13 November 2017

# Appendix 4E and Annual Report for the Financial Period Ended 30 September 2017

Elders Limited (ASX: ELD) today reports its results for the financial year ended 30 September 2017.

Attached is the Appendix 4E (Results for announcement to the market), and Annual Report for the 12 month financial period ended 30 September 2017.

Peter Hastings
**Company Secretary**

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

For the year ended 30 September 2017

Attached is the final report for the year ended 30 September 2017. The consolidated profit after tax and non-controlling interests was $116.0 million (2016: $51.6 million).

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

| | Result | | | $000 |
|---|---|---|---|---|
| Revenue from continuing operations | up | 6% | to | 1,603,137 |
| Profit from continuing operations after tax attributable to members | up | 79% | | 111,459 |
| Profit from discontinued operations after tax attributable to members | | n/m* | | 4,536 |
| Profit after tax for the year attributable to members | up | 125% | to | 115,995 |

** percentage movement in result not meaningful*

| Dividends | Amount per security | Franked amount per security |
|---|---|---|
| **2017** | | |
| Final dividend | 7.5 cents | 7.5 cents |
| Special dividend | 7.5 cents | 7.5 cents |
| Interim dividend | Nil | n/a |
| | | |
| **2016** | | |
| Final dividend | Nil | n/a |
| Special dividend | Nil | n/a |
| Interim dividend | Nil | n/a |

The record date for both the final and special dividend is 21 November 2017; and payable on 15 December 2017.

| Net tangible assets | 2017 $ | 2016 $ |
|---|---|---|
| Net tangible asset backing per ordinary security (113,859,440 ordinary shares) | 1.01 | 0.96 |

# 2017 Elders Annual Report

Elders Limited ABN 34 004 336 636

Elders

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