August 2016. The trip convinced the board and management that the long and short haul shipping of live cattle had developed into a specialist business that was not a core competency of Elders and had inherent risk that was not proportional to returns. Our competency is the sourcing of cattle for export, supporting the regulatory frameworks to ensure best practice animal welfare, and developing markets for Australian cattle producers overseas.

The result of this insight was announced in early September with the cessation of our long haul live cattle shipping business and the divestment of the short haul business. Elders also announced it will continue to support customers by aggregating cattle for export and continue to develop new markets.

Balance sheet and finance

For the second year in a row, with the help of our financiers (ANZ, NAB and Rabobank) Elders held its term debt at zero, providing the business with a platform to continue its focus on value generation for stakeholders. Net debt was reduced by $50.1 million, due to strong operating cash inflows and disciplined capital usage, along with unutilised cash held from the capital raise and hybrid acquisition. In addition, I was pleased to see our improved supplier trading terms in the Retail business, as well as reduced inventory in the Live Export business provide us with a strong operating cash inflow of $48.7 million.

Capital Structure Normalisation

Elders' capital simplification strategy remained on track over the past 12 months. During the year we successfully completed a $97 million capital raise, through which Elders' wholly owned subsidiary, Elders Finance Pty Ltd acquired 705,585 Elders Hybrid securities for a total of $67 million. Elders Finance now owns 72% of all Elders Hybrids on issue.

Investment

With the normalisation of the banking arrangements and improvement in our balance sheet, Elders has been pursuing a strategy of investment in synergistic areas. We have expanded our real estate management business, expanded our footprint in Tasmania, repurchased 10% of Elders Insurance from QBE, and after yearend acquired 30 percent of the livestock financing company Stockco.

Our focus is disciplined investment in synergistic or adjacent areas to our existing business.

Board

The past year has been one of consistency and progress with our leadership, and for the first time in many years, saw no change at a Board level. Our experienced Board of Directors has continued to serve Elders, with a clear focus on agribusiness, and ensuring the Company is delivering results for you, as our shareholders.

Corporate governance

Your company is committed to high standards of corporate governance, including in connection with its continuous disclosure obligations. Elders' corporate governance framework and practices, which are fully compliant with the third edition of the ASX Corporate Governance Council's Principles and Recommendations, are detailed in the Corporate Governance Statement available on our website elders.com.au.

Elders continues to make progress against our diversity objectives and understands that diversity in our workplace is a critical factor in attracting and retaining the right people, contributing to our ongoing success.

In what has traditionally been a male-dominated industry, Elders is taking steps to address the representation of women at Elders, particularly in leadership roles. Notably, our objective to maintain a 25 percent female representation on the Board was again met this year. We also made significant gains at Executive level, role modelling a 200 percent increase of female leaders.

Closing remarks

In closing I would like to express the appreciation of my fellow directors for the efforts of the Company's employees during the year. Your hard work, and high levels of customer service to the multitude of Elders' customers, clients and suppliers across the country and worldwide, has driven another successful year.

Hutch Ranck

Hutch Ranck
Chairman

CEO'S REPORT

As we enter the third year of our Eight Point Plan, it is evident that the business and our key stakeholders are responding well to our strategic priorities, and that we are well structured to capitalise on the array of opportunities that lay ahead.

I am pleased to share the positive progress and results that have occurred this year, and how we're shaping up to drive growth and innovation towards 2020.

Safety performance
Last year we reported continual improvement in Elders' safety culture, and I am pleased that 12 months on, we are again in a position to share progress across safety aspects and the health and wellbeing of our employees.

Notably, in 2016, Elders has reduced total lost time injuries from 14 to 4, and reduced the lost time injury frequency rate (LTIFR) from 3.4 to 1.0. Whilst these numbers show a significant improvement, I am conscious that our people are still returning home injured, requiring time away from their work in order to recover, and therefore our goal of zero lost time injuries remains crucial.

The continuation of our Company-wide safety campaign *Stand Up Speak Up*, along with our focus on mental health in rural areas has contributed to a stable safety engagement rate at 83%. In 2016 Elders entered into a partnership with the NRL's North Queensland Cowboys, to tackle the stigma and start conversations surrounding mental wellbeing, particularly within some of the rural and remote communities in which we operate.

I am a firm believer that managers who take safety seriously, show the discipline and focus required to run a business well in all respects – and we are instilling this message throughout our leadership team on an ongoing basis.

Going forward, in order to reach our aim of zero lost time injuries, we must eliminate complacency, and ignite innovation within the team. Within the past 12 months, we have designed and tested a new, online, work, health and safety reporting system with improved mobile accessibility and reporting capabilities, which we plan to implement next year.

Operational performance
2016 was a year of strong financial performance for Elders, with year on year improved statutory and underlying profit.

Statutory net profit after tax of $51.6 million compares with a $38.3 million profit in the previous year. Our underlying net profit improved $13.2 million on the prior corresponding period to $41.2 million.

Elders' $15.7 million improvement at the underlying earnings before interest and tax (EBIT) level, to $56.2 million, was largely due to improved sales activity in retail and strong livestock agency performance, supported by a broad based focus on growth and efficiencies, in line with our Eight Point Plan.

Positive seasonal conditions lifted winter crop demand and sales activity, resulting in our Retail product posting a $15.1 million improvement in underlying profit.

High cattle prices have driven higher livestock earnings and also real estate sales demand for large cattle farming properties, contributing to a $5.2 million underlying profit improvement for Agency Services, and a $1.7 million underlying profit improvement in Real Estate Services.

Our 10% acquisition in Elders Insurance (Underwriting Agency) Pty Ltd from QBE, as well as an increase in sales of the StockCo livestock finishing finance product contributed to a $0.8 million underlying profit improvement for Financial Services.

High Australian cattle prices adversely impacted margins within our Feed and Processing product, and resulted in reduced occupancy at the Killara feedlot.

A strong operating cash inflow of $48.7 million reflected the improved supplier trading terms in the Retail business, as well as reduced inventory in the Live Export business.

As the Chairman mentioned, on 12 September 2016, we announced Elders would undertake a managed exit from its Live Export business. Operations of Long Haul export have ceased and a managed divestment of the Short Haul business as a going concern is currently progressing with a number of parties. Live Export operating losses of $8.9 million and expected restructuring and exit costs of $6.0 million have been reported as non-underlying profit.

Elders' capital simplification strategy remains on track, successfully completing a $97 million capital raise, through which Elders' wholly owned subsidiary, Elders Finance Pty Ltd acquired 705,585 Elders Hybrid securities for a total of $67 million. Elders Finance now owns 72% of all Elders Hybrids on issue.

Net debt was reduced by $50.1 million, due to strong operating cash inflows and disciplined capital usage, along with unutilised cash held from the capital raise and hybrid acquisition.

Elders' return on capital of 28.4% for the financial year saw a further improvement of 6.5% on FY15, which was primarily driven by improved EBIT generation, lower working capital balances in the Retail product, and a clear, disciplined capital allocation process within the business.

Elders is shaping up to drive growth and innovation towards 2020.

Our people

In 2016, Elders employed 1,893 full time equivalent (FTE) persons, compared with 1,838 persons at the end of the previous corresponding period. This 3% increase was primarily in customer facing roles and is the first time in eight years we have grown the work force in the support of growth.

Our 2016 employee effectiveness survey conducted by Korn Ferry Hay Group resulted in our overall engagement and enablement levels continuing to be above other Australian organisations for both measures at 73% and 72% respectively (+7). High engagement and enablement is key to building a high performance culture.

This focus on building a high performance culture will continue across the business. Again, we had significant participation in the 2016 performance review process, with more than 95% of employees setting and reviewing against objectives. Supporting this, we continued with incentive plans that align shareholder expectations and employee performance with reward.

We are proud to continue our investment in the training and development of our people, with more than 182 leaders participating in our Leadership Development Programs from future leader level through to our experienced senior leaders; more than 14 trainees were inducted into the Stock and Station Agency Traineeship Program; and a further 3 agronomy graduates accepted into a new Agronomy Graduate Program, in the 2016 year.

We continue to work towards improving the diversity of our workforce, particularly in regards to gender diversity in leadership positions. As the Chairman noted in his address, this year we saw significant gains at Executive level, role modelling a 200% increase of female leaders, with a shift from 1 to 3 females on the Committee. The representation of women within Elders' workforce is 36% which is comparable to the agricultural sector.

Our clients

In the past 12 months we've made significant progress towards our client relationships, particularly within the digital space.

In June this year we launched our new online client community Elders Insiders. Developed as an Eight Point Plan initiative, Elders Insiders is a real-time voice for Elders' community, providing us with customer satisfaction and feedback, and a deeper level of information and answers to key decisions that meet the needs of our clients. In just three months, the platform has provided instant feedback and insights from our customers about safety, an Elders Weather App, customer loyalty programs and retail promotions.

In addition, we have also launched a new website and Elders Online client portal, providing clients with an online solution to access their account information and email communication preferences. We've also launched the Red Notebook App and audio market report functionality, which allows clients to listen to any market report on demand, following a sale or event.

We are focussed on ensuring new information is at the fingertips of our clients, and assisting them in making the best decisions for their individual business needs.

Our communities

This year, we again engaged in regional sponsorship agreements in key focus regions, ensuring we support and invest back into communities in which we operate.

Key sponsorships included the New South Wales Country Eagles, and the North Queensland Cowboys which were strategic investments into rural areas with opportunities for a greater Elders presence and community support.

In 2016, Elders supported a number of charities and non-government organisations, including the Royal Flying Doctors Service and their work in providing medical assistance to people living, working and visiting rural and remote Australia. At a corporate level, Elders is a sponsor of the Little Heroes Foundation, and was recently inducted into the Real Estate Institute of South Australia's Hall of Fame for community involvement.

We are focussed on ensuring new information is at the fingertips of our clients, and assisting them in making the best decisions for their individual business needs.

Internationally, Elders has a strong, ongoing focus on supporting the Indonesian villages in which we operate, with donations to local mosques and supporting communities with sporting equipment including upgrades of facilities. In 2016, Elders Indonesia also formed a key partnership with the Indonesian Olympic weightlifting team, supplying 12 kilograms of Australian beef per week in the lead up to the Rio Olympic Games, which was a strategic opportunity to showcase Elders' Killara Black Angus Beef product, into a new market.

In China, this year we have partnered with the Australia-China Youth Association to host an internship program with Elders China. The program provides opportunities for Australian youth who have shown a commitment to the Australia-China relationship to develop their skills and gain experience in a professional work environment in China.

At a community level in Australia, Elders branches continue to support a wide range of local initiatives and charities and many of our employees participate in community service activities.

Our suppliers
In the farm supplies and fertiliser space we have made progress with our supplier relationships, forming a new agreement with CSBP in Western Australia for fertiliser supply, and securing supplier registrations for Elders home branded products.

We've continued to develop and implement a capital light/return on capital driven business model, rationalising and refocusing our relationships with our supply partners to develop mutually beneficial business models.

Our customers
We continue to focus on new opportunities for growth and new markets, particularly in our livestock and feed and processing businesses. We have successfully launched the new Killara Black Angus product in Jakarta and Bali, Indonesia, providing high end restaurants with high quality, Australian beef. To support these growth plans in Indonesia, this year saw the opening of a new Elders Bali sales office.

We continue to invest in the education of and compliance of our customers, and we ensure welfare standards are executed well above and beyond industry standard.

Efficiency and growth
Now, more than ever, we are focussed on efficiency and growth, and ensuring Elders is positioned as Australia's leading agribusiness.

As a result, we have expanded our presence in Tasmania, successfully integrated several acquisitions across real estate, agency, retail, and financial services and we have launched a new Elders Grain platform. And our 90 day improvement program continues to lift branch performance across the network.

Eight Point Plan
The Eight Point Plan is our strategic vision for becoming an efficient user of capital and a business that produces acceptable returns for all our stakeholders while servicing our customers' needs.

As we progress into our final year of Elders' Eight Point Plan, we are now in a position to reset our strategic intent and focus on our path to 2020 as a profitable agribusiness.

Clear opportunities exist for us to grow our digital and technical services offering, adding further value and productivity for our stakeholders.

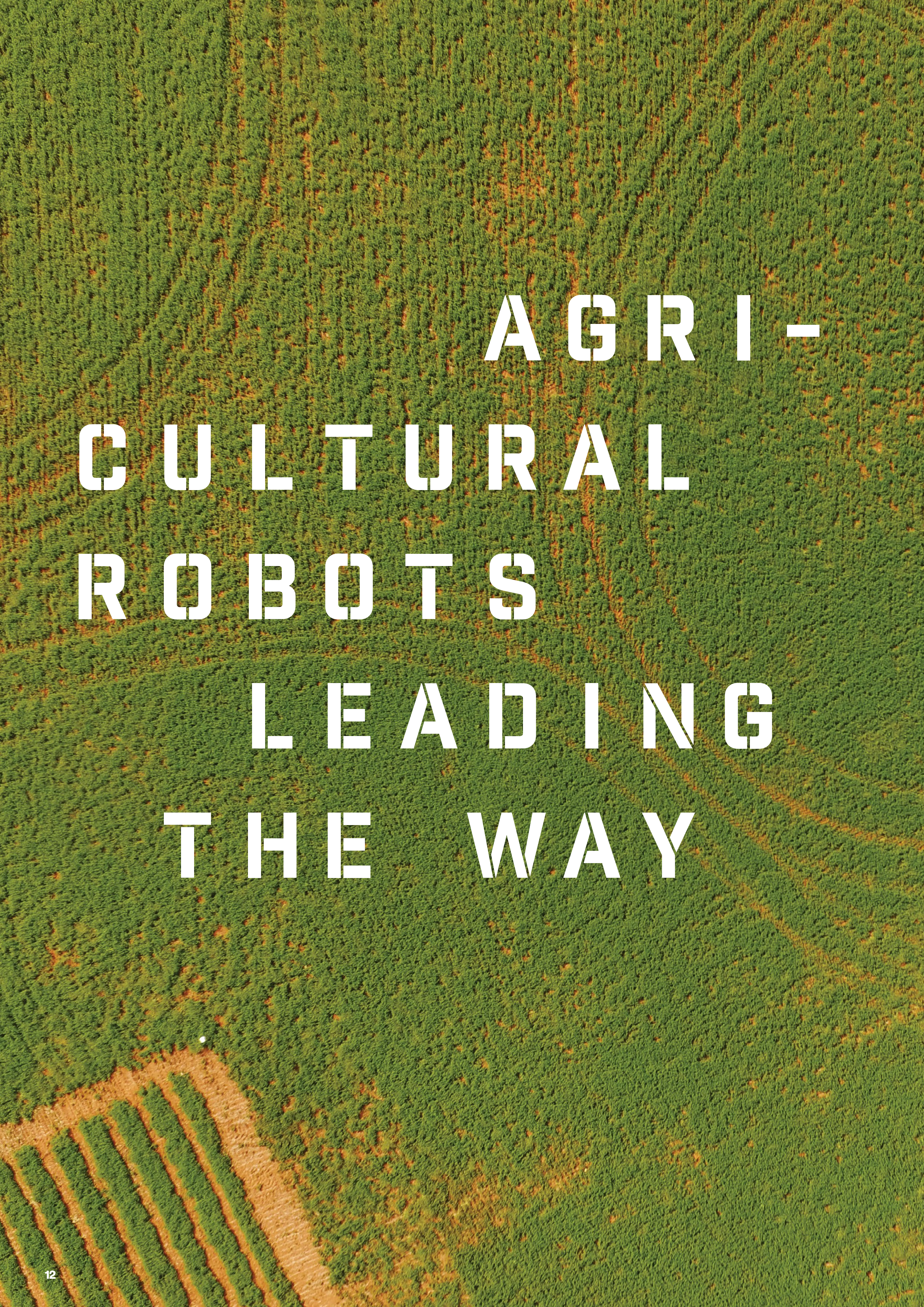
It is evident from the ideas and initiatives that are being implemented, that we have an experienced team, and the right people within the business to take control of our own future.

Closing remarks
We are well aware that until the business is in a position to be distributing dividends to you as our shareholders, we have not achieved success. With that said, our capital structure is no longer an impediment to this, and so it is our goal to start paying dividends in December 2017.

As shareholders, you can be confident that Elders is now in a strong position for growth, focussed on the future, and delivering greater value for our key stakeholders.

On behalf of our hard working team of employees right across the business, we thank you for your ongoing support and we look forward to the next 12 months ahead.

Mark Allison
Managing Director



AGRI-CULTURAL ROBOTS LEADING THE WAY

Elders has this year partnered with SwarmFarm Robotics to help develop three agricultural robots, as a viable alternative to heavy farming machinery.

The technology comprises of small, lightweight robots that have capabilities to traverse fields 24 hours per day, seven days per week, using sensor technology to precisely identify weeds and apply pesticides on the move.

The robots are able to ‘talk’ with each other when working in the same area, which relates to their ‘swarm’ name encompassing advanced technologies going about their duties on-farm. The smart robots can even work out which part of a paddock has already been sprayed and take themselves to the closest fuel tank to re-fuel if supplies are running low.

The innovation is designed to take some of the hard labour out of farming, giving the jobs of planting, weed control, insect control, fertiliser application, irrigation and harvesting to robots.

There has been significant talk of disrupters within different industries, and the agricultural industry has been a key point of conversation surrounding this. Investing in innovative, forward thinking, progressive technology that could impact the production of Australian cropping and increase the demand for Australian produce has the ability to prove as a disrupter – especially with Asia’s growing appetite for cleaner, greener produce.

Elders’ National Technical Services Manager, Graham Page said robotics could be the future of agricultural practice across the country but did hold significant potential for Queensland farmers where SwarmBots are currently being developed.

“We think it’s going to assist farmers greatly in Queensland, it will help to reduce the cost of their operations through machinery and labour, and will support their endeavours to be environmentally friendly,” he said.

“We have had a lot of interest so far and one thing I’ve always been proud about in agriculture is that farmers are always quick to embrace new technology,” he said.

Mr Page said robotics technology had the potential to enhance farm efficiency and take agriculture to the next level, following on from advances in precision agriculture, minimum tillage and controlled traffic farming.

“Farm management practices are coming under increasing pressure and compliance issues will become more pressing for farmers in the future.”

“For Elders, the development of robotics has huge implications for agronomy, so our partnership with SwarmFarm Robotics will enable us to take an early lead in understanding how this technology works and how we can help our clients apply it,” he said.

Elders’ partnership with SwarmFarm robotics means clients have insight to the most up-to-date research, technology and information.

We have had a lot of interest so far and one thing I’ve always been proud about in agriculture is that farmers are always quick to embrace new technology.

YEAR IN BRIEF

Year ended 30 September		2016	2015
Continuing sales revenue	$m	1,425.2	1,307.9
Underlying EBITDA	$m	59.8	43.6
Underlying EBIT	$m	56.2	40.5
Underlying financing costs	$m	9.4	9.4
Reported profit after tax	$m	51.6	38.3
Underlying profit after tax	$m	43.9	29.7
Net debt	$m	86.1	136.2
Shareholders' equity	$m	186.5	111.6
Operating cash flow	$m	48.7	(5.3)
Reported earnings per share (basic)	cents	56.9	46.4
Reported earning per share (diluted)	cents	48.7	33.0
Underlying earnings per share (basic)	cents	45.4	33.9
Underlying earnings per share (diluted)	cents	38.9	24.1
Key Ratios			
EBIT margin (underlying EBIT to sales)	%	3.9	3.1
Underlying return on capital	%	28.4	21.9
Leverage (net debt to underlying EBITDA)	time	1.4	3.1
Interest cover (underlying EBITDA to net interest)	times	6.3	4.7
Gearing (net debt to equity)	%	46	122
Key Share Data			
ELD share price	$	3.87	3.82
Market capitalisation	$m	440.6	319.9
Number of ordinary shareholders		15,759	14,515
Ordinary shares on issue		113,859,440	83,734,671
ELDPA security price	$	96.22	75.52
Number of hybrid holders		543	1,059
Hybrid securities on issue*		1,500,000	1,500,000

** Elders Finance Pty Ltd (wholly owned subsidiary of Elders Ltd) owns 1,080,585 hybrid securities.*

A YEAR OF PROGRESS

Safety performance

— Lost time injury rate reduced from 14 to 4
— Lost time injury frequency rate reduced from 3.4 to 1.0
— Employee safety engagement stable at 83%

Operational performance

— $51.6 million reported profit after tax, up $13.3 million
— $41.2 million underlying profit after tax, up $13.2 million
— EBIT margin lifted to 4% from 3%
— Return on capital at 28.4%, up from 21.9%
— Cessation of long haul and managed divestment of short haul Live Export

Key relationships

— Online client community developed
— New agreement with CSBP in WA for fertiliser supply
— Expanded digital offerings

Efficiency and growth

— Expanded presence in Tasmania
— 30% acquisition of StockCo
— 10% acquisition of Elders Insurance
— Elders Grain platform launched
— $97m net capital raised to fund hybrid acquisition

OPERATING AND FINANCIAL REVIEW

Elders is focused on creating value for all of its stakeholders in Australia and internationally.

We achieve this through approximately 1,900 employees in more than 440 points of presence across Australia, China and Indonesia. Our people use their expertise and knowledge to provide primary producers with the inputs, advice, marketing options and trading platforms that are central to get the most out of their own businesses.

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, an integrated beef supply chain in Indonesia and a premium meat distribution model in China.

Elders is an important part of the Australian rural landscape that draws on its proud history, service and innovation.

Profit and Loss

Profit: Reported and Underlying

$ million	FY16	FY15	Change
Sales	**1,425.2**	**1,307.9**	**117.3**
Australian Network	89.8	75.6	14.2
Feed and Processing Services	3.8	8.5	(4.7)
Corporate Services and unallocated costs	(37.4)	(43.6)	6.2
Underlying EBIT	**56.2**	**40.5**	**15.7**
Finance costs	(9.4)	(9.4)	-
Underlying profit before tax	**46.8**	**31.1**	**15.7**
Tax	(2.9)	(1.4)	(1.5)
Non-controlling interests	(2.7)	(1.7)	(1.0)
Underlying profit to shareholders	**41.2**	**28.0**	**13.2**
Items excluded from underlying profit	**10.4**	**10.3**	**0.1**
Reported profit after tax to shareholders	**51.6**	**38.3**	**13.3**

Chart 1—Underlying EBIT by product ($million)

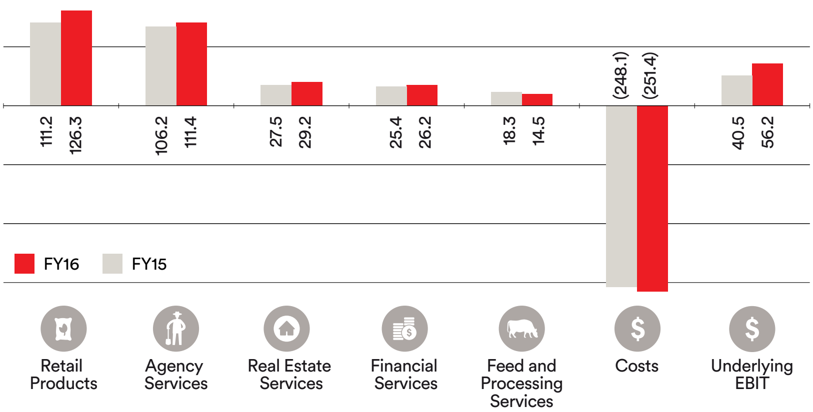


Chart 2—Underlying EBIT by geography ($million)

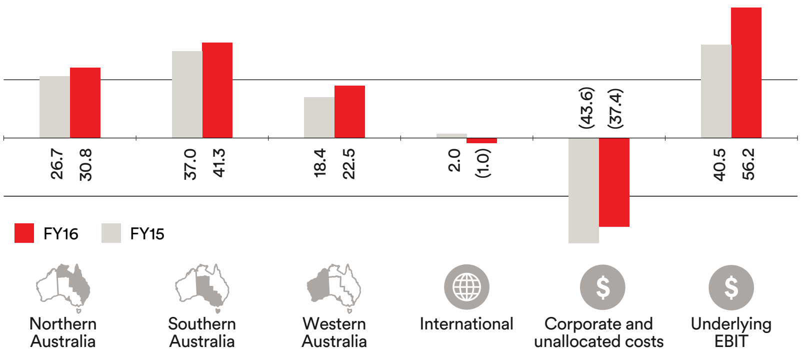
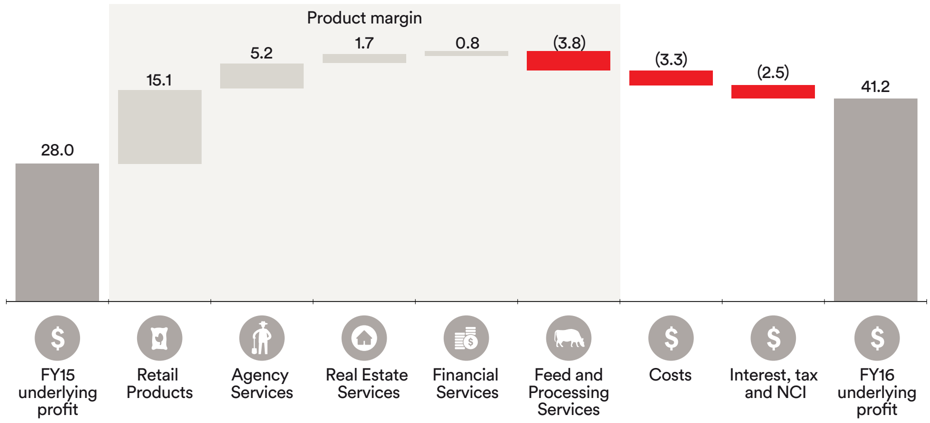


Chart 3—Underlying profit movement ($million)



Key movements in profit resulted from:

— **Retail Products:** Improved sales activity with favourable seasonal conditions across the country, especially dryland cotton areas. Increased chickpea plantings in the eastern states generated increased demand for agricultural chemicals. Geographical expansion, price book management and ongoing branch improvement plans also supported the improved result.

— **Agency Services:** Continued high cattle prices and increased footprint drove improved livestock earnings. Higher grain earnings arose from the launch of the new Elders Grain platform.

— **Real Estate Services:** Strong demand for large cattle farming and cropping properties resulted in higher real estate earnings. Property management earnings increased through property management acquisitions during the year.

— **Financial Services:** Significant growth in StockCo livestock funding balances resulted in higher commission earnings. Insurance earnings were buoyed by dividends received as a result of Elders' 10% acquisition of Elders Insurance (Underwriting Agency) from QBE during the second half of the financial year.

— **Feed and Processing Services:** Profitability was adversely impacted by the high cost of Australian cattle which put margins under pressure across all three businesses and reduced occupancy at the Killara feedlot. The overseas businesses were also impacted by a robust AUD exchange rate.

— **Costs:** Increased costs resulted from strategic acquisitions during the year, offset by continued active cost reduction and management in Corporate areas.

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	FY16	Commentary
Live Export Services	(14.9)	Operational losses and exit costs relating to the Live Export business
Impairment of Elders Financial Planning	(1.0)	Impairment of investment to recoverable value
Tax Asset Adjustment	26.9	Recognition of tax losses based on improved profitability and tax effect on above items
Other	(0.6)	
Items excluded from underlying profit	**10.4**	

Elders' FY16 underlying profit improved by $13.2m to $41.2m compared to last year.

Balance Sheet

Key Items

$million as at end:	Sept-16	Sept-15	Change
Inventory	109.6	100.3	9.3
Livestock	36.1	45.9	(9.8)
Trade and other receivables	381.3	349.4	31.9
Trade and other payables	(335.4)	(276.1)	(59.3)
Working capital	**191.6**	**219.5**	**(27.9)**
Borrowings: working capital and other facilities	(121.3)	(136.9)	15.6
Cash and cash equivalents	35.2	0.7	34.5
Net debt	**(86.1)**	**(136.2)**	**50.1**
Provisions	(47.0)	(52.3)	5.3
Shareholders' equity	**186.5**	**111.6**	**74.9**
Underlying return on capital	28.4%	21.9%	6.5%

Working capital

Working capital as at September 2016 was 12.7% lower than September 2015. This improvement was as a result of:

- Stable working capital in Retail despite higher sales activity as a result of focus on return on capital
- Lower Live Export due to wind down of long haul business and reduced shipping activity in September for short haul due to delays in Indonesian import permits

Average working capital deployed during FY16 was $216.0 million compared to $215.1 million in FY15.

Provisions

Provisions decreased during the year mainly due to payment of make good costs relating to the Currie Street office and reduction in onerous leases resulting from the expected sale of forestry plantation assets, offset by Live Export exit provisions raised at September 2016.

Net debt

Net debt of $86.1 million as at September 2016 was $50.1 million lower than September 2015. This improvement was driven by positive cash generation through the operating result, disciplined capital usage and excess cash held from the equity capital raise and hybrid acquisition. Borrowings as at September 2016 solely relates to working capital funding for Retail and short haul Live Export.

Shareholders' equity

Shareholders' equity increased by $75 million to $187 million as a result of a $97 million net equity capital raise completed in June 2016 and the FY16 net profit, offset by $67 million hybrid acquisition in 2016.

As at 30 September 2016, there remains 419,415 hybrids not owned by Elders.

Return on capital

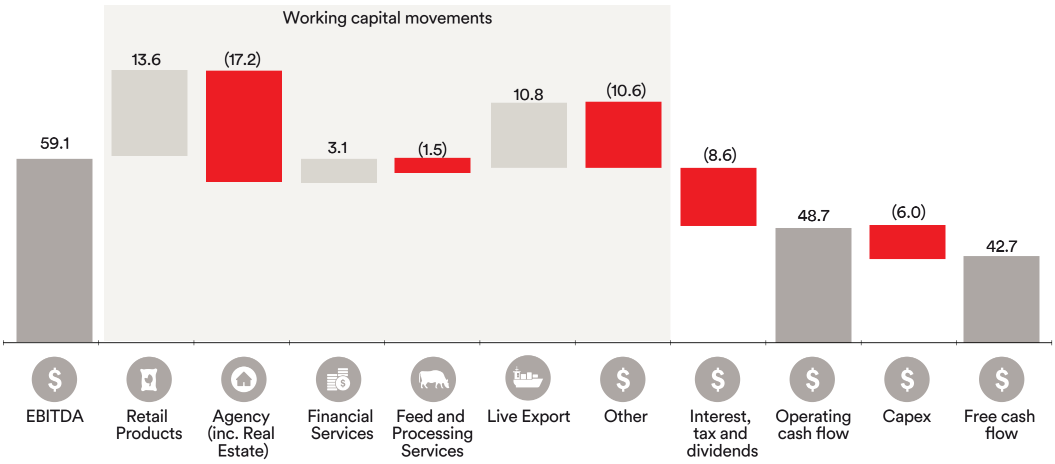
Elders' underlying return on capital for the FY16 financial year was 28.4%, an improvement of 6.5% on prior year. The Live Export operating results and working capital are excluded from underlying return on capital. Key drivers of the improvement were:

- Stronger EBIT generation, along with lower average working capital balances in Retail
- Continued EBIT improvement in the Agency business, driven by livestock and real estate performance
- Disciplined cost and capital allocation based on business case approval

Cash Flow

$million	FY16	FY15	Change
Operating cash flow	48.7	(5.3)	54.0
Investing cash flow	(27.3)	(6.0)	(21.3)
Financing cash flow	13.1	(10.5)	23.6
Total cash flow	**34.5**	**(21.8)**	**56.3**

Chart 4—Cash flow ($million)



Highlights from the FY16 cash flow were:

— $59.1 million EBITDA cash flow generation

— Better working capital cash flow usage reflecting:

 – Improved supplier trading terms in the Retail business

 – Reduced inventory in the long haul Live Export business resulting from the wind down

$million	Retail Products	Agency Services	Financial Services	Feed and Processing Services	Live Export	Other	Total
Adjusted EBITDA	41.4	40.9	10.9	5.4	(9.5)	(30.0)	59.1
Movement in assets and liabilities	13.6	(17.2)	3.1	(1.5)	10.8	(10.6)	(1.8)
Interest, tax and dividends						(8.6)	(8.6)
Operating cash flow	**55.0**	**23.7**	**14.0**	**3.9**	**1.3**	**(49.2)**	**48.7**

Investing outflow of $27.3 million included acquisition of 10% stake in Elders Insurance (Underwriting Agency) in April 2016, other bolt-on acquisitions and facility upgrades at Killara.

Financing inflow of $13.1 million mainly resulted from included net proceeds of $97 million relating to the equity capital raise during June 2016, offset by the hybrid on-market acquisition for $67 million and $16 million pay down of debt.

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 110 agronomists nationwide.

Performance

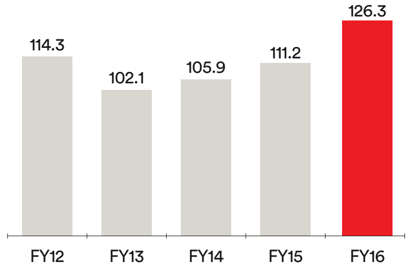
Retail performance improved by $15.1 million in FY16. Favourable cropping conditions prevailed during the year, particularly throughout New South Wales and southern Queensland. All geographies outperformed last year, especially in northern Australia. Renewed confidence in dryland cotton areas and a significant uplift in chickpea plantings in New South Wales drove strong demand for agricultural chemicals. Falling commodity values stimulated demand for fertiliser products with the lower pricing increasing grower appetite for multiple fertiliser applications. Working capital efficiency improved in FY16 through improved supplier arrangements and increasing usage of consignment stock. This, in addition to higher profitability, led to an increase in the business' return on capital to 18%, from 8% in FY15.

Strategy

To improve the business model of our farm supplies and fertiliser products.

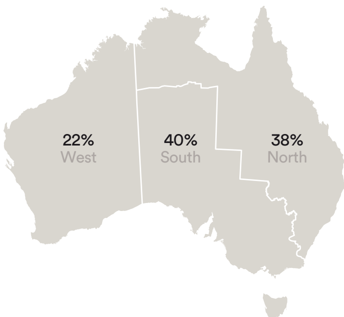
Strategy	Achievement	Plan
Capital light, return on capital driven business model	— Implementation of consignment stock programs with key suppliers in major branches — Improvement in supplier trading agreements; increased deferred payment terms, increased target rebates	— Improve product ranging within key animal health and agricultural chemicals categories — Continue to focus on margin improvement through price book management
Product focus	— Successful negotiation of CSBP Fertiliser supply agreement in Western Australia	— Increase support of agency products and consignment locations — Introduce Elders home branded products — Build on customer loyalty through provision of agronomy services
People	— Recruited high performing staff in Tasmanian and New South Wales region	— Continue recruitment of talent in growth areas — Launch Agronomy Centre of Excellence

Retail margin ($m)



Margin by product

Margin split by geography



Agency Services

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

Livestock
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.

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

Grain
Elders' new accumulation model supporting multiple buyers was launched during FY16, offering a cutting edge commodity origination platform, maximising choice for growers.

Performance

Livestock
Cattle prices and footprint expansion drove margin improvement of $5.2 million. Cattle and sheep prices remained high throughout the year and rose on average 27% and 4% respectively. Cattle prices were driven by continued strong domestic demand, driven further by tightening supply. Wet conditions in the second half of FY16 limited livestock movements adding further pressure to supply.

Wool
The national clip was down 8% on last year. Elders was able to maintain margin and increase market share, improving volumes sold by 3,500 bales.

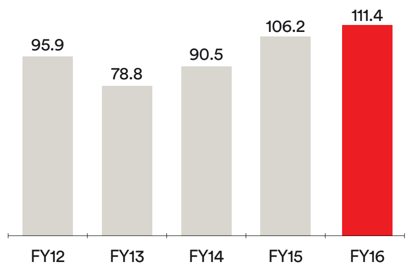
Grain
Elders' new grain platform was launched in December 2015, accumulating in excess of 0.4 million tonnes, broadly in line with FY15.

Strategy

To strengthen and expand our wool, livestock, and grain products.

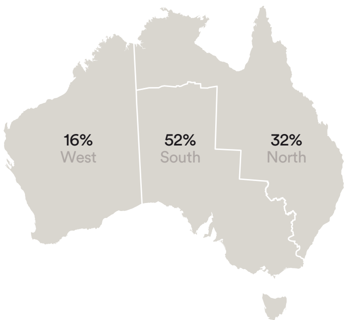
Strategy	Achievement	Plan
Operating model	— Livestock electronic sale contracts initiative rolled out — New grain platform launched in December 2016 — Agency footprint expansion into southern New South Wales	— Increase agency opportunity and earnings through StockCo expansion — Continue livestock, wool and grain product development to improve and expand offering — Continue footprint expansion through targeted acquisition
People	— Key grain operatives recruited	— Selective recruitment of livestock and wool personnel

Agency margin ($m)



Margin by product

Margin split by geography



Real Estate Service

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 both major population centres and regional areas through company owned and franchise offices. Other services include water and home loan broking.

Performance

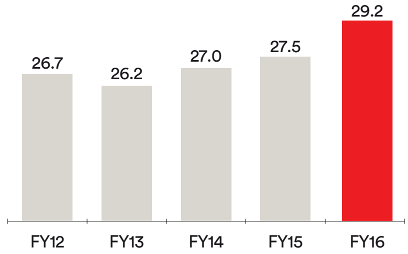
Real estate generated margin of $29.2 million in FY16. The growth in earnings was primarily driven by strong demand for large cattle farming and broadacre cropping properties, together with the expansion of the property management business through property management acquisitions.

Strategy

To strengthen and expand our real estate offering.

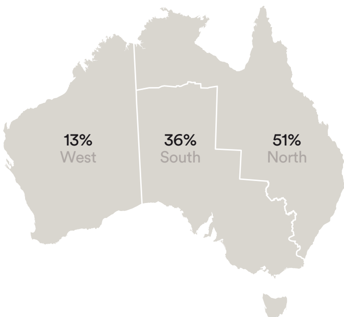
Strategy	Achievement	Plan
Operating model	— Expansion achieved through strategic acquisitions in Toowoomba, Darwin and the Riverland — New franchise offices opened — Management renewal in Elders Home Loans business with full ownership — Strong pipeline of acquisitions	— Increase company owned presence in major regional centres — Ongoing focus on productivity and efficiency — Elders real estate profile enhancement — Aggressively expand franchise network
People	— Key management positions appointed: GM Real Estate and National Head of Residential Real Estate — Sales workforce strengthened with quality recruits appointed across all zones	— 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

Real Estate margin ($m)



Margin by product

Margin split by geography



Financial Services

Elders distributes a wide range of banking, funding, insurance and financial planning products through its Australian network.

We work 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. Elders Financial Planning is facilitated through a joint venture with Millennium 3 (part of the ANZ Group). Collectively, these relationships enable us to offer a broad spectrum of products designed to help our customers grow their business (e.g. term loans, seasonal overdrafts, livestock funding), manage risk (e.g. farm insurance, vehicle insurance) and create and protect personal wealth (e.g. life insurance and investment products).

Performance

Banking and livestock funding products: Margin improved by $0.3 million in FY16, largely driven by increased activity for our livestock finishing funding product offered through StockCo. Elders acquired 30% equity in StockCo's Australian operations in October 2016 which will boost earnings going forward.

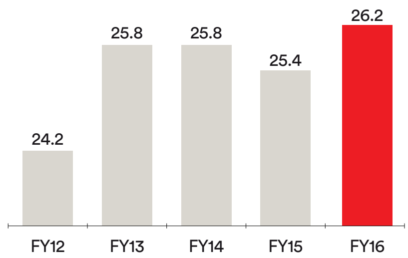
Insurance: Margin improved by $0.4 million as it was bolstered by dividends received as a result of the 10% acquisition Elders Insurance (Underwriting Agency). Gross written premium was broadly in line with last year.

Strategy

To strengthen and expand our distribution of banking, financing, insurance and financial planning products.

Strategy	Achievement	Plan
Deeper, more productive partnerships	— Acquired 10% of Elders Insurance — Acquired 30% of StockCo's Australian livestock funding business, completed in October 2016	— Investment in aligned financial service product providers — Increase activity through referrals from other products
Increased market awareness and cross-sell within Elders	— National television marketing campaign for Agri Finance — Internal "Who's your banker" referral campaign generated $250 million in new banking leads	— Continue advertising investment — Further internal referral campaigns to drive cross-sell of Financial Services products to Elders customers
Salesforce effectiveness	— Financial services organisational restructure	— Collaboration with Rural Bank to improve productivity and efficiency of sales team

Financial Services margin ($m)



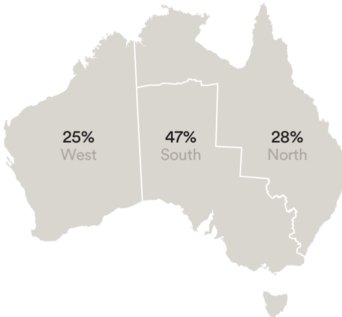
Margin by product

80% Banking

19% Insurance

1% Financial Planning

Margin split by geography



Feed and Processing Services

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

Performance

High Australian cattle prices impacted input costs for all Feed and Processing businesses, adversely impacting margins across the board.

Killara Feedlot
The feedlot had a challenging year with margins $1.5 million lower than last year, due to margin pressures and lower occupancy. Feedlot occupancy was impacted by supply issues and unfavourable weather conditions which hindered productivity.

Indonesia
Margin for the Indonesian business was $1.5 million lower than last year. High input costs in the feedlot, along with pricing pressures created by cheaper substitute products in the consumer market significantly impacted profitability.

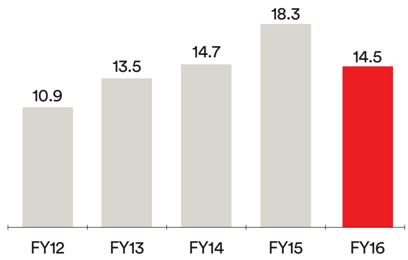
China
The Elders China business posted margins $0.8 million lower than last year. High input costs coupled with pricing pressures in the market for beef products in the Chinese market adversely impacted margins. Expansionary costs and unfavourable foreign exchange movements also impacted profitability of the business.

Strategy

To improve and expand our feed and processing business.

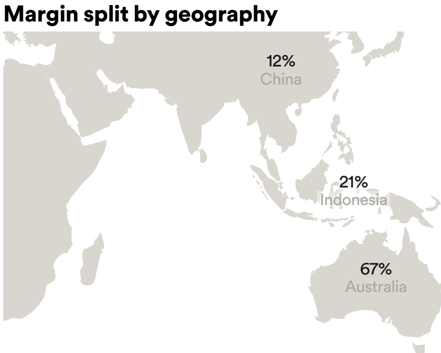
Strategy	Achievement	Plan
Robust systems	— Implementation of ERP systems in both Indonesia and China businesses	— Improve reporting and transparency allowing effective decision making
Return on capital focus	— Sales offices established in new Chinese locations — Scheduled 2 year capital upgrade plan at Killara in progress — Abattoir capacity optimised in Indonesia with introduction of external custom processing — Animal health division exited within the Indonesian business	— Improve procurement strategies through backgrounding and use of external facilities for Killara — Sale of non-core assets within the Indonesian business — Allocation of capital based on approved business case discipline
Integrated red meat supply chain	— Killara branded product line launched and distributed in China and Indonesia	— Increase focus on higher margin markets — Expansion of Killara branded product in Bali market

Feed and Processing margin ($m)



Margin by product

Margin split by geography



Live Export Services

During September 2016, Elders announced it would exit the live export business, with immediate cessation of the long haul business and a managed divestment of the short haul business as a going concern. As such, the operating result for the business is excluded from underlying profit.

The live export business exports live dairy, feeder, slaughter and breeding cattle and breeding sheep to well-developed, ESCAS approved, supply chains in a range of international markets. Livestock are transported by sea or air freight depending on the market requirements.

Performance

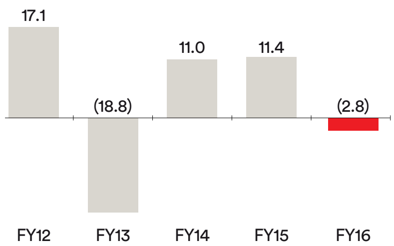
Long haul
The business generated an operating EBIT loss of $6.1 million largely due to the slowing of dairy breeder cattle imports into China. Consequently, the excess shipping capacity that resulted was utilised across the long haul and short haul businesses to offset the fixed shipping charter costs.

Short haul
The business generated an operating EBIT loss of $2.8 million. Key factors that adversely impacted the business in FY16 were the timing of Indonesian import allocations, oversupply of the newly opened Vietnamese market driving margin down, high cost of Australian cattle and low margin contracts fulfilled to offset fixed shipping charter costs.

In addition, costs relating to the exit from Live Export were $6.0 million.

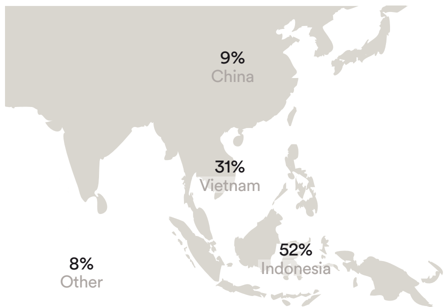
Strategy
Managed divestment of the short haul business and immediate cessation of long haul live export trading operations.

Live Export margin ($m)



Margin by product

Margin split by geography



OUTLOOK

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:

Retail Products:

— Cooler and wetter than average conditions are likely to prevail for most of Australia for the remainder of the 2016 calendar year, which is expected to improve summer crop plantings in sorghum, rice and cotton.

— Acquisitions during the FY16 year are expected to deliver further benefits during FY17. Retail will continue to pursue further acquisitions in FY17.

— The CSBP fertiliser supply agreement is expected to boost earnings in Western Australia.

Agency Services:

— Cattle prices are expected to remain well above long term averages, driven by restocker demand and reduced supply.

— Livestock volumes are expected to be strong in the first half of FY17 with good feed availability across most of Australia.

— Grain activity is expected to be strong with the new Elders Grain platform operational for a full harvest season. New grain product offerings are expected to deliver additional benefits.

Real Estate Services:

— Positive real estate activity driven by strong demand for large scale agricultural properties, low interest rates and recruitment initiatives.

— Property management earnings will benefit from property management acquisitions completed during FY16, with potential for additional uplift in earnings arising from the pipeline of business development opportunities.

Financial Services:

— Banking and livestock funding products will benefit from Elders' 30% acquisition of StockCo in October 2016 and increased demand for the funding to purchase livestock, assuming continued strong livestock prices and availability of feed.

— Uplift in Insurance earnings resulting from the full year 10% ownership of Elders Insurance.

Feed and Processing:

— Killara: Occupancy is expected to improve in FY17 with improved availability of spring cattle and better feedlot efficiency.

— Indonesia: Performance of our Indonesian feedlot is highly dependent on the volume of cattle import permits issued by the Indonesian government.

— China: Improved results are expected to follow FY16 investment in business expansion.

Costs and Capital:

— Continued focus in controlling base costs and improving productivity measures for the business.

— Investment in strategic and growth initiatives will increase cost and capital usage in FY17.

ELDERS INSIDERS

Elders Insiders is the new voice for the Elders community.

Developed in line with the Eight Point Plan, the customer satisfaction and feedback program has been created to provide a deeper level of information and answers to key decisions that meet the needs of Elders' clients.

The online community allows clients, staff and business partners to share feedback, ideas and suggestions that are used to shape the business. Elders can proactively reach out to specific groups within Elders Insiders with questions or request feedback on a potential initiative. In just three months since it was launched, the community has proven to be extremely useful in gaining deeper insights into safety, the new Elders Weather App, customer loyalty and retail promotions.

Elders marketing manager Yasmiin Phillips assisted in setting up Elders Insiders for the benefit of the business and the wider Elders community.

"I hope that clients see it as a way to help shape our business going forward and at a staff level – it also allows us to better track employee engagement or new ideas from within."

One Elders Insiders member said it is a valuable tool because any feedback from the end user is useful.

"Farmers are typically at the end of the chain and don't get many opportunities for feedback."

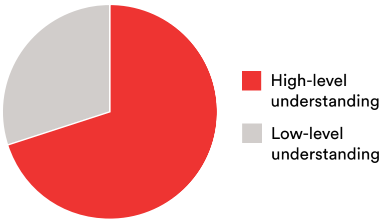
Another Elders Insiders member said it shows that Elders cares about its services and products and is genuine in its attempt to do better for its customers.

"It's important for me to contribute to Elders Insiders so the company can improve its service to customers."

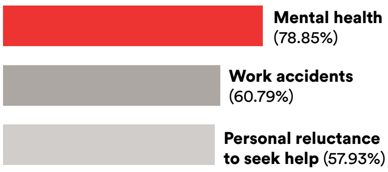
eldersinsiders.com.au

Elders Insiders Safety Survery Results:

Level of understanding of safety obligations within the workplace:



Major health issues in regional Australia:



Greatest safety risks on farms:

1—quad bikes

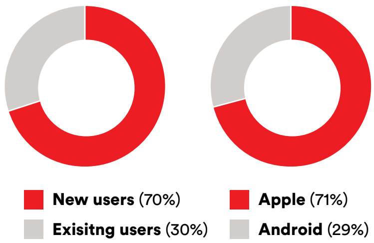
2—tractors/machinery

3—working with livestock

Elders Insiders Weather App Survey Results:

Elders released an exclusive sneak peek of the new Elders Weather App to the community members. Elders Insiders had the chance to help shape the development of the App and ensure it best suited the needs of clients and their businesses.

It was great to see that respondents had no issues with downloading the apps:



62% said they would upgrade to the silver subscription.

Over 60% of responses to all feature questions were excellent or very good.

Feedback was very positive and as such, Elders have now launched the new Elders Weather App to the market:

Over 40,000 downloads to date.

MATERIAL BUSINESS RISKS

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

Set out overleaf is an overview of key risks Elders faces in seeking to achieve our objectives. The risks noted are not exhaustive and are in no particular order. Elders seeks to control, manage and monitor these risks wherever practicable in order to maximize opportunities and reduce and prevent losses.

Elders' risk appetite is set by the Board and prescribed in the Elders Risk Management Framework and Policy. The Executive Committee adheres to the risk management framework and actively monitors, manages and treats all risks, maintaining a keen focus on those risks that have a higher rating than the desired appetite and continually assessing the operational and strategic environment for new and emerging risks.

These risks are reported to the Board Audit, Risk and Compliance Committee on a periodic basis to ensure the Board is adequately informed of the current risk environment.

More detail on Elders approach to managing risk is contained in the Corporate Governance Statement on Elders' website at investors.elderslimited.com/investor-centre/?page=corporate-governance.

Material Business Risk	Our strategy
Health and safety	
Safety risk is inherent in Elders' business activities. The safety of Elders' people, clients and the general community 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 may impact our operations. In support of the Eight Point Plan and strategic objectives, we have delivered an innovative engagement safety campaign "Stand Up Speak Up" which focuses on increasing and normalising safety conversations and provides relevant tools to manage risks that can affect our people and business on a daily basis.
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 and our people are trained in safe livestock handling protocols and methods. Elders complies with and strives to exceed, all government requirements including those applicable to the live export of animals. In addition we actively engage with the industry and stakeholders to improve animal welfare practices where possible.
Live Export	
Elders sources, procures and transports livestock to fulfil live export contracts and through these processes may be exposed to risk including pricing, inventory traceability and ship chartering.	Elders manages these risks through documented controls outlined in the Board-approved Live Export charter, including position limits, forward purchasing and sales contracts, inventory control systems, processes and procedures, and the development of inventory programs to minimise risk associated with availability and pricing movement. Further, during the financial year, Elders announced a managed exit from live export which will completely mitigate these risks.
Commodity pricing	
Elders has exposure to commodity price fluctuations in its Agency, Retail, Live Export (discussed above) 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 demand for rural products and services provided by Elders, resulting in varied revenue levels.	To limit the impact of the above risks Elders maintains both a geographical spread of operations and a diverse product and service range.
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.

Material Business Risk	Our strategy
Food safety	
Through our Feed and Processing operations, Elders handles livestock within the food safety chain prior to and during processing in which risk of contamination exists.	This risk is managed through HACCP accreditation in meat processing plants and strict animal health controls within the feedlots.
Fraud and corruption	
Elders is exposed to financial fraud, bribery and corruption risks, including in foreign markets in which it operates.	Elders has numerous 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 orientated reconciliation processes, whistle-blower policy, reporting hot-line, leave management protocols and an Internal Audit program which is complemented by periodic reviews conducted by the external auditor.
Counterparty	
Elders' client base is wide and varied. 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 risk assessments, maintaining credit policies and procedures, oversight by the Credit Committee, debtor monitoring and reporting, trade credit insurance (for major debtor processors) 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 a number of 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.

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 particular 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.

INNOVATIVE DIGITAL TRANS-FORMATION

Elders' Red Notebook and Weather Apps reach the next digital phase.

The iconic Elders Red Notebook is a much loved and highly valued item used by farmers across Australia, and has been for many years. The Red Notebook was transformed and brought into the new digital era in 2015 with the launch of the app version – which has now been taken to the next level.

The Elders Red Notebook provides those in the agribusiness sector with key dates, agricultural conversion tables and measures, first aid information as well as the ability to record important notes and farm information.

For many years Elders' livestock team has written or typed market reports before posting, faxing or emailing them to clients. By the time an agent left a sale, made it back to the office and typed it up, the results had already been printed elsewhere. The need for receiving instant information was rapidly increasing.

Elders Gunnedah's David Simpson, began recording audio market reports on his mobile and sending them to clients as voice memos, which received positive feedback from both colleagues and clients. They appreciated the immediacy of the information being received and the ease of listening to the results rather than reading them.

So, the audio market reports section of the Red Notebook app was born. Now Elders' agents can record and publish an audio report at the end of a sale before even leaving the yards. Staff, clients and media are able to see all reports across a range of locations, markets, wool and livestock and get a snapshot of national sales performance immediately post-sale.

In 2016 Elders launched the new Elders Weather app as an extension of the Red Notebook. Recognising how important it is to have accurate weather information updated instantly, the new version is a more advanced and higher performing weather app than ever before.

The new, free app includes more than 2000 Australian locations, key international locations and provides current, historical and forecast weather information, including 48 hour and 7 day forecasts.

Agribusiness is often so reliant on Mother Nature, so a silver subscription version of the Elders weather app was also created. This upgrade provides extra information, including; rain intensity and Delta-T information, lightning predictions, extra layers on the local radar and rain forecasts for the next 28 days and next 12 months.

With more than 40,000 downloads of the Elders Weather app since the launch in August 2016, the app is expected to far exceed the previous versions' downloads.

Elders is committed to providing clients with industry leading innovative initiatives and leading the way in the digital agriculture space.

The new, free app includes more than 2000 Australian locations, key international locations and provides current, historical and forecast weather information, including 48 hour and 7 day forecasts.

BOARD OF DIRECTORS

Mr Ian Wilton

FCCA, FCPA, FAICD, CA

Age 64 – Non-Executive Director of the Board since April 2014. He is also Chairman of the Audit, Risk and Compliance Committee and a member of the Occupational Health and Safety Committee, the Nomination and Prudential Committee and the Remuneration and Human Resources Committee. Ian Wilton 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 of Sheep CRC Limited and One Harvest Holdings Pty Ltd. Mr Wilton is a resident of New South Wales.

Mr James Hutchison (Hutch) Ranck

BS Econ, FAICD

Age 68 – Appointed Chairman in April 2014. Non-Executive Director of the Board since June 2008. He is also Chairman of the Occupational 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 has led businesses in ANZ and Asia Pacific in Agriculture, Pharmaceuticals, and Industrial Chemicals. In the last 10 years Hutch has served as a director in a variety of companies and organisations including, 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 Resources and the CSIRO. Mr Ranck is a resident of New South Wales.

Ms Robyn Clubb

BEc, CA, F Fin, MAICD

Age 59 – Non-Executive Director of the Board since 21 September 2015.

She is also a member of the Audit, Risk and Compliance Committee, Work Health and Safety Committee, Remuneration and Human Resources 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 Chair of the Rice Marketing Board for the State of NSW, Deputy Chair of the Australian Wool Exchange, Treasurer 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 Jackson

B Com, FAICD

Age 54 – Non-Executive Director and Deputy Chairman of the Board since April 2014. He is also Chairman of the Remuneration and Human Resources Committee and a member of the Occupational Health and Safety Committee, the Audit Risk and Compliance Committee and the Nomination and Prudential Committee. Mr Jackson has more than 25 years' experience in capital markets and agribusiness, both in Australia and overseas. He held a Senior Vice President role with investment bank SG Warburg (now part of UBS) in New York and was a director of MSF Sugar Limited from 2004 to 2012, including being Chairman from 2008. He is currently Chairman of Australian Rural Capital Limited. Mr Jackson owns and operates a beef cattle enterprise in northern New South Wales and is a resident of New South Wales. Mr Jackson brings strong skills and knowledge in capital markets, agricultural production and supply chains, corporate governance, corporate and financial strategy and hands on experience in the rural agency business.

Mr Mark Charles Allison

BAgrSc, BEcon, GDM, FAICD

Age 56 – 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.

Company Secretaries

Mr Peter Gordon Hastings

BA LLB GDLP

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 held the position of General Counsel since February 2010.

Ms Sanjeeta Singh

BEd (Primary)

Ms Singh has previously held the role of Assistant Company Secretary for the past 6 years, prior to her appointment as Joint Company Secretary in March 2016. Ms Singh has extensive experience in all governance activities having served with the Company for over 10 years.

DIRECTORS' REPORT

The directors present their report for the year ended 30 September 2016.

Directors

Current Directors

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

Non-Executive Directors

— James Hutchison Ranck (Chairman)

— James Andrew Jackson (Deputy Chairman)

— Ian Wilton

— Robyn Clubb

Executive Director

Mark Charles Allison (Managing Director and Chief Executive Officer)

Company Secretaries

— Peter Gordon Hastings

— Sanjeeta Singh was appointed Joint Company Secretary on 4 March 2016.

— Nina Margaret Abbey ceased as Joint Company Secretary on 3 March 2016.

— A summary of the experience, qualifications and special responsibilities of each Director and Company Secretary is provided on pages 44 and 45 of this annual report.

Principal Activities

The principal activities of Elders during the year were:

(a) the provision of livestock, real estate and wool agency services to rural and regional customers;

(b) the provision of services and farm inputs to the rural sector;

(c) the provision of financial products and services to rural and regional customers;

(d) real estate franchisor;

(e) live export operations;

(f) feedlotting of cattle;

(g) grain trading; and

(h) 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 $51.6m (2015: profit of $38.3m). A review of the operations and results of the consolidated entity and its principal businesses during the year is contained in pages 18 to 33 and 36 to 39 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 13 October 2016, Elders acquired a 30% equity interest in StockCo Holdings Pty Ltd for $10m.

There is no other matter or circumstance that has arisen since 30 September 2016 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 in the information on page 32 and 33 of this report.

Share and Other Equity Issues During the Year

No ordinary shares were issued under the Company's employee share plans during the year.

On 22 June 2016, Elders issued 7,350,000 new placement shares to sophisticated investors pursuant to the Company's 15% placement capacity under ASX Listing Rule 7.1.

On 13 July 2016, Elders issued 22,774,769 new shares under a 1 for 4 non renounceable entitlement offer announced by Elders to the ASX on 17 June 2016.

The total number of shares on issue, including the placement shares, following completion of the entitlement offer is 113,859,440. Proceeds raised from the placement and entitlement offer (approximately $102.4m gross proceeds) were used to fund acquisition by Elders Finance Pty Ltd (a wholly owned subsidiary of the Company) of 705,585 ASX listed Elders Hybrids (ASX: ELDPA) via on-market bid for $95 per hybrid. Elders Finance Pty Ltd now owns 72.04% of all Elders Hybrids on issue.

Surplus funds have been used for costs associated with the capital raising, acquisitions and general working capital.

Dividends and Other Equity Distributions

No dividends or hybrid distributions were declared or paid during the 12 months to 30 September 2016.

Share Options

Share options are issued 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 62 of this annual report.

The total quantity of options (not including performance rights disclosed on page 72 of the Remuneration Report) on issue as at 30 September 2016 would represent, if exercised, 1.47% of the Group's issued ordinary shares.

Details of options over unissued shares at the date of this report are as follows:

1. **Options on Issue:**
   All options listed in Table 1 are subject to performance conditions as described on page 72 of the Remuneration Report.
2. **Options issued since the end of the previous financial year:**
   No options have been issued since the end of the previous financial year.
3. **Options exercised since the end of the previous financial year:**
   No options have been exercised since the end of the previous financial year.
4. **Options lapsed since the end of previous financial year:**
   Options lapsed since the end of the previous financial year are disclosed in Table 2. As disclosed in Table 11 appearing on page 78 of the Remuneration Report, 43,750 performance rights held by Senior Executives have lapsed since 30 September 2015.

Directors' Interests

At the date of this report, the relevant interests of the directors in shares and other equity securities of the Company are detailed in Table 3.

At the date of this report, there are no options on issue to directors other than to the Managing Director as set out in Table 3.

Directors' Meetings

Detail of the number of meetings held by the Board of Directors and Board committees and the attendance at those meetings is provided in Table 4.

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 the Company 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 the Company will maintain an insurance policy insuring the officer against any liability incurred by the officer in the officer's capacity as an officer of the Company 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 Directors and Senior Executives of the Group are set out in the Remuneration Report commencing on page 62. In compiling this report the Group 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 a feedlot in Killara (NSW) which is subject to both state and local government environmental legislation, as well as animal welfare legislation. Feedlots can also be subject to quality assurance standards under the National Feedlot Accreditation Scheme (NFAS) which is independently administered and audited each year by Aus-Meat. Killara operates under such standards as well conducting its operations according to the Model Code of Practice for the Welfare of Animals – Cattle (2004).

No breaches of any relevant Act, code of practice or accreditation scheme under which Killara was approved or operates were reported during the year ended 30 September 2016 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 saleyards were reported during the year ended 30 September 2016 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 co-regulatory accreditation program operated by Agsafe. The program provides accreditation for premises and training and accreditation for staff 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.

A minor spill resulting from a trailer roll-over occurred in January 2016 near Barmera (SA). The spill was promptly cleaned up. The Environmental Protection Authority was notified and it advised that no further action was required. In February 2016, a minor incident near Loxton (SA) involved a spill of Trifluralin (a pre-emergent herbicide) occurred. The spill was effectively cleaned up and no environmental harm occurred. Although the Company was not required to do so, the Environmental Protection Authority was advised.

A letter was received from the Environmental Protection Authority advising that a complaint regarding storage of treated fence posts had been made against an Elders' branch. The issue was appropriately dealt with and no further action was required by the Environmental Protection Authority.

No other breaches of environmental regulations were reported during the year ended 30 September 2016 or to the date of this report.

Live Export Services
Elders is engaged in the export of livestock to international markets, namely the supply of feeder and slaughter cattle to Indonesia and Vietnam as well as long haul live export of dairy, breeding and feeder and slaughter cattle to distant markets such as China and Kazakhstan. Sheep are also exported to a variety of markets.

All live export operations are subject to Australian Government regulations and standards including:

— The Australian Standards on the Export of Livestock (ASEL version 2.3) which provides detailed standards on the sourcing, preparation, management and transportation of livestock throughout the supply chain, until disembarkation. The ASEL also requires exporters to comply with state, territory and local government regulations including animal welfare and environmental regulations.
— The Exporter Supply Chain Assurance System (ESCAS) which requires exporters to have control and traceability throughout the supply chain up to and including the point of slaughter in the receiving country.

Apart from minor breaches of ESCAS which Elders self-reported (for which regulators took no adverse action against Elders), no breaches of environmental regulations or legislation were recorded by the live export business in the year to 30 September 2016 or the date of this report.

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 specifically stated to be otherwise.

Non-Audit Services

Non-audit services provided by the Company's auditor, PricewaterhouseCoopers, to the Group 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 amounts for the provision of non-audit services:

— Tax services (primarily compliance) $13,120
— Other compliance and assurance services $10,000

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

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

Table 1 — Options over unissued shares

Date Options Granted	Number of Options on issue	Issue Price of each option	Exercise Price of each option	Option Expiry Date
18/12/2014	1,694,790	nil	$1.70	30/09/2019

Table 2 — Options lapsed since the end of previous financial year

Date Options Granted	Number of Options lapsed	Issue Price of each option	Exercise Price of each option	Option Expiry Date
18/12/2014	225,210	nil	$1.70	30/09/2019

Table 3 — Directors' Interests

	No. of ordinary shares	No. of hybrids	No. of performance rights and options
Non-Executive Directors			
J H Ranck	125,000	-	-
I Wilton	100,000	-	-
J A Jackson	37,500	-	-
R Clubb	1,200	-	-
Executive Director			
M C Allison	22,107	-	860,000

Table 4 — Attendance at meetings by Directors

Attendance by directors at Board and Committee meetings held during the financial year is detailed below.

Committee attendance is only recorded where a director is a member of the relevant committee.

	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	6	6
J A Jackson[1]	19	19	1	2	5	6
I Wilton	19	19	2	2	6	6
M C Allison[2]	18	19	-	-	-	-
R Clubb	19	19	2	2	6	6

	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	7	7	2	2
J A Jackson	7	7	2	2
I Wilton	7	7	2	2
M C Allison	-	-	2	2
R Clubb	7	7	2	2

1 *Mr Jackson was an apology for certain committee meetings held on the same day due to attending a funeral.*

2 *Non-attendance at one Board meeting related to Mr Allison's remuneration requiring him to absent himself for the entire duration of that meeting.*

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Auditor's Independence Declaration

As lead auditor for the audit of Elders Limited for the year ended 30 September 2016, 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
14 November 2016

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ELDERS & COWBOYS SUPPORT MENTAL HEALTH

Elders' key priority is the safety and wellbeing of its people, and the communities in which the business operates. Launched in 2014, Elders' *Stand Up Speak Up* campaign is about starting the right conversations, and providing employees and clients with effective tools to do so.

Following tough conditions across many parts of Australia, 2016 saw a focus on mental health.

Aimed at tackling stigma and starting conversations around mental wellbeing, Elders teamed up with the NRL North Queensland Cowboy's – a like-minded, community owned, not-for-profit organisation.

The Elders network is far reaching across Australia, with more than 200 branches and 2,000 employees throughout the country, it is a business priority to ensure the Company's employees and clients are well cared for. With many working closely in rural and remote communities, some experiencing difficult times, it is important they are equipped to know that support is always available and that they are not alone.

Elders' northern zone general manager, Greg Dunne commented that he was incredibly impressed with the partnership and its commitment to community.

"Elders is committed to making safety our number one priority for employees and the communities in which we operate, and this is strengthened by working with not-for-profit organisation, the Cowboys," Mr Dunne said.

Mental health has a larger impact in Australia than the road toll, with 1 in 3 women and 1 in 5 men expected to experience anxiety in their lifetime. With continuing difficult conditions in Australia, the mental health of both these communities is of upmost importance to both organisations.

"Mental health has a huge impact on both our personal and work life as well as that of our clients. With those in rural areas half as likely to access support services as those from metropolitan areas, it's important to ensure that we bring this important topic to the table and support our work colleagues, clients and friends" says Mr Dunne.

The Cowboys have been, and remain, active on promoting and facilitating positive mental health outcomes, both internally and in the broader community. The club employs a full-time Welfare and Education manager and two psychologists to provide support to its players and Cowboys NRL player Michael Morgan is the club's State of Mind Ambassador, which is a volunteer role, created to give players' perspective and input into the NRL's community programs in the mental health space.

The club, in conjunction with sponsors, also runs a Community Hub at home games, with sponsors partnering with a charity to promote healthy living and attempt to wipe out the stigma surrounding mental illness and raise awareness for suicide prevention.

Elders and the Cowboys produced a 30 second television commercial which ran across the Imparja network this year. It referenced rough times faced by both teams and highlighted that times change. The partnership inspired people to look forward and ensure they have the support of their team, regardless of who that may be; a workmate, friend or family.

An accompanying *Stand Up Speak Up* video was also created and featured the Cowboy's mental health spokesperson Michael Morgan, Elders' Kate Knowles and Tom Kennedy, Townsville QLD. It opened conversation within the network, acknowledged mental health as an issue and challenged the stigma that surrounds the often taboo conversations.

In addition, Elders launched a community area on the website to provide employees and clients with the resources and contacts needed to address any mental health issues for themselves and their friends or family. Elders' branches were provided with cards, which appeared as business cards and included the community website on the reverse.

The partnership and campaign has shifted Elders' culture surrounding mental health. It unlocked lines of communication and highlighted the need for supporting each other and clients through the seasons and challenges of life.

Our teams have both had their ups and downs and we know that often you can feel that you are on your own.

But everyone has a team, and your team is there with you – it's all about ensuring you have the support you need. Take a moment to think about who's on your team.

EXECUTIVE MANAGEMENT REMARKS

Mark Allison

Managing Director and Chief Executive Officer

"I was pleased to see stable and consistent growth of the business this year, backed by a strong focus on the communities in which we operate. I'm looking forward to seeing the business and our Eight Point Plan continue to progress, with a clear focus on our digital and technical offering in 2017."

Richard Davey

Chief Financial Officer

"It is pleasing to see Elders achieve another successful year of strong profitability, improving balance sheet efficiency and delivering shareholder value in FY16. We have maintained our focus to manage and reduce the cost base across the organisation to create a sustainable business model for the future. The CFO team have been critical in supporting growth initiatives and continue to drive disciplined cost and capital deployment in the business."

Peter Hastings

Company Secretary and General Counsel

"Over the past 12 months the Corporate Governance functions further strengthened a company culture in which open and honest identification and management of risk is encouraged, and safety and wellbeing is a topic of regular conversation. This year also saw our team lead a successful capital raise and hybrid acquisition projects for the business."

Liz Ryan

General Manager — Financial Services

"2016 saw strong progress towards rebuilding our financial services business into the profit powerhouse of Elders that it was in the past. Our successful 10% acquisition of Elders Insurance, and 30% acquisition of StockCo, in addition to our product awareness campaigns are key to strong EBIT growth in FY17."

Tom Russo

General Manager — Real Estate

"2016 has been a year of renewed focus on the Real Estate business. Following my appointment, we have focused on growing the brand through marketing and communications; and establishing a high quality team, to build the foundations needed to achieve business improvement and growth ambitions. In the rural sector, our market-leading network played a large role in the high level of activity we've seen across the sector, due to robust commodity demand and prices, excellent seasonal conditions, and low interest rates. Our residential network has also performed solidly in variable market conditions across the country. We have improved the performance of our property management business through attractive bolt on acquisitions and efficiency initiatives."

Nick Fazekas

General Manager — Retail

"We've had great results for the Retail business with year on year organic growth, increased client support on the back of good seasons over the majority of Australia and have pleasingly exceeded $1 billion in Retail sales in a market of falling commodity prices.

With the help of our key supplier base, the Retail team has seen an uplift in our internal metric of 'capital light', with the Retail ROC increasing from 8.3% to 17.9% in the last 12 months."

David Adamson

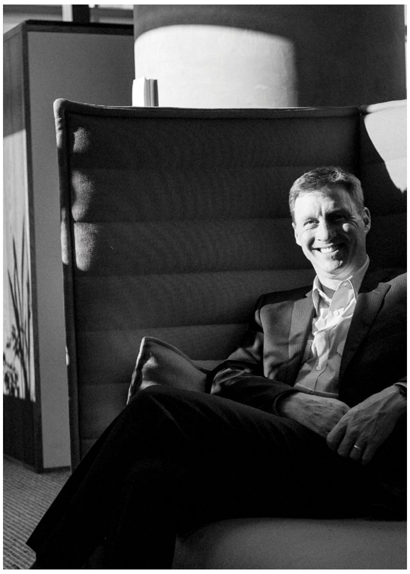
General Manager — Agency

"2016 was one for the record books in terms of beef price. We were able to assist both our commercial and stud clients in taking advantage of these high prices. 2016 also saw the launch of our new Elders Grain platform which provides our grower clients with more options for marketing their grain."

Karen Ross

General Manager — Business Innovation

"This year was one of digital growth for Elders, with the launch of our Elders Insiders community, which allows our customers, suppliers and employees to have a voice and provide real-time feedback on a variety of topics that are important to our customers and agribusiness in Australia. In addition, we've also launched a new weather app, website, and online customer portal – providing our customers with access to greater digital services for their business."



James Cornish

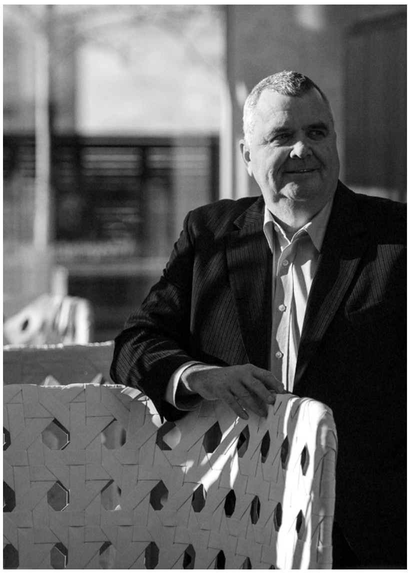
Zone General Manager — West

"The high performing and professional culture within the Western Zone lifted to new levels this year. We're continuing to develop a truly respectful and accountable environment that is attracting high quality people to a trusted brand and business. Consequently, we've seen a renewed sales culture, driving significant growth and customer service across the zone."

Malcolm Hunt

Zone General Manager — South

“Over the past 12 months, we’ve increased investment in our people and delivered a strong focus in improving the overall capability of the Southern Zone. This high performing culture, coupled with our renewed focus on customer service is proving successful with the clients and communities in which we operate.”



Greg Dunne

Zone General Manager — North

“This year, an increased focus on our livestock market share, coupled with investment in our Central and North Queensland operations, has positively impacted our bottom line in the North. This focus, coupled with a decent season across the Zone, particularly in Farm Supplies and our B&W business, has put us in a good position for the next twelve months and beyond.”

Laura Schonfeldt

General Manager — People and Culture

“This financial year, Elders engagement and enablement levels achieved Korn Ferry Hay Group’s ‘High Performing Organisation’ benchmark. This outstanding result reflects Elders’ focus on a values and performance culture and leadership renewal. Importantly, we have a strong foundation for future success with a workforce who tell us they understand the link between their job and Elders’ strategy; are motivated to contribute more than is required of them; are proud of Elders; and are challenged by, and interested in, their work.”

REMUNERATION REPORT

The Directors of Elders Limited present the Remuneration Report for the consolidated entity for the year ended 30 September 2016. 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 short and long-term 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 include 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 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 the Company 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 2016 financial year is set out below:

Fixed Remuneration

As part of an organisational review of fixed remuneration benchmarks, in August 2015 Korn Ferry Hay Group validated job evaluation assessments across the business. Job evaluation and market benchmarks informed the annual review of fixed remuneration undertaken across the organisation in November 2015. Eligible KMP subsequently received an increase to their fixed remuneration at an average rate of 2.5%, in line with market movements for FY16.

Variable Remuneration

Short-Term Incentive Plan

Despite difficult market conditions in Live Export, focused management of other business units resulted in strong financial performance. As such, based on these results an organisation-wide incentive pool will be allocated to eligible participants, considering individual contribution and targeted towards high performers.

This performance has been reflected in the short-term incentive outcomes received by the MD & CEO and Senior Executives for FY16.

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 FY16. The grant has a 3 year performance period, with key metrics of Absolute Total Shareholder Return, Earnings per Share growth and Return on Capital. The LTIP is designed to focus executives on driving continued sustainable growth and shareholder return.

Having regard to the dilutive impact of the capital raising undertaken by the Company during the year, the Board reviewed the conditions of the 2015 and 2016 LTIPs. As a result the Share Price Vesting condition in the 2016 plan has been adjusted from $3.965 to $3.833. This change was made in line with the Plan Rules and the ASX Listing Rules.

Long-term incentives vesting in the year

Tranche 3 of the 2011 Senior Executive Grant was tested against the performance hurdle, being Elders Total Shareholder Return (TSR) over the performance period of 10 November 2011 to 9 November 2015 relative to the TSR over the same period of the comparator group of entities (comprising the S&P/ASX 200 Accumulation Index, excluding resources and property trusts).

The testing resulted in Elders TSR achieving a percentile ranking of 60, meaning that 70% of the performance rights vested.

Managing Director and CEO and Senior Executive remuneration outcomes for 2016

Table 1 below sets out certain items of remuneration paid or payable to the MD & CEO and Senior Executives in respect of the 2016 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 10 on page 77 provides the audited remuneration disclosures as required under Accounting Standards and statutory requirements. Elders however believes that 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, and is consistent with the Productivity Commission's recommendation in its report on Executive Remuneration in Australia.

Table 1 includes information on base salary, short-term incentive (STI) and long-term incentive (LTI), superannuation, other monetary benefits, other non-monetary benefits and termination benefits identical to that contained in Table 10, but omits the information on the issue of shares, share rights and options and long-term payments contained in Table 10. Additionally, Table 1 provides information on LTI based on rights vesting or options exercised during the financial year, which is not provided in Table 10.

Table 1 — Remuneration outcomes for 2016 (unaudited and non-IFRS)

	$	Base Salary	STI[1]	LTI[2]	Superannuation	Other (monetary)	Other (non-monetary)[3]	Termination benefits[4]	Total
M C Allison	MD & CEO	817,989	632,250	-	19,359	-	-	-	1,469,598
R I Davey	Chief Financial Officer	431,566	85,000	7,138	19,385	-	-	-	543,089
J H Cornish	GM Zone West	332,944	90,000	14,277	19,385	-	1,232	-	457,838
G J Dunne	GM Zone North	353,319	100,000	14,277	19,385	-	4,358	-	491,339
C C Hall	GM Live Export	329,279	-	-	19,385	-	19,454	221,735	589,853
M L Hunt	GM Zone South	355,662	100,000	-	19,385	-	33,263	-	508,310

1 *STI that will be paid for performance in the 2016 financial year.*

2 *Value of any performance rights that vested during the 2016 financial year based on the closing share price on the date of vesting, and options that were exercised during the 2016 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 or options granted during the 2016 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 2016 (if not full year)
Non-Executive Directors		
J H Ranck	Chairman	
R Clubb	Director	
J A Jackson	Director	
I Wilton	Director	
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	
C C Hall	General Manager Live Export	1 October 2015 to 16 September 2016
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 the Company establishes and maintains remuneration strategies and policies aligned with the Company's 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 the Company's 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 Chairman and 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 the Company. The Committee also reviews major remuneration policies and programs applying to the Company.

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 the Company's website at elders.com.au

The Committee is comprised entirely of Non-Executive Directors.

B — Key Committee activities

During 2016, 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 of short-term and long-term incentive plans
- review of talent and succession plans for the Executive Committee
- review 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 2016, the Committee did not seek or receive remuneration recommendations from any external party and consequently no fees were paid during the year for such advice.

Section 3 — Non-Executive Director Remuneration

A — Remuneration framework and 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 director fees.

Non-Executive Directors do not participate in the Company's 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 the Company. Length of tenure is governed by the Company's 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 the Company to further align their interests with the interests of other shareholders. Details of Non-Executive Directors' shareholdings in the Company can be found in Table 12 of this Report.

B — Non-Executive Director remuneration in 2016

Total fees for the financial year ended 30 September 2016 remain well within the aggregate fee limit of $1,200,000 per annum, approved by the Board following the Company's 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 of $240,000 (includes committee fees). 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 2016, 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 R**emuneration 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.

Actual Committee fees paid are provided as "Board Committee Fees" in Table 3 below.

Table 3 — Non-Executive Director remuneration details

		Short-term payments			Post employment		Total
		Base Board Fee	Board Committee Fees	Subsidiary Fees and Other Fees	Super annuation	Other	
J H Ranck	2016	240,000	-	-	19,385	-	259,385
	2015[1]	240,000	-	-	18,915	-	258,915
R Clubb	2016	100,000	36,000	-	12,920	-	148,920
	2015[2]	3,030	1,091	-	392	-	4,513
J A Jackson	2016	100,000	41,000	-	13,395	-	154,395
	2015[1]	100,000	36,000	-	12,920	-	148,920
I Wilton	2016	100,000	50,000	-	14,250	-	164,250
	2015[1]	100,000	50,000	-	14,250	-	164,250
Total	**2016**	**540,000**	**127,000**	**-**	**59,950**	**-**	**726,950**
	2015	**443,030**	**87,091**	**-**	**46,477**	**-**	**576,598**

1 *Figures relate to part year service. J A Jackson and I Wilton commenced as Directors from 13 April 2014. J H Ranck became Chairman from 1 May 2014.*

2 *R.Clubb was appointed as Director from 21 September 2015 and the above fees were paid in October 2015.*

Section 4 — Managing Director & Chief Executive Officer and Senior Executive Remuneration

A — Remuneration framework and policy

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

— rewarding appropriately to their roles and responsibilities;

— balancing between 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:

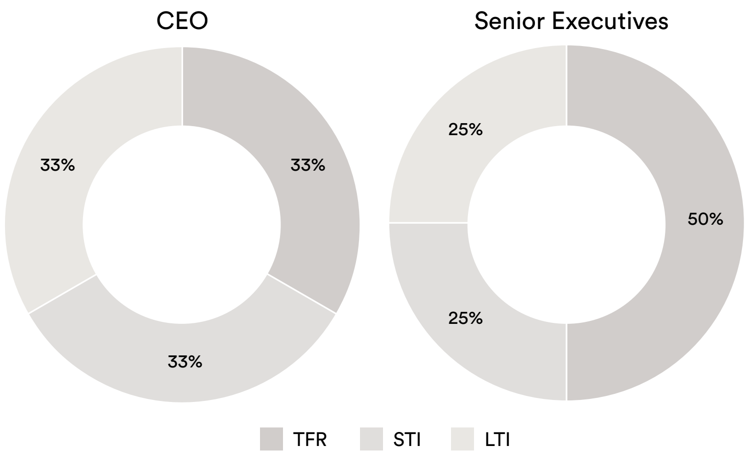
— **Total fixed remuneration (TFR)** – *to provide market competitive salary including superannuation and non-monetary benefits*

— **Short-term incentives (STI)** – *to reward for in-year performance at Company 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 Company 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 the Company's intended policy in respect of remuneration structure.

B — Total fixed remuneration

Total Fixed Remuneration (TFR) is made up of base salary, superannuation and any other benefits (including Fringe Benefits Tax) 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, Company performance and the executive's performance over the previous year, as assessed through the Company's Performance and Development Planning (PDP). PDP assesses employee performance against a number of agreed key performance indicators, including measures for safety, 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 4 — Short-term incentive plan

	MD & CEO	Senior Executives
Maximum STI opportunity as % of TFR	100% of TFR	50% of TFR
Performance measure(s)	65% of the MD & CEO's STI is based on quantitative financial performance of Underlying Earnings Before Interest and Tax (EBIT) and Return on Capital (ROC) targets. 10% of the STI is based on driving significant progress in achieving an injury free workplace. 25% of the STI is based on qualitative performance regarding creating value through the delivery of key milestones of the Eight Point Plan.	Senior Executives are eligible for an STI if Elders achieves threshold financial performance hurdles including Underlying EBIT and ROC. The STI is based on the Company, business unit and individual performance against KPIs set for: — Safety — Operational performance (including EBIT and ROC) — Key relationships (people and customers) — Efficiency and growth (Eight Point Plan milestones)
Governance	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.	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.
Exercise of discretion	The MD & CEO in conjunction with the Chairman, may recommend discretionary bonus payments to executives (except himself) for approval by the Committee.	
Service condition	Any STI payable to executives who become eligible to participate in the STI Plan during the course of the year, either through joining the Company or being promoted within the Company, will be pro-rated accordingly.	
Payment	Payments are made in cash; Senior Executives may elect to sacrifice to acquire the Company's shares via the Deferred Employee Share Plan. In FY16, where an individual STI payment is greater than $250,000 then 20% of the payment will be paid as shares.	
Clawback	Elders may recover payments 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 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.	

Table 5 — STI outcomes for 2016

All STI payments for 2016 performance were paid according to plan performance measures. The following table outlines the KMP participants who received an STI payment in 2016:

	Maximum Opportunity $	Awarded %	Forfeited %
M C Allison	843,000	75%	25%
R I Davey	226,800	37%	63%
J H Cornish	177,386	51%	49%
G J Dunne	187,436	53%	47%
M L Hunt	186,615	53%	47%

Note: C.Hall who left the Company on 16 September 2016 was not eligible for any STI payment in accordance with plan guidelines.

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 and earnings 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, under these 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 — Finalised long-term incentive – 2011 grant

Under the previous LTI plan, the final tranche (Tranche 3) of the 2011 Senior Executive grant was tested against the performance hurdles following the end of the performance period being 9 November 2015. The vesting of these performance rights were dependent on the Company's Total Shareholder Return (TSR) performance over the four year period from 10 November 2011 to 9 November 2015 relative to the ASX/S&P 200 Accumulation Index as determined by the following schedule

Relative TSR	% of Tranche that Vests
Below 50th percentile	Nil
At 50th percentile	50%
50th to 74th percentile	Pro-rata
75th percentile and above	100%

The testing resulted in Elders TSR achieving a percentile ranking of 60, meaning 70% (24,500)[1] of the rights from Tranche 3 vested, (10,500 lapsed) with an implied value of $99,936. The value is based on the number of rights multiplied by closing share price of $4.079 (as at 10 November 2015).

No further rights/shares/options are outstanding under this grant as at 30 September 2016 (compared to 40,000[2] rights as at 30 September 2015).

1 24,500 rights pertains to all participants

2 An additional 5,000 rights lapsed on termination of participant

b — Current long-term incentive – 2015 and 2016 grants

Under the grant of options provided to the CEO & MD and selected senior management on 18 December 2014, participants have now completed two thirds of the performance period which is due to be tested following 30 September 2017. Details of this plan are outlined in Table 6.

At the Company's AGM held on 17 December 2015 shareholders approved a grant of performance rights to the CEO & MD for a three year performance period commencing in FY16.

Following this grant the Board then approved a grant of performance rights to selected senior management on 17 December 2015.

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

KMP are not permitted to deal in the Company's securities without prior permission from the Company 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 aligns the interests of KMP with the Company's security holders generally.

The current LTIPs and equity participation plans are summarised overleaf.

Table 6 — Long-term incentive plan detail

	MD & CEO		Senior Executives	
Maximum LTI opportunity as % of TFR	100% of TFR		50% of TFR	
As at 30 September 2016 **No of options/rights outstanding and no of participants**				
Grant date:				
18-Dec-14	600,000 Options	1 participant	1,094,790 Options	10 participants
17-Dec-15	260,000 Rights	1 participant	670,000 Rights	14 participants

Performance period

18-Dec-14	Three years – 1 October 2014 to 30 September 2017
17-Dec-15	Three years – 1 October 2015 to 30 September 2018

Performance conditions

18-Dec-14

The options 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	Underlying Earnings Before Interest and Tax (EBIT)	25%
3	Return on Capital (ROC)	25%

17-Dec-15

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%

Performance measures and vesting

18-Dec-14

Tranche 1 – Absolute TSR Options

50% of options vest subject to an absolute TSR performance condition. The absolute TSR performance condition is tested based on the Company's average annual compound TSR over the three year performance period 1 October 2014 ending on 30 September 2017.

The % of TSR options that will vest is determined as follows:

Absolute TSR over performance period	% of Options in tranche that vest
Less than target	Nil
Target[1]	50%
Between target and stretch[2]	50-100% on a straight line sliding scale
Stretch[2] and above	100%

1 Target = 12% average annual compound TSR
2 Stretch = 20% average annual compound TSR

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

- the opening share price value will be $1.70; and
- the closing share price value will be based on the 10 trading day Volume Weighted Average Price (VWAP) up to and including the last day of the performance period.

Tranche 2 – EBIT Options

25% of options vest subject to an Underlying EBIT performance condition.

EBIT options will vest in full if Underlying EBIT is greater than or equal to $60 million for the financial year ending 30 September 2017.

Tranche 3 – ROC Options

25% of options vest subject to a ROC performance condition.

ROC options will vest in full if ROC is greater than or equal to 20% for the financial year ending 30 September 2017.

Vested options become exercisable on the first day on or after vesting that the share price is greater than the Exercise Price. For this purpose, the relevant share price is the market price at the close of trade.

For each option that vests and is exercised, an exercise price of $1.70 per option is payable by the participant in return for one fully paid ordinary share in Elders.

Options which have not been exercised by the expiry date of 30 September 2019 will lapse.

	MD & CEO	Senior Executives
17-Dec-15	**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 the Company's average annual compound TSR over the three year performance period 1 October 2015 ending on 30 September 2018. The % of TSR options that will vest is determined as follows:	

Absolute TSR over performance period	% of Options in tranche that vest
Less than target	Nil
Target[1]	50%
Between target and stretch[2]	50-100% on a straight line sliding scale
Stretch[2] and above	100%

1 Target = 12% average annual compound TSR
2 Stretch = 20% average annual compound TSR

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

— the opening share price value will be $3.965, being the 5 trading day VWAP up to and including 30 September 2015; 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 2018.

Tranche 2 – EPS Growth Performance Rights

25% of rights vest in full if Earnings Per Share Compound Annual Growth Rate 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 2018.

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 2015 ($3.833).

Upon vesting of performance rights one fully 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 7 — 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 2015	30 Sept 2016	30 Sept 2015	30 Sept 2016
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.	98	125	122,832	159,165
Elders Loan Share Plan (ELSP)	This plan was designed to provide an equity participation opportunity for all eligible employees when offered by the Company. Shares were provided and paid for by way of a non-recourse, interest-free loan. Dividends are used to repay the loan. Shares vest three years after issue once loan is fully repaid. There are no performance conditions once issued. No shares were issued under the ELSP during the financial year.	The ELSP was suspended in 2009.	614	597	42,741	41,603

Note: No KMP participated in the DESP in 2016. M.Allison and G.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 2015).

Section 5 — Link between Elders' Financial Performance and Executive Reward

A — Short-term incentive

STI payments are awarded to executives on achievement of a range of financial and non-financial performance targets. Table 8 shows the Company's performance in relation to a number of financial and operational performance measures over a five-year period.

Table 8 — Company performance

Performance measure ($ millions)	2012	2013	2014	2015	2016
Sales revenue	1,533.0	1,417.2	1,427.7	1,502.0	1,642.8
Underlying EBIT	(8.0)	(21.5)	22.3	40.5	56.2
Statutory profit	(60.6)	(505.3)	3.0	38.3	51.6
Return on Capital based on underlying earnings	n/a	n/a	11.9%	21.9%	28.4%
Cashflow from operating activities	2.5	(81.6)	15.1	(5.3)	48.7

Note: Details of KMP STI outcomes for 2016 are provided on page 70.

B — Long-term incentive

Under the LTI grants issued 18 December 2014 and 17 December 2015 the performance conditions as outlined in Table 6 include absolute Total Shareholder Return (TSR), Earnings Before Interest and Tax (EBIT), Earnings Per Share (EPS) and Return on Capital (ROC).

Total Shareholder Return (TSR)

Charts 2 and 3 adjacent show Elders' TSR performance over the last five years against the ASX/ S&P 200 Accumulation Index.

Chart 2 — Absolute TSR %

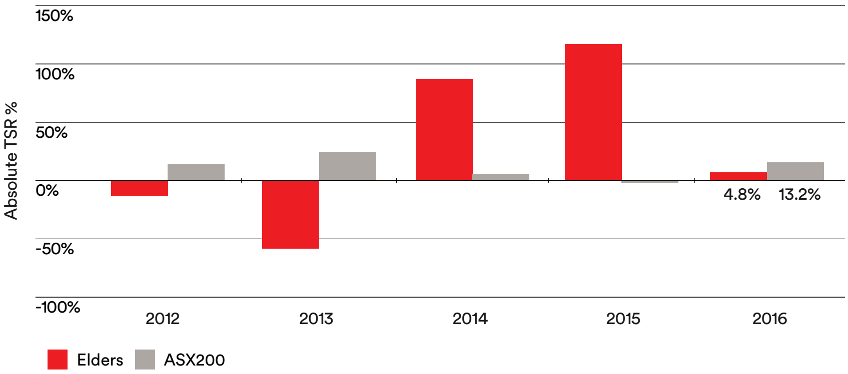
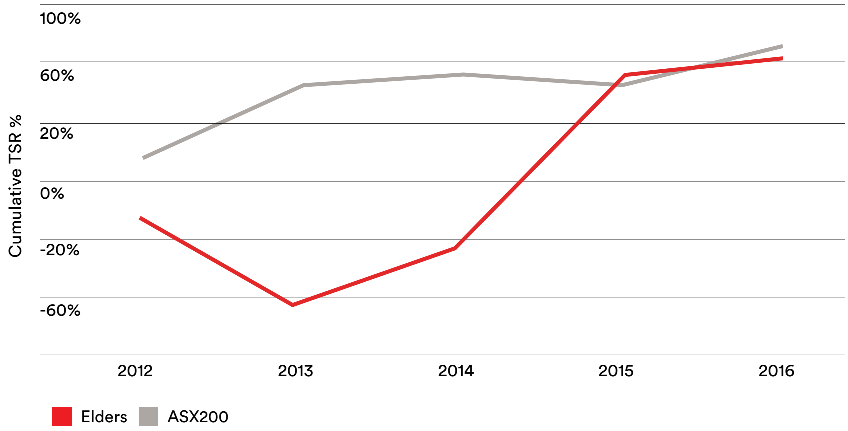


Chart 3 — Cumulative TSR %



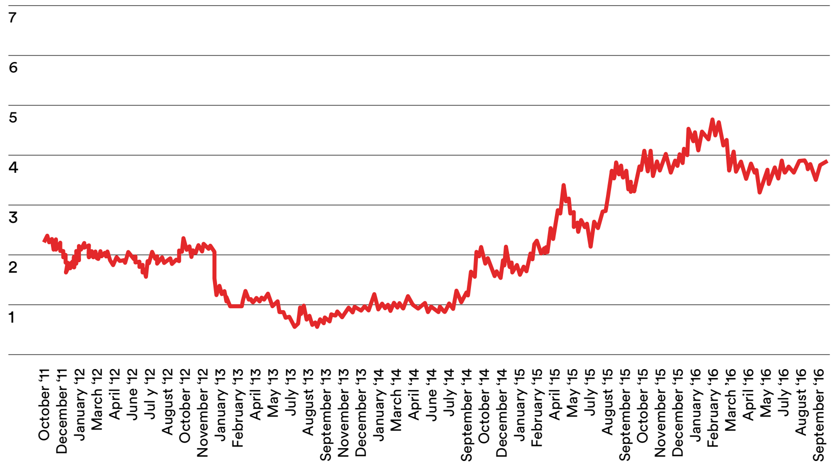
Source: Thomson Reuters

Factors contributing to the calculation of TSR include dividends and share price. The history of both for the last five years is set out below:

Dividend history

No dividends have been declared or paid (interim or final) over the five years from 2012 to 2016.

Chart 4 — Elders five year share price history



Note: In December 2014 Elders consolidated shares from 10 to 1, therefore for comparison purposes the share price in the above graph has been consolidated for the full five year period from 10 shares to 1.

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

A — Contractual arrangements with KMP

In 2016 the Company had employment contracts with the MD & CEO and Senior Executives. Details of the employment contracts are set out in the table below.

Table 9 — Contractual arrangements

Component	MD & CEO	Senior Executives
Contract Duration	Ongoing until terminated by either party	
Notice (without cause) initiated by: Company Individual	 12 months 6 months	 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 Company policy. This payment is also subject to the rules and limitations specified in the *Corporations Act 2001* and Corporations Regulations.
Change of Control	Not applicable	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 the Company will pay the Senior Executive the equivalent of up to 12 months TFR except for Mr Hunt who will be paid the equivalent of 3 months base salary.

B — Other transactions with KMP

There are no loans to KMP outstanding in the current or prior year other than those under the ELSP in Table 7 of which G.Dunne, J.Cornish and R.Davey participate holding 595, 338 and 258 shares respectively (with no change to holdings compared to the same time last year, 30 September 2015).

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

Section 7 — Managing Director and CEO and Senior Executive Remuneration Details

Table 10 — Details of MD & CEO and Senior Executive remuneration for the 2015 and 2016 financial years

		Short-term payments			Post-employment	Share-based payments		Long-term payments			
		Base salary	STI	Other[1]	Super annuation	Options	Share Rights	Long Service Leave	Termination benefits[2]	Total	% Performance-related[3]
M C Allison	2016	817,989	632,250[4]	-	19,359	125,700	296,400	3,407	-	1,895,105	56%
	2015	801,580	800,000	-	18,915	125,700	-	775	-	1,746,970	53%
R I Davey	2016	431,566	85,000	-	19,385	31,425	72,101	22,295	-	661,772	28%
	2015	404,238	110,000	2,596	18,915	31,425	1,342	35,873	-	604,389	24%
J H Cornish	2016	332,944	90,000	1,232	19,385	25,140	53,003	15,754	-	537,458	31%
	2015	328,572	80,000	1,351	18,915	25,140	2,824	9,923	-	466,725	23%
G J Dunne	2016	353,319	100,000	4,358	19,385	27,235	57,803	13,260	-	575,360	32%
	2015	345,597	90,000	3,640	18,915	27,235	2,790	8,370	-	496,547	24%
C C Hall	2016	329,279	-	19,454	19,385	25,140	57,600	(1,170)	221,735	671,423	12%
	2015	335,259	70,000	11,501	18,915	25,140	-	217	-	461,032	21%
M L Hunt	2016	355,662	100,000	33,263	19,385	27,235	57,600	6,068	-	599,213	31%
	2015	347,584	90,000	15,572	18,915	27,235	-	1,514	-	500,820	20%
Total	**2016**	**2,620,759**	**1,007,250**	**58,307**	**116,284**	**261,875**	**594,507**	**59,614**	**221,735**	**4,940,330**	
	2015	**2,562,830**	**1,240,000**	**34,660**	**113,490**	**261,875**	**6,956**	**56,672**	**-**	**4,276,483**	

1 *Comprising the provision of leased car parking (Cornish, Davey, Dunne, Hall, Hunt), company leased vehicle (Hall and Hunt). C.Hall 2015 figure has been adjusted to include company leased vehicle which wasn't reported in 2015.*

2 *These benefits, which comprise redundancy payments under the Company's 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 options are those disclosed in Table 11 and share rights includes performance rights disclosed in Table 11.*

4 *80% of STI to be paid as cash and 20% paid as shares with no further service or performance conditions applicable.*

Section 8 — Additional Statutory Information

Table 11 — Details of MD & CEO and Senior Executive current long-term incentive grants

	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											
18-Dec-14	600,000	-	30-Sep-17	-	-	-	-	600,000	125,700	377,100	n/a
17-Dec-15	-	260,000	30-Sep-18	-	-	-	-	260,000	296,400	889,200	592,800
	600,000	**260,000**	**-**	**-**	**-**	**-**	**-**	**860,000**	**422,100**	**1,266,300**	**592,800**
R I Davey											
23-Dec-11	2,500	-	10-Nov-15	1,750	70%	750	30%	1,750	101	11,350	-
18-Dec-14	150,000	-	30-Sep-17	-	-	-	-	150,000	31,425	94,275	n/a
17-Dec-15	-	75,000	30-Sep-18	-	-	-	-	75,000	72,000	216,000	144,000
	152,500	**75,000**		**1,750**		**750**		**226,750**	**103,526**	**321,625**	**144,000**
J H Cornish											
23-Dec-11	5,000	-	10-Nov-15	3,500	70%	1,500	30%	3,500	203	22,700	-
18-Dec-14	120,000	-	30-Sep-17	-	-	-	-	120,000	25,140	75,420	n/a
17-Dec-15	-	55,000	30-Sep-18	-	-	-	-	55,000	52,800	158,400	105,600
	125,000	**55,000**		**3,500**		**1,500**		**178,500**	**78,143**	**256,520**	**105,600**
G J Dunne											
23-Dec-11	5,000	-	10-Nov-15	3,500	70%	1,500	30%	3,500	203	22,700	-
18-Dec-14	130,000	-	30-Sep-17	-	-	-	-	130,000	27,235	81,705	n/a
17-Dec-15	-	60,000	30-Sep-18	-	-	-	-	60,000	57,600	172,800	115,200
	135,000	**60,000**		**3,500**		**1,500**		**193,500**	**85,038**	**277,205**	**115,200**
C C Hall											
18-Dec-14	120,000	-	30-Sep-17	-	-	40,000	33%	80,000	25,140	75,420	n/a
17-Dec-15	-	60,000	30-Sep-18	-	-	40,000	67%	20,000	57,600	172,800	-
	120,000	**60,000**				**80,000**		**100,000**	**82,740**	**248,220**	**-**
M L Hunt											
18-Dec-14	130,000	-	30-Sep-17	-	-	-	-	130,000	27,235	81,705	n/a
17-Dec-15	-	60,000	30-Sep-18	-	-	-	-	60,000	57,600	172,800	115,200
	130,000	**60,000**						**190,000**	**84,835**	**254,505**	**115,200**

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.*

Note: The 18 December 2014 grant were options and the 17 December 2015 grant were performance rights. All options are unvested as at 30 September 2016. The fair value of the options at grant date for tranche 1 is $0.50 and for tranche 2 and 3 is $0.757. The fair value of the rights at grant date for MD & CEO tranche 1 is $2.260 and for tranche 2 and 3 is $4.580 per tranche.
The fair value of the rights at grant date for Senior Executive tranche 1 is $1.640 and for tranche 2 and 3 is $4.120 per tranche.

Table 12 — 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	2016	100,000	-	-	25,000	125,000
	2015	74,200	-	-	25,800	100,000
R Clubb	2016	-	-	-	1,200	1,200
	2015	-	-	-	-	-
J A Jackson	2016	30,000	-	-	7,500	37,500
	2015	24,000	-	-	6,000	30,000
I Wilton	2016	80,000	-	-	20,000	100,000
	2015	50,000	-	-	30,000	80,000
MD & CEO and Senior Executives						
M C Allison	2016	17,685	-	-	4,422	22,107
	2015	10,000	-	-	7,685	17,685
R I Davey	2016	258	-	1,750	-	2,008
	2015	258	-	-	-	258
J H Cornish	2016	26,028	-	3,500	-	29,528
	2015	26,032	-	-	(4)	26,028
G J Dunne	2016	40,554	-	3,500	-	44,054
	2015	34,554	-	-	6,000	40,554
C C Hall[1]	2016	-	-	-	-	-
	2015	4	-	-	(4)	-
M L Hunt	2016	-	-	-	-	-
	2015	3	-	-	(3)	-
Total	**2016**	**294,525**	**-**	**8,750**	**58,122**	**361,397**
	2015	**219,051**	**-**	**-**	**75,474**	**294,525**

1 Mr Hall ceased employment on 16 September 2016, balance is at date of cessation.

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 LIMITED ANNUAL FINANCIAL REPORT

For the year ended 30 September 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2016

	Note	2016 $000	2015 $000
Sales revenue	4	1,642,824	1,502,013
Cost of sales		(1,338,956)	(1,204,155)
Gross profit		**303,868**	**297,858**
Equity accounted profits	10	919	522
Distribution expenses		(220,091)	(210,049)
Administrative expenses		(37,423)	(43,593)
Finance costs	4	(9,760)	(11,339)
Other items of expense	4	(7,274)	(6,460)
Profit before income tax expense		**30,239**	**26,939**
Income tax benefit	5	24,000	13,116
Profit after income tax expense		**54,239**	**40,055**
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		(818)	564
Other comprehensive income/(loss) for the period, net of tax		**(818)**	**564**
Total comprehensive income for the period		**53,421**	**40,619**
Profit for the period is attributable to:			
Non-controlling interest		2,670	1,768
Owners of the parent	19	51,569	38,287
		54,239	40,055
Total comprehensive income for the period is attributable to:			
Non-controlling interest		2,670	1,768
Owners of the parent		50,751	38,851
		53,421	40,619
Reported operations			
Basic earnings per share (cents per share)	30	56.9¢	46.4¢
Diluted earnings per share (cents per share)	30	48.7¢	33.0¢

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Note	2016 $000	2015 $000
Current assets			
Cash and cash equivalents	21(b)	35,151	669
Trade and other receivables	6	381,316	349,433
Livestock	7(a)	36,057	45,912
Inventory	8	109,643	100,304
Current tax assets	5	-	197
Total current assets		**562,167**	**496,515**
Non current assets			
Plantations	7(b)	1,300	5,969
Other financial assets	9	19,304	1,269
Equity accounted investments	10	3,412	4,088
Property, plant and equipment	11	30,562	28,658
Intangibles	12	10,418	5,615
Deferred tax assets	5	64,126	34,800
Total non current assets		**129,122**	**80,399**
Total assets		**691,289**	**576,914**
Current liabilities			
Trade and other payables	13	331,565	276,157
Interest bearing loans and borrowings	14	121,300	136,822
Current tax payable	5	1,090	-
Provisions	15	42,661	43,874
Total current liabilities		**496,616**	**456,853**
Non current liabilities			
Other payables	13	3,820	-
Provisions	15	4,349	8,432
Total non current liabilities		**8,169**	**8,432**
Total liabilities		**504,785**	**465,285**
Net assets		**186,504**	**111,629**

Equity			
Contributed equity	16	1,422,382	1,323,284
Hybrid equity	17	36,830	107,600
Reserves	18	(29,063)	(19,307)
Retained earnings	19	(1,246,064)	(1,301,213)
Total parent entity equity interest		**184,085**	**110,364**
Non-controlling interests		2,419	1,265
Total equity		**186,504**	**111,629**

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 2016

	Note	2016 $000	2015 $000
Cash flow from operating activities			
Receipts from customers		6,434,915	5,353,329
Payments to suppliers and employees		(6,377,688)	(5,348,209)
Dividends received		546	508
Interest and other costs of finance paid		(7,593)	(9,866)
Income taxes paid		(1,504)	(1,040)
Net operating cash flows	21(a)	48,676	(5,278)
Cash flow from investing activities			
Payment for property, plant and equipment		(5,986)	(6,967)
Purchase of other financial assets at cost		(18,035)	-
Payment for intangibles		(1,079)	-
Payment for controlled entities, net of cash acquired		(3,659)	-
Proceeds from sale of equity accounted investments		-	600
Proceeds from sale of property, plant and equipment		560	313
Proceeds from sale of intangibles		907	-
Net investing cash flows		(27,292)	(6,054)
Cash flow from financing activities			
Proceeds from issue of shares		102,424	47,095
Share issue costs		(4,902)	(2,376)
Repayment of borrowings		(15,522)	(23,281)
Hybrid equity repurchased		(67,031)	(30,051)
Partnership profit distributions/dividends paid		(1,871)	(1,863)
Net financing cash flows		13,098	(10,476)
Net increase/(decrease) in cash held		34,482	(21,808)
Cash at the beginning of the financial year		669	22,477
Cash at the end of the financial year	21(b)	**35,151**	**669**

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 2016

$000	Issued capital	Hybrid equity	Reserves	Retained earnings	Non-controlling interest	Total equity
As at 1 October 2015	1,323,284	107,600	(19,307)	(1,301,213)	1,265	111,629
Profit/(loss) for the period	-	-	-	51,569	2,670	54,239
Other comprehensive income/(loss):						
Exchange differences on translation of foreign operations	-	-	(818)	-	-	(818)
Total comprehensive income/(loss) for the period	**-**	**-**	**(818)**	**51,569**	**2,670**	**53,421**
Transactions with owners in their capacity as owners:						
Shares issued	102,424	-	-	-	-	102,424
Transaction costs incurred on share issue, net of tax	(3,326)	-	-	-	-	(3,326)
Partnership profit distributions/dividends paid	-	-	-	-	(1,871)	(1,871)
Other movements in non-controlling interest	-	-	-	-	355	355
Hybrid equity repurchased net of transaction costs	-	(67,242)	-	-	-	(67,242)
Put options provided to non-controlling interests	-	-	(10,190)	-	-	(10,190)
Cost of share based payments	-	-	1,304	-	-	1,304
Reallocation of equity	-	(3,528)	(52)	3,580	-	-
As at 30 September 2016	**1,422,382**	**36,830**	**(29,063)**	**(1,246,064)**	**2,419**	**186,504**
As at 1 October 2014	1,277,813	145,151	(20,069)	(1,347,225)	1,360	57,030
Profit/(loss) for the period	-	-	-	38,287	1,768	40,055
Other comprehensive income/(loss):						
Exchange differences on translation of foreign operations	-	-	564	-	-	564
Total comprehensive income/(loss) for the period	**-**	**-**	**564**	**38,287**	**1,768**	**40,619**
Transactions with owners in their capacity as owners:						
Shares issued	47,095	-	-	-	-	47,095
Transaction costs incurred on share issue, net of tax	(1,624)	-	-	-	-	(1,624)
Partnership profit distributions/dividends paid	-	-	-	-	(1,863)	(1,863)
Hybrid equity repurchased	-	(30,051)	-	-	-	(30,051)
Cost of share based payments	-	-	423	-	-	423
Reallocation of equity	-	(7,500)	(225)	7,725	-	-
As at 30 September 2015	**1,323,284**	**107,600**	**(19,307)**	**(1,301,213)**	**1,265**	**111,629**

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 2016

Note 1 — Corporate Information

The consolidated financial report of Elders Limited for the year ended 30 September 2016 was authorised for issue in accordance with a resolution of the Directors on 14 November 2016. 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 24. References in this consolidated financial report to 'Elders' are to Elders Limited and each of its controlled entities unless the context requires otherwise.

Note 2 — Summary of Significant Accounting Policies

a — 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). 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. 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.

b — Compliance with IFRS

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

c — 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 2016 and have been applied in preparing these consolidated financial statements. None of these have materially impacted Elders and its policies:

— AASB 2014-1 Part A – Annual improvements project – 2010-2012 and 2011-2013 cycle

— ASX Corporate Governance Principles and Recommendations

The Company has not elected to early adopt any new standard, interpretation or amendment that has been issued but is not yet effective.

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

Certain new accounting standards and interpretations have been published that are not mandatory for the financial year ended 30 September 2016 but are available for early adoption and have not been applied in preparing this report. The impact of AASB 9 Financial Instruments, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases has not yet been fully assessed.

d — Basis of consolidation

The consolidated financial statements comprise the financial statements of Elders Limited and its subsidiaries as at 30 September 2016. 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. Specifically, Elders controls an investee if and only if Elders has:

— Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)

— Exposure, or rights, to variable returns from its involvement with the investee, and

— The ability to use its power over the investee to affect its returns

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, including:

— The contractual arrangement with the other vote holders of the investee

— Rights arising from other contractual arrangements

— Elders voting rights and potential voting rights

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. Consolidation of a subsidiary begins when Elders obtains control over the subsidiary and ceases when it loses control of the subsidiary. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 2 — Summary of Significant Accounting Policies

e — Business combinations

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. This includes the separation of embedded derivatives in host contracts by the acquiree.

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.

f — Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of Elders Limited and its Australian subsidiaries is Australian Dollars (AUD). Subsidiaries incorporated in countries other than Australia (see note 26), which have a functional currency other than Australian Dollars, are translated to the presentation currency.

(ii) Transactions and balances

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.

(iii) Translation of Subsidiary Companies' functional currency to presentation currency

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.

g — Cash and cash equivalents

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.

h — Trade and other receivables

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 the Company 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.

i — Inventory

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.

j — Biological assets

Elders holds biological assets in the form of livestock and plantations. Livestock is measured at fair value, which has been determined based upon various assumptions, including livestock prices, less costs to sell. These assumptions reflect the different categories of livestock held. The market value increments or decrements are recorded in profit and loss. Plantations are measured at anticipated fair value less point of sale costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 2 — Summary of Significant Accounting Policies

k — Derivative financial instruments and hedging

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.

l — Other financial assets

Other financial assets consist of unlisted investments held at historical cost and are classified as available for sale financial assets.

m — Equity accounted investments

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

n — Property, plant and equipment

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 2 — Summary of Significant Accounting Policies

o — Leases

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

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.

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.

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.

p — Impairment of non financial assets other than goodwill and indefinite life intangibles

Non financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. At each reporting date, Elders conducts an internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that impairment may be reversed.

q — Intangibles

(i) Brand Name

The Brand Name intangible is deemed to have an indefinite useful life and is not amortised. The Brand Name is tested for impairment at each reporting date. Impairment is determined by assessing the recoverable amount of the group of cash-generating units, to which the Brand Name relates. When the recoverable amount of the group of cash-generating units is less than the carrying amount, an impairment loss is recognised.

The Brand Name value represents the value attributed to the Elders Brand when acquired through business combinations and is carried at cost less accumulated impairment losses. The Brand Name has been determined to have an indefinite useful life due to there being no foreseeable limit to the period over which it is expected to generate net cash inflows, given the strength and durability of the Brand and the level of marketing support. The Brand has 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. The Brand Name is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Expenditure incurred in developing, maintaining or enhancing the Brand Name 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

Rent rolls have been acquired and are carried at cost less accumulated impairment losses. These intangible assets have been determined to have finite useful lives and are amortised over their useful lives 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 2 — Summary of Significant Accounting Policies

r — Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided by 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.

s — Interest bearing loans and borrowings

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.

t — Provisions and employee benefits

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 and redundancy

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 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 2016

Note 2 — Summary of Significant Accounting Policies

u — Contributed equity

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.

v — Earnings per share

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.

w — Revenue recognition

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.

x — Income tax and other taxes

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. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which the applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

— where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

— when the taxable temporary difference is associated with investments in subsidiaries or equity accounted investments and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax assets and unused tax losses can be utilised except:

— when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

— when the deductible temporary difference is associated with investments in subsidiaries or equity accounted investments, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 2 — Summary of Significant Accounting Policies

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Note 3 — 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. Management bases its judgements and estimates on historical experience and on various other factors it believes to be reasonable under the circumstances, the result of which forms the basis of the carrying value of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgement, estimates and assumptions are made. 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. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

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.

Impairment of non-financial assets other than Brand Name 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.

Impairment of Brand Name 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 Name and goodwill are impaired 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 Name or goodwill is allocated.

Estimation of useful lives of assets

The estimation of useful lives of assets has been based on historical experience as well as lease terms (for leased assets). In addition, the condition of assets is assessed and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Live Export restructuring and exit costs

Elders has provided for restructuring and exit costs yet to be incurred in regards to the exit from the long haul live export business and the managed divestment as a going concern of the short haul business. The provisions recognised in respect of the exit and divestment have been made by management using certain assumptions and judgements, including the timing of sale of the short haul business and profitability of the short haul business until that sale date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 4 — Revenue and Expenses

	2016 $000	2015 $000
Sales revenue		
Sale of goods and biological assets	1,389,073	1,260,038
Debtor interest associated with sales	5,044	5,391
Commission revenue	248,707	236,584
	1,642,824	1,502,013
Other items of expense		
Live Export exit costs	6,048	-
Impairment of assets retained	1,049	2,000
Other	177	4,460
	7,274	6,460
Finance costs		
Interest expense	7,593	8,876
Unwinding of discounts in regards to liabilities	2,167	2,463
	9,760	11,339
Specific expenses: depreciation and amortisation		
Depreciation and amortisation	3,706	3,072
Specific expenses: employee benefit expense		
Salaries and wages	136,787	126,690
Superannuation and other employee costs	26,936	25,807
Share based payments	1,304	423
	165,027	152,920
Operating lease expenditure	60,662	57,964
Foreign exchange net gains/(losses)	233	1,435
Provision for doubtful debts expense	589	403

Note 5 — Income Tax

a — Major components of income tax expense are:

Income statement		
Current income tax expense	(3,288)	(54)
Adjustments in respect of current income tax of previous years	(673)	(1,449)
Deferred income tax expense	27,961	14,619
Income tax benefit reported in the statement of comprehensive income	24,000	13,116
Statement of changes in equity		
Deferred tax recognised directly in equity	1,365	752

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 5 — Income Tax

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:

	2016 $000	2015 $000
Accounting profit before tax	30,239	26,939
Income tax (expense) at 30% (2015: 30%)	(9,072)	(8,082)
Adjustments in respect of current income tax of previous years	(673)	(1,449)
Non-assessable profits/(losses)	(1,537)	162
Recognition of current period tax losses	3,328	5,129
(Recognition) of deferred tax liabilities on intangibles	(1,685)	-
Recognition of previously unrecognised losses	35,952	18,573
Other	(2,313)	(1,217)
Income tax benefit as reported in the statement of comprehensive income	**24,000**	**13,116**
Current tax (payable)/receivable	**(1,090)**	**197**

c — Major components of deferred income tax:

	Statement of Financial Position		Movement	
	2016 $000	2015 $000	2016 $000	2015 $000
Deferred income tax assets				
Losses available to offset against future taxable income	43,251	7,299	35,952	7,299
Provision for employee entitlements	11,734	11,209	525	728
Other provisions	3,863	5,192	(1,329)	1,033
Capitalised expenses	8,239	9,928	(1,689)	(4,710)
Derecognition of deferred tax assets	-	-	-	11,275
Other	1,114	1,991	(877)	(551)
Gross deferred income tax assets	**68,201**	**35,619**	**32,582**	**15,074**
Deferred income tax liabilities				
Property, plant and equipment	(638)	(694)	56	46
Inventory	(1,655)	-	(1,655)	-
Intangibles	(1,685)	-	(1,685)	-
Other	(97)	(125)	28	251
Gross deferred income tax liabilities	**(4,075)**	**(819)**	**(3,256)**	**297**
Movement in net deferred tax asset			**29,326**	**15,371**
Deferred income tax benefit recognised in the statement of comprehensive income			27,961	14,619
Deferred income tax benefit recognised in equity			1,365	752
Net deferred tax asset	**64,126**	**34,800**		

Tax losses

Elders has tax losses for which no deferred tax asset is recognised in the statement of financial position of $200.8 million (2015: $240.0 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.

Wholly owned Australian subsidiaries are required to make contributions to the head entity for tax liabilities and deferred tax balances arising from external transactions occurring after the implementation of tax consolidations. The contributions are calculated as a percentage of taxable income as if each subsidiary is a stand alone entity. Contributions are payable following payment of the liabilities by Elders. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expense or benefit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 6 — Receivables

	2016 $000	2015 $000
Current		
Trade debtors	374,898	344,023
Allowance for doubtful debts	(4,499)	(5,236)
	370,399	338,787
Amounts receivable from equity accounted investments	1,065	132
Prepayments	4,846	5,765
Other receivables	5,006	4,749
Total current receivables	381,316	349,433
Movements in the allowance for doubtful debts – trade debtors		
Opening balance of allowance for doubtful debts	5,236	6,631
Trade debts written off	(1,326)	(1,798)
Trade debts provided for during the year	589	403
Closing balance of allowance for doubtful debts	4,499	5,236

Included in trade debtors is $63.7 million (2015: $73.1 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 $0.6 million (2015: $0.4 million) has been recognised by Elders. During the period, no individual amount within the impairment allowance was considered material.

	2016	2015
The ageing analysis of trade debtors is as follows:		
Current – within terms	307,666	268,895
Trade debtors past due but not considered impaired		
1-30 days	54,076	58,329
31-60 days	3,273	3,602
61-90 days	1,445	2,784
+91 days	3,939	5,177
Trade debtors past due and considered impaired		
+91 days	4,499	5,236
Total trade debtors	**374,898**	**344,023**

Related party receivables

For terms and conditions of related party receivables refer to note 29.

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 31.

Foreign exchange and interest rate risk

Details regarding the foreign exchange and interest rate risk exposure are disclosed in note 31, including those relating to derivative related balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 7 — Biological Assets

a — Livestock

	2016 $000	2015 $000
Current		
Fair value at the end of the period	36,057	45,912

All Elders' cattle are valued at fair value, using Level 3 Price Inputs. Cattle are held for live export and feedlotting purposes, which means that quoted prices in active markets for identical cattle are not available, nor are there other input prices other than quoted prices which are available. Where there are unobservable inputs for an asset or liability, these are classified as Level 3 Price Inputs.

At balance date 23,331 head of cattle (2015: 37,960) are included in livestock. This includes:

— 6,507 cattle held in Australia destined for short haul live export markets;

— 16,824 cattle held in Australia and Indonesia for feedlotting purposes.

Cattle are held for short term trading and feeding purposes, and at period end a fair value increment of $0.5 million was recognised (2015: $1.8 million decrement).

In regard to Live Export cattle, as Elders has access to different active markets, Elders has used the most relevant one, being the market that is going to be used, in determining fair value. Fair value has been determined internally by Elders based on the estimated selling price of cattle (allowing for breed and specifications of the cattle), less costs to sell, including associated shipping and transportation costs.

Feedlot cattle are valued internally by Elders as there is no observable market for them. 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.

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.

The group 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.

b — Plantations

Non current	**1,300**	**5,969**
Opening balance	5,969	4,588
Costs incurred in respect of forestry plantations	183	227
Fair value increment in period	963	1,154
Allocation of provisions and payables	(5,815)	-
Fair value at the end of the period	**1,300**	**5,969**

During the period Elders entered into a contract which assigned all the Forestry lease obligations together with the associated plantations to a purchaser subject to certain conditions being satisfied, including landlord consent, for a consideration of $1.3 million. Prior to this, Elders recognised the value of the plantations and associated lease obligations separately on the statement of financial position. At 30 September 2016 the onerous lease obligations were allocated against the plantation assets and the resulting fair value is representative of the contracted offer price. As a result of this transaction, at balance date Elders recognised a fair value increment of $0.7 million to the plantations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 8 — Inventory

	2016 $000	2015 $000
Current		
Retail	99,871	87,828
Other	9,772	12,476
Total inventory	**109,643**	**100,304**

Inventory write-downs recognised as an expense totalled $0.4 million (2015: $2.0 million).

Note 9 — Other Financial Assets

Non current		
Elders Insurance (Underwriting Agency) Pty Ltd	18,035	-
Saleyard assets	1,269	1,269
	19,304	1,269

On 1 April 2016, Elders acquired 10% of Elders Insurance (Underwriting Agency) Pty Limited from QBE. The total consideration for this acquisition was $18.0 million.

Note 10 — Equity Accounted Investments

Equity accounted investments	3,412	4,088
Share of profit	919	522

All equity accounted investments are Australian resident companies. During the period, a $1.0 million (2015: $2.0 million) impairment was recognised against the investment in Elders Financial Planning Pty Ltd. This was recognised in the operating segment titled ‘Other’.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 11 — Property, Plant and Equipment

Reconciliation of carrying amounts at beginning and end of period:

Non current	Freehold land	Buildings	Leasehold improve-ments	Plant and equipment (owned)	Plant and equipment (leased)	Assets under con-struction	Total
	$000	$000	$000	$000	$000	$000	$000
2016							
Carrying amount at beginning of period	5,362	7,500	6,168	8,542	734	352	28,658
Additions	-	1,054	919	2,095	476	1,442	5,986
Additions through entities acquired	-	-	-	200	-	-	200
Disposals	(64)	(116)	(2)	(142)	(14)	-	(338)
Depreciation expense	-	(612)	(833)	(1,869)	(330)	-	(3,644)
Impairment	-	(83)	(11)	(330)	-	-	(424)
Exchange fluctuations	56	61	-	7	-	-	124
Transfers from assets under construction	-	56	-	67	-	(123)	-
Other	-	-	-	134	(134)	-	-
Carrying amount at end of period	5,354	7,860	6,241	8,704	732	1,671	30,562
Cost	5,354	15,014	12,136	25,872	1,128	1,671	61,175
Accumulated depreciation and impairment	-	(7,154)	(5,895)	(17,168)	(396)	-	(30,613)
	5,354	7,860	6,241	8,704	732	1,671	30,562
2015							
Carrying amount at beginning of period	5,081	7,123	3,357	9,126	825	238	25,750
Additions	-	867	3,793	1,640	315	352	6,967
Disposals	(5)	(9)	(55)	(730)	-	-	(799)
Depreciation expense	-	(576)	(669)	(1,616)	(211)	-	(3,072)
Impairment	-	-	(258)	(344)	-	-	(602)
Exchange fluctuations	286	95	-	33	-	-	414
Transfers from assets under construction	-	-	-	238	-	(238)	-
Other	-	-	-	195	(195)	-	-
Carrying amount at end of period	5,362	7,500	6,168	8,542	734	352	28,658
Cost	5,362	14,198	11,461	26,974	1,076	352	59,423
Accumulated depreciation and impairment	-	(6,698)	(5,293)	(18,432)	(342)	-	(30,765)
	5,362	7,500	6,168	8,542	734	352	28,658

During the period, $0.3 million of impairments were recognised as a result of exit costs associated with shipping of live animals. This was recognised in the operating segment titled ‘Live Export’. In the prior period, $0.5 million of impairments were recognised as a result of exit costs associated with the head office relocation. This was recognised in the operating segment titled ‘Other’.

The carrying amount of Indonesian feedlot assets totalling $3.4 million is supported by a value in use calculation which assumes, among other factors, no adverse changes implemented by government bodies which may affect operations.

All Property, plant and equipment is pledged as security, refer to note 14 for interest bearing loans and borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

Note 12 — Intangibles

Non current	Goodwill $000	Rent rolls $000	Brand Name $000	Total $000
2016				
Carrying amount at beginning of period	-	-	5,615	5,615
Additions	-	1,079	-	1,079
Additions through entities acquired	2,052	1,734	-	3,786
Amortisation	-	(62)	-	(62)
Carrying amount at end of period	2,052	2,751	5,615	10,418
Cost	2,052	2,813	60,400	65,265
Accumulated amortisation and impairment	-	(62)	(54,785)	(54,847)
	2,052	2,751	5,615	10,418

As at 30 September 2015, the only intangible asset was the Brand Name, carried at $5.6 million. The Brand Name is carried net of accumulated impairment of $54.8 million. For impairment testing purposes, goodwill is allocated to the Network CGU, which is also an operating segment.

Brand Name
For the purposes of impairment testing, the 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 11.0% pre-tax (2015: 11.0% 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 Brand Name was based on the following key assumptions:

Gross margins
Gross margins are expected to increase from financial year 2016 levels due to:

— increased earnings from geographic expansion through acquisitions and footprint growth as implemented in the 2016 Financial Year

— increased performance through comprehensive 90 day branch improvement plans and continued price book management

— positive real estate activity driven by improved seasonal conditions and sustained low interest rates

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 2017 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.

Management has determined that there is no impairment loss or reversal in the current year in relation to the Brand Name.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 13 — Trade and Other Payables

	2016 $000	2015 $000
Current		
Trade creditors	303,710	258,715
Other creditors and accruals	27,855	17,442
	331,565	276,157
Non current		
Payables	3,820	-
Total trade and other payables	335,385	276,157

Fair Value
Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Financial guarantees
Information regarding financial guarantees is set out in note 23 and 31.

Interest rate, foreign risk and liquidity risk
Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 31, including those relating to derivative forward contracts.

Note 14 — Interest Bearing Loans and Borrowings

Current		
Secured loans	-	15,000
Trade receivables funding	120,697	121,468
Lease liabilities	603	354
	121,300	136,822

The Company also has an ancillary facility in relation to contingent funding, such as bank guarantees. As at 30 September 2016, $1.4 million had been issued (2015: $4.2 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 15 — Provisions

Reconciliation of carrying amounts at beginning and end of period:

	Employee entitlements $000	Restructuring provisions $000	Make good $000	Onerous contracts $000	Other $000	Total $000
2016						
As at beginning of period	38,231	917	3,603	9,443	112	52,306
Arising during year	5,589	3,076	-	3,989	390	13,044
Utilised	(6,510)	(587)	(3,452)	(3,797)	-	(14,346)
Unused amounts reversed	-	(230)	(151)	-	-	(381)
Discount rate adjustment	1,698	-	-	313	-	2,011
Provisions arising from entities acquired	334	-	-	-	-	334
Other	-	-	-	(5,958)	-	(5,958)
	39,342	3,176	-	3,990	502	47,010
Disclosed as:						
Current	34,993	3,176	-	3,990	502	42,661
Non current	4,349	-	-	-	-	4,349
Total	**39,342**	**3,176**	**-**	**3,990**	**502**	**47,010**
2015						
As at beginning of period	35,164	600	1,769	9,328	226	47,087
Arising during year	7,272	917	2,003	1,624	252	12,068
Utilised	(4,496)	(338)	(155)	(3,555)	(295)	(8,839)
Unused amounts reversed	-	(262)	(140)	-	(71)	(473)
Discount rate adjustment	291	-	126	2,046	-	2,463
	38,231	917	3,603	9,443	112	52,306
Disclosed as:						
Current	35,004	917	3,603	4,238	112	43,874
Non current	3,227	-	-	5,205	-	8,432
Total	**38,231**	**917**	**3,603**	**9,443**	**112**	**52,306**

Note 16 — Contributed Equity

	2016 $000	2015 $000
Issued and paid up capital		
113,859,440 ordinary shares (September 2015: 83,734,671)	1,422,382	1,323,284

The movement in the dollar balance of share capital is a result of a $102.4 million increase as a result of a capital raise of fully paid ordinary shares consisting of a $25.0 million placement to institutional investors and a $77.4 million 1 for 4 non-renounceable rights issue to existing shareholders. Associated costs net of tax totalled $3.3 million.

Capital management

The Company 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 17 — Hybrid Equity

	2016 $000	2015 $000
Hybrid equity	36,830	107,600

1,500,000 perpetual, subordinated, convertible unsecured notes ("Hybrids") were issued in April 2006 at $100 each. If distributions are resolved, they will be paid quarterly in arrears on 31 March, 30 June, 30 September and 31 December each year. Distributions are frankable. Until 30 June 2011 (the first remarketing date) the distribution rate was the 3 month bank bill swap rate plus a margin of 2.20% pa. On 30 June 2011, Elders accepted a step up of 250bps in margin. On 30 June 2016, Elders accepted a further step up of 250bps in margin.

No distributions were declared or paid during the year.

The Hybrids may, on the occurrence of certain events, be converted or resold by Elders at its election or pursuant to a request of holders. The terms of such conversion or resale can be found in the Futuris Hybrids Prospectus dated 28 February 2006, which is available on Elders' website.

During the period, Elders' wholly owned subsidiary, Elders Finance Pty Ltd, purchased 705,585 Hybrids at a price of $95 each, being total consideration of $67.0 million. The 705,585 Hybrids acquired by Elders Finance Pty Ltd remain on issue and have not been redeemed. As a result of this transaction, the Hybrid equity balance held on balance sheet declined by $70.8 million being the face value of the Hybrids purchased net of costs. The difference between the face value and the purchase price, totalling $3.5 million, has been transferred to retained earnings. As at 30 September 2016, there remain 419,415 Hybrids not owned by the Elders group.

Hybrid holders rank after all creditors but before ordinary shareholders on a winding up to the face value of the Hybrids plus unpaid Hybrid distributions for the prior 12 months.

Note 18 — Reserves

Reconciliation of carrying amounts at beginning and end of period:

	Business combination reserve $000	Employee equity benefits reserve $000	Foreign currency translation reserve $000	Total $000
2016				
Carrying amount at beginning of period	(16,228)	459	(3,538)	(19,307)
Exchange differences on translation of foreign operations	-	-	(818)	(818)
Put options provided to non-controlling interests	(10,190)	-	-	(10,190)
Cost of share based payments	-	1,304	-	1,304
Transfer to retained earnings	-	(52)	-	(52)
Carrying amount at end of period	(26,418)	1,711	(4,356)	(29,063)
2015				
Carrying amount at beginning of period	(16,228)	261	(4,102)	(20,069)
Exchange differences on translation of foreign operations	-	-	564	564
Cost of share based payments	-	423	-	423
Transfer to retained earnings	-	(225)	-	(225)
Carrying amount at end of period	(16,228)	459	(3,538)	(19,307)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 19 — Retained Earnings

	2016 $000	2015 $000
Retained earnings at the beginning of the financial year	(1,301,213)	(1,347,225)
Net profit attributable to owners of the parent	51,569	38,287
Transfer from employee equity benefits reserve	52	225
Retirement of hybrid equity	3,528	7,500
Retained earnings at the end of the financial year	**(1,246,064)**	**(1,301,213)**

Note 20 — Dividends

No dividends are proposed to be paid or were paid during the year (2015;Nil).

Subsidiary equity dividends on ordinary shares:		
Dividends paid to non-controlling interests during the year	1,871	1,863
Franking credits available to the parent for subsequent financial years based on tax rate of 30% (2015: 30%)	21,600	20,740

The above amounts represent the balance of the franking account as at the end of the financial period, adjusted for:

— franking credits that will arise from the payment of the amount of the provision for income tax;

— franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;

— franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and

— franking credits that may be prevented from being distributed in subsequent financial years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 21 — Cash Flow Statement Reconciliation

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

	2016 $000	2015 $000
Profit/(loss) after income tax expense	54,239	40,055
Adjustments for non cash items:		
Depreciation and amortisation	3,706	3,072
Unwinding of discount in regards to provisions	2,167	2,463
Equity accounted profits	(919)	(522)
Dividends from equity accounted investments	546	311
Other fair value adjustments	(1,018)	3,330
Impairments	1,473	2,602
Doubtful debts	589	403
Employee entitlements	7,287	7,521
Other provisions	7,387	6,538
Other write downs	397	1,955
Net (profit)/loss on sale of non-current assets	(1,129)	486
Deferred tax asset	(32,582)	(15,003)
Deferred income tax	3,256	(297)
Provision for tax	1,287	546
Other non cash items	2,669	2,729
	49,355	56,189
— (Increase)/decrease in receivables and other assets	(17,862)	(60,112)
— (Increase)/decrease in inventories	(9,184)	(17,442)
— Increase/(decrease) in payables and provisions	26,367	16,087
Net cash flows from operating activities	48,676	(5,278)

b — Cash and cash equivalents

Cash at bank and in hand	35,151	669

Note 22 — Expenditure Commitments

Operating leases commitments – Elders as a lessee

Elders' operating lease commitments relate to property leases associated with the branch network and vehicle and shipping 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.

Operating lease commitments:		
— Within one year	45,080	56,815
— After one year but not later than five years	58,872	82,072
— After more than five years	8,213	8,591
Total minimum lease payments	**112,165**	**147,478**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 23 — Contingent Liabilities

	2016 $000	2015 $000
Contingent liabilities at balance date, not otherwise provided for in the financial statements, are as follows:		
Guarantees issued to third parties arising in the normal course of business	1,364	4,169

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 executive Directors and other 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 and 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 or indemnities.

— Various legal claims for damages resulting from the use of products or services of Elders, and from 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 are likely to be material.

Other guarantees

As disclosed in note 26, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 24 — Segment Information

Identification of reportable segments

Elders has identified its operating segments to be Network, Feed and Processing, Live Export 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 agricultural retail products through a common distribution channel, including agricultural retail products, agency services and financial services.

— Feed and Processing includes the Australian cattle feedlot near Tamworth in New South Wales (Killara Feedlot), the Indonesian cattle feedlot near Lampung (PT Elders Indonesia), and Elders Fine Foods which is involved in the importation and distribution of Australian and New Zealand food products throughout China.

— Live Export facilitates principle 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.

— 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 the company in reporting segments internally are the same as those contained in note 2 to the accounts. Segment results have been determined on a consolidated basis and represent the earnings before corporate net financing costs and income tax expense. Changes have been made to the composition of the Other segment to reflect changes in internal reporting. The comparative segment information has been restated to reflect these changes.

	Network $000	Feed and Processing $000	Live Export $000	Other $000	Total $000
2016					
Sales revenue	1,261,162	159,080	222,582	-	1,642,824
Equity accounted profits	861	-	58	-	919
Earnings before interest, tax, depreciation & amortisation	91,828	3,964	(14,906)	(37,181)	43,705
Depreciation & amortisation	(2,062)	(954)	-	(690)	(3,706)
Segment result	89,766	3,010	(14,906)	(37,871)	39,999
Corporate net interest expense					(9,760)
Profit from ordinary activities before tax					**30,239**
Segment assets	492,028	57,594	25,122	116,545	691,289
Segment liabilities	282,400	5,531	8,019	208,835	504,785
Net assets	**209,628**	**52,063**	**17,103**	**(92,290)**	**186,504**
Carrying value of equity accounted investments	3,412	-	-	-	3,412
Acquisition of non current assets	27,708	301	101	649	28,759
Non cash income/(expense) other than depreciation and amortisation	(2,107)	-	(424)	9,342	6,811
Profit/(loss) on sale of non current assets	1,129	-	-	-	1,129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 24 — Segment Information

	Network $000	Feed and Processing $000	Live Export $000	Other $000	Total $000
2015					
Sales revenue	1,162,735	141,465	197,813	-	1,502,013
Equity accounted profits	580	-	(58)	-	522
Earnings before interest, tax, depreciation & amortisation	77,501	9,295	4,214	(49,660)	41,350
Depreciation & amortisation	(1,860)	(819)	-	(393)	(3,072)
Segment result	75,641	8,476	4,214	(50,053)	38,278
Corporate net interest expense					(11,339)
Profit/(loss) from ordinary activities before tax					**26,939**
Segment assets	437,817	52,961	31,496	54,640	576,914
Segment liabilities	246,107	2,858	2,557	213,763	465,285
Net assets	**191,710**	**50,103**	**28,939**	**(159,123)**	**111,629**
Carrying value of equity accounted investments	4,088	-	-	-	4,088
Acquisition of non current assets	1,360	1,534	147	3,926	6,967
Non cash income/(expense) other than depreciation and amortisation	(4,147)	-	(3,484)	(1,982)	(9,613)
Profit/(loss) on sale of non current assets	(486)	-	-	-	(486)

Note 25 — Auditors' Remuneration

The auditor of Elders Limited is PricewaterhouseCoopers. In 2015, the auditor was Ernst & Young.

	2016 $	2015 $
Amounts received or due and receivable by the auditor for:		
— auditing or review of financial statements	565,000	581,866
— tax services (primarily compliance)	13,120	157,538
— other compliance and assurance services	10,000	118,014
	588,120	857,418

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 26 — Investment in Controlled Entities

a — Schedule of controlled entities

	Country of Incorporation		% Held by Group	
			2016	2015
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
Argo Trust No. 2	Australia	(g)	100	100
Ashwick (Vic) No 102 Pty Ltd	Australia	(f)	100	100
Australian Plantation Timber Pty Ltd	Australia	(h)	-	100
B & W Rural Pty Ltd	Australia		75.5	75.5
BWK Holdings Pty Ltd	Australia		100	100
Elders Victorian Feedlot Pty Ltd	Australia		100	100
Elders Automotive Group Pty Ltd	Australia		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 Conveyancing (WA) Pty Ltd (formerly Acehill Investments Pty Ltd)	Australia	(f)	100	100
Elders Finance Pty Ltd	Australia	(a)	100	100
Elders Fine Foods (Shanghai) Company	China		100	100
Elders Forestry Finance Pty Ltd	Australia		100	100
Elders Forestry Holdings Pty Ltd	Australia	(h)	-	100
Elders Forestry Management Pty Ltd	Australia		100	100
Elders Forestry Pty Ltd	Australia		100	100
Elders Global Wool Holdings Pty Ltd	Australia		100	100
Elders Home Loans Pty Ltd	Australia	(d)	100	50
Elders International Australia Pty Ltd	Australia	(a)	100	100
Elders Management Services Pty Ltd	Australia	(f)	100	100
Elders Merchandise Limited	New Zealand		100	100
Elders Mortgage Brokers Pty Ltd	Australia	(h)	-	100
Elders PT Indonesia	Indonesia		100	100
Elders Real Estate (Qld) Pty Ltd	Australia	(h)	-	100
Elders Real Estate (Tasmania) Pty Ltd	Australia	(f)	100	100
Elders Real Estate (WA) Pty Ltd	Australia	(f)	100	100
Elders Real Estate Ltd	New Zealand		100	100
Elders Rural Holdings Limited	New Zealand		100	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		100	100
Elders Telecommunications Infrastructure Pty Ltd	Australia	(f)	100	100
Elders Wool International Pty Ltd	Australia		100	100
EVIA Rural Finance Ltd	New Zealand		100	100
Family Hospitals Pty Ltd	Australia	(f)	100	100
Fares Exports Management Mexico, S.A. de C.V.	Mexico		100	100
Fares Exports Pty Ltd	Australia	(f)	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 26 — Investment in Controlled Entities

	Country of Incorporation		% Held by Group	
			2016	2015
Fares Exports Trading Mexico, S.A. de C.V.	Mexico		100	100
Former EFP Pty Ltd	Australia	(f)	100	100
Gisborne Farmers Ltd	New Zealand		100	100
ITC Timberlands Pty Ltd	Australia		100	100
JS Brooksbank & Co Australasia Ltd	New Zealand		100	100
JSB New Zealand Limited	New Zealand		100	100
Keratin Holdings Pty Ltd	Australia		100	100
Killara Feedlot Pty Ltd	Australia	(a)	100	100
Manor Hill Pty Ltd	Australia	(f)	100	100
Masterfund (WA) Pty Ltd	Australia	(h)	-	100
New Ashwick Pty Ltd	Australia	(f)	100	100
North Australian Cattle Company Pty Ltd	Australia	(a)	100	100
Prestige Property Holdings Pty Ltd	Australia		100	100
Primac Exports Pty Ltd	Australia	(f)	100	100
Primac Pty Ltd	Australia	(f)	100	100
PT Indo Mahesa Surya	Indonesia		100	100
Redray Enterprises Pty Ltd	Australia	(f)	100	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 26 — Investment in Controlled Entities

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.

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 14. A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company 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 2016 is set out as follows:

	2016 $000	2015 $000
Statement of comprehensive income of the Closed Group		
Sales revenue	327,655	248,662
Cost of sales	(326,013)	(229,746)
Gross profit	**1,642**	**18,916**
Equity accounted profits	58	(58)
Distribution expenses	(6,494)	(8,027)
Administrative expenses	(6,324)	(5,878)
Other items of expense	30,358	24,553
Finance costs	(1,525)	(3,866)
Profit before income tax expense	**17,715**	**25,640**
Income tax benefit	24,000	13,116
Profit after income tax expense	**41,715**	**38,756**
Consolidated statement of financial position of the Closed Group		
Current assets		
Cash and cash equivalents	3,620	1,396
Trade and other receivables	19,955	11,991
Livestock	31,943	17,859
Inventories	1,966	6,904
Total current assets	**57,484**	**38,150**
Non current assets		
Other financial assets	85,806	60,079
Property, plant and equipment	8,130	7,033
Deferred tax assets	64,126	34,800
Total non current assets	**158,062**	**101,912**
Total assets	**215,546**	**140,062**
Current liabilities		
Trade and other payables	11,563	5,430
Interest bearing loans and borrowings	8,996	19,958
Current tax liabilities	1,049	1,090
Provisions	7,434	1,955
Total current liabilities	**29,042**	**28,433**
Total liabilities	**29,042**	**28,433**
Net assets	**186,504**	**111,629**
Equity		
Contributed equity	1,422,382	1,323,284
Hybrid equity	36,830	107,600
Reserves	1,711	459
Retained earnings	(1,274,419)	(1,319,714)
Total equity	**186,504**	**111,629**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 27 — 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.

	2016 $	2015 $
Short term	4,353,316	4,359,029
Long term	59,614	56,672
Post employment	176,234	159,967
Termination benefits	221,735	-
Share based payments	856,382	268,831
	5,667,281	4,844,499

Note 28 — Share Based Payment Plans

a — Long Term Incentive Options

During the prior period, 1,920,000 options 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, Underlying EBIT and Return on Capital. Upon paying the required exercise price of $1.70, each option entitles the holder to one ordinary share.

An expense of $0.3 million was recognised in profit and loss during the year in relation to the options (2015: $0.4 million). As at 30 September 2016, 1,694,790 options were outstanding.

b — Long Term Incentive Performance Rights

During the period, 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 $1.0 million was recognised in profit and loss during the year in relation to the performance rights. As at 30 September 2016, 930,000 rights were outstanding.

Note 29 — Related Party Disclosures

The ultimate controlling entity of the Group is Elders Limited.

During the period, Elders Financial Planning repaid an unsecured loan which had a balance of $131,772 at 30 September 2015. As part of sharing office space with branches in the Network segment, Elders incurred costs on behalf of the business and recharged these at arm's length. $59,463 (2015: $36,893) of equity accounted profits were recognised from this investment.

Elders recognised $801,203 (2015: $542,779) in equity accounted profits from its investment in AuctionsPlus and also received $546,316 in dividends (2015: $310,780).

Elders loaned amounts to the Elders International New Zealand investment during the year, with a balance of $1,065,417 remaining at 30 September 2016. Equity accounted profits of $58,163 (2015: $58,163 losses) were recognised during the period. Elders also provided shipping services to the business and recharged these at arms length within normal commercial terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 30 — Earnings Per Share

	2016	2015
Weighted average number of ordinary shares ('000) used in calculating basic EPS	90,699	82,530
Dilutive share options ('000)	15,093	33,358
Adjusted weighted average number of ordinary shares used in calculating dilutive EPS ('000)	**105,792**	**115,888**

During the period, Elders conducted a capital raise of $102.4 million. The total number of shares on issue following completion of the capital raise is 113,859,440. The weighted average number of ordinary shares as described above has been adjusted to incorporate the effects of the issue.

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

	2016 $000	2015 $000
Reported operations		
Basic and dilutive		
Net profit/(loss) attributable to members (after tax)	**51,569**	**38,287**
Reported operations:		
Basic earnings per share (cents per share)	56.9 ¢	46.4 ¢
Diluted earnings per share (cents per share)	48.7 ¢	33.0 ¢

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 31 — Financial Instruments

The Company's 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. The Company 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 14. At September 2016 interest on $70 million (2015: $80 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:

	2016 $000	2015 $000
Financial assets		
Cash and cash equivalents	35,151	669
Amounts receivable from associated entities	1,065	132
	36,216	801
Financial liabilities		
Secured loans	(50,697)	(56,468)
Net exposure	**(14,481)**	**(55,667)**

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)	
	2016 $000	2015 $000
+ 100 basis points	(145)	(557)
- 100 basis points	145	557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 31 — 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 bank overdrafts, bank loans and committed available lines of credit. Elders manages its liquidity risk by monitoring the total cash inflows and outflows expected on a weekly 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 2016. 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 we 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 $000	Contractual cash flows $000	6 months or less $000	6-12 months $000	1-5 years $000
2016					
Non derivative financial assets:					
Cash and cash equivalents	35,151	35,151	35,151	-	-
Trade and other receivables	385,815	385,815	385,815	-	-
	420,966	420,966	420,966	-	-
Non derivative financial liabilities:					
Interest bearing loans and borrowings	(121,300)	(121,319)	(121,319)	-	-
Trade and other payables	(331,565)	(331,565)	(331,565)	-	-
Financial guarantees	-	(1,364)	(1,364)	-	-
	(452,865)	(454,248)	(454,248)	-	-
Net inflow/(outflow)	**(31,899)**	**(33,282)**	**(33,282)**	**-**	**-**
2015					
Non derivative financial assets:					
Cash and cash equivalents	669	669	669	-	-
Trade and other receivables	354,669	354,669	354,669	-	-
	355,338	355,338	355,338	-	-
Non derivative financial liabilities:					
Interest bearing loans and borrowings	(136,822)	(136,881)	(136,881)	-	-
Trade and other payables	(276,157)	(276,157)	(276,157)	-	-
Financial guarantees	-	(4,169)	(4,169)	-	-
	(412,979)	(417,207)	(417,207)	-	-
Net inflow/(outflow)	**(57,641)**	**(61,869)**	**(61,869)**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 31 — 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
2016					
Derivative assets – net settled	98	98	98	-	-
Total inflow/(outflow)	**98**	**98**	**98**	**-**	**-**
2015					
Derivative assets – net settled	238	238	238	-	-
Total inflow/(outflow)	**238**	**238**	**238**	**-**	**-**

c — Credit risk

Credit risk arises from Elders' financial assets, which comprise cash and cash equivalents, trade and other receivables, and derivative instruments. The Company's 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 and limits. 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:

	2016 $000	2015 $000
Cash and cash equivalents	35,151	669
Trade and other receivables	385,717	354,431
Derivative financial assets	98	238
	420,966	355,338
Location of credit risk		
Australia	409,986	346,306
Asia	10,980	9,032
Total cash and cash equivalents	**420,966**	**355,338**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

Note 31 — Financial Instruments

d — Foreign currency risk

Elders is exposed to movements in the exchange rates of a number of currencies. The predominant exposure is to movements in the AUD/USD exchange rates. These are primarily generated from the following activities:

— Purchase and sale contracts written in foreign currency;

— Receivables and payables denominated in foreign currencies;

— Commodity cash prices that are partially determined by movements in exchange rates; and

— Costs of sale such as transportation and commission denominated in foreign currency.

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 2016, the Company had the following AUD exposures to foreign currencies that were not designated in cash flow hedges:

	2016 $000	2015 $000
Financial assets		
Cash and cash equivalents – USD	1,424	900
Cash and cash equivalents – CNY	706	916
Cash and cash equivalents – IDR	2,286	1,146
Cash and cash equivalents – other	93	88
Receivables – USD	8,071	8,339
Receivables – NZD	1,065	-
Receivables – CNY	3,839	3,919
Receivables – IDR	4,055	2,964
	21,539	18,272
Financial liabilities		
Payables – USD	-	(1,435)
Payables – CNY	(247)	(96)
Payables – IDR	(1,485)	(827)
Interest bearing loans and borrowings – USD	(8,996)	(4,958)
	(10,728)	(7,316)
Net exposure	**10,811**	**10,956**

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)	
	2016 $000	2015 $000
USD	(50)	(285)
NZD	(107)	-
CNY	(430)	(474)
IDR	(486)	(328)
Other	(9)	(9)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 31 — 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:

	2016			2015		
	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	-	98	-	-	238	-
	-	**98**	**-**	**-**	**238**	**-**

Note 32 — Business Combinations – Changes in the Composition of the Entity

a — Acquisitions

During the current period, Elders acquired various real estate and retail businesses for a total consideration net of cash acquired of $3.7m. These transactions resulted in the recognition of $2.1 million of goodwill.

No entities or businesses were acquired in the prior period.

b — Disposals

During the current and prior period no entities or business were disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

Note 33 — Parent Entity

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

	2016 $000	2015 $000
Results:		
Net profit/(loss) for the period after income tax expense	(25,527)	8,705
Total comprehensive income/(loss)	**(25,527)**	**8,705**
Financial position:		
Current assets	314	116
Non current assets	191,961	112,087
Total assets	**192,275**	**112,203**
Current liabilities	1,696	574
Non current liabilities	4,075	-
Total liabilities	**5,771**	**574**
Net assets	**186,504**	**111,629**
Issued capital	1,422,382	1,323,284
Hybrid equity	145,151	145,151
Retained earnings	(1,382,740)	(1,357,265)
Employee equity reserve	1,711	459
Total equity	**186,504**	**111,629**

Guarantees

As disclosed in note 26, 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 22 and 23.

Note 34 —Subsequent Events

On 13 October 2016 Elders acquired a 30% equity interest in StockCo Holdings Pty Ltd for $10.0 million.

Other than the matter described, there is no other matter or circumstance that has arisen since 30 September 2016 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 2016 are in accordance with the Corporations Act 2001, including:
      (i) Giving a true and fair view of its financial position as at 30 September 2016 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 note 2(b)
   (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 2016.
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 26 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
14 November 2016

Independent auditor's report to the members of Elders Limited

Report on the financial report

We have audited the accompanying financial report of Elders Limited (the company), which comprises the consolidated statement of financial position as at 30 September 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Elders Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
Level 11, 70 Franklin Street, ADELAIDE SA 5000, GPO Box 418, ADELAIDE SA 5001
T: +61 8 8218 7000, F: +61 8 8218 7999, www.pwc.com.au

Auditor's opinion

In our opinion:

(a) the financial report of Elders Limited is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 September 2016 and of its performance for the year ended on that date; and

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

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the remuneration report included in pages 62 to 79 of the directors' report for the year ended 30 September 2016. 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.

Auditor's opinion

In our opinion, the remuneration report of Elders Limited for the year ended 30 September 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

A G Forman
Partner

Adelaide
14 November 2016

ASX Additional Information

a — Distribution of Equity Securities as at 25 October 2016

	No. of Ordinary Shares	No. of Ordinary Holders	No. of Hybrids	No. of Hybrid Holders
1 – 1,000	3,480,739	8,433	109,670	486
1,001 – 5,000	12,395,044	5,235	88,372	43
5,001 – 10,000	8,047,751	1,104	48,920	7
10,001 – 100,000	22,143,736	887	172,453	7
100,001 – maximum	67,792,170	58	1,080,585	2
Total	**113,859,440**	**15,717**	**1,500,000**	**545**

	Ordinary Shares	Hybrids
The number of holders holding less than a marketable parcel	5,233	418

b — Voting rights

(i) Ordinary Shares: all ordinary shares carry one vote per share without restriction.

(ii) Elders Hybrids: Hybrids do not carry any voting rights under the Company's Constitution.

c — Stock Exchange quotation

The Company's ordinary shares (ELD) and Elders Hybrids (ELDPA) are listed on the Australian Securities Exchange. The Home Exchange is Sydney.

d — Twenty Largest Shareholders as at 25 October 2016

The twenty largest holders of Elders Ordinary Shares were as follows:	No. of Shares	% of Shares
J P MORGAN NOMINEES AUSTRALIA LIMITED	16,612,046	14.590%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,873,675	10.428%
NATIONAL NOMINEES LIMITED	7,898,141	6.937%
CITICORP NOMINEES PTY LIMITED	5,820,247	5.112%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	3,520,127	3.092%
BELL SECURITIES PTY LIMITED	2,993,344	2.629%
BNP PARIBAS NOMS PTY LTD <DRP>	2,876,151	2.526%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	1,831,074	1.608%
RBC INVESTOR SERVICES AUSTRALIA PTY LIMITED <VFA A/C>	1,355,760	1.191%
BRAZIL FARMING PTY LTD	1,300,000	1.142%
VENN MILNER SUPERANNUATION PTY LTD	1,000,000	0.878%
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	982,820	0.863%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <BKMINI A/C>	761,625	0.669%
MR JAMES GARDINER	500,000	0.439%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PISELECT>	492,779	0.433%
TINTERN (VIC) PTY LTD <A & P MILLER FAMILY A/C>	440,638	0.387%
ELIANAELYSIA PTY LTD <ANGUS INVESTMENT A/C>	404,272	0.355%
MR AUSTIN SYDNEY EVAN MILLER	372,309	0.327%
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	359,988	0.316%
PACIFIC AGRIFOODS INVESTMENTS PTY LTD	335,456	0.295%
Total	**61,730,452**	**54.216%**

The twenty largest holders of Elders Hybrids were as follows:	No. of Hybrids	% of Hybrids
ELDERS FINANCE PTY LTD <ELDPA BUY BACK A/C>	705,585	47.039%
ELDERS FINANCE PTY LTD	375,000	25.000%
MR ROBERT LEE PETERSEN	54,349	3.623%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	30,555	2.037%
AYERSLAND PTY LTD	24,897	1.660%
NATIONAL NOMINEES LIMITED	20,393	1.360%
J P MORGAN NOMINEES AUSTRALIA LIMITED	20,252	1.350%
MR ROBERT LEE PETERSEN	11,107	0.740%
MR GUTHRIE JOHN WILLIAMSON	10,900	0.727%
EQUITAS NOMINEES PTY LIMITED <PB MML 2656876 A/C>	9,081	0.605%
CITICORP NOMINEES PTY LIMITED	8,450	0.563%
MR ROBERT PETERSEN	6,800	0.453%
MR ALBERT HUNG & MRS TAMMY HUNG <HUNG FAMILY SUPER FUND A/C>	6,733	0.449%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PISELECT>	6,431	0.429%
TAK FUK INVESTMENT PTY LTD <FOURSIS'S SUPER FUND A/C>	6,275	0.418%
MR RODNEY PRYOR	5,150	0.343%
MR AUSTIN SYDNEY EVAN MILLER	3,866	0.258%
MR ROY MELVILLE ROBERTSON & MRS DENISE ROBYN ROBERTSON <ROY&DENISE ROBERTSON SF A/C>	3,800	0.253%
MR SUNNY LI SHENG YANG & MRS CONNIE CONG HUAN YANG <YANG'S SUPERANNUATION A/C>	3,325	0.222%
IZARD PTY LIMITED <C SMITH SUPER FUND A/C>	3,200	0.213%
Total	**1,316,149**	**87.743%**

e — There were no substantial shareholders listed on the Company’s register of substantial shareholders as at 25 October 2016.

Shareholder Information

Share Registry	Boardroom Pty Limited Level 12, 225 George Street, Sydney, NSW, 2001 Telephone: 1300 737 760 Facsimile: +61 (0)2 9279 0664 Email: enquiries@boardroomlimited.com.au Website: 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
	Mr James A Jackson — BCom, FAICD
	Mr Ian Wilton — FCCA, FCPA, FAICD, CA
	Ms Robyn Clubb — BEc, CA, F Fin, MAICD
Secretaries	Mr Peter G Hastings — BA LLB GDLP
	Ms Sanjeeta Singh — BEd (Primary)
Registered Office	Level 10, 80 Grenfell Street Adelaide, South Australia, 5000 Telephone: (08) 8425 4000 Facsimile: (08) 8410 1597 Email: information@elders.com.au Website: elders.com.au
Share Registry	Boardroom Pty Limited Level 12, 225 George Street Sydney, NSW, 2001 Telephone: 1300 737 760 Facsimile: +61 (0)2 9279 0664 Website: boardroomlimited.com.au
Auditors	PricewaterhouseCoopers
Bankers	Australia & New Zealand Banking Group
	National Australia Bank
	Coöperative Centrale Raiffeisen –Boerenleenbank (Rabobank Australia)
Stock Exchange Listings	Elders Limited ordinary shares and subordinated convertible unsecured notes (Elders Hybrids) are listed on the Australian Securities Exchange under the ticker codes “ELD” and “ELDPA”
Trustee for Elders Hybrids	Perpetual Trustee Company Limited Level 12, 123 Pitt Street Sydney, NSW 2000

Elders

Live it.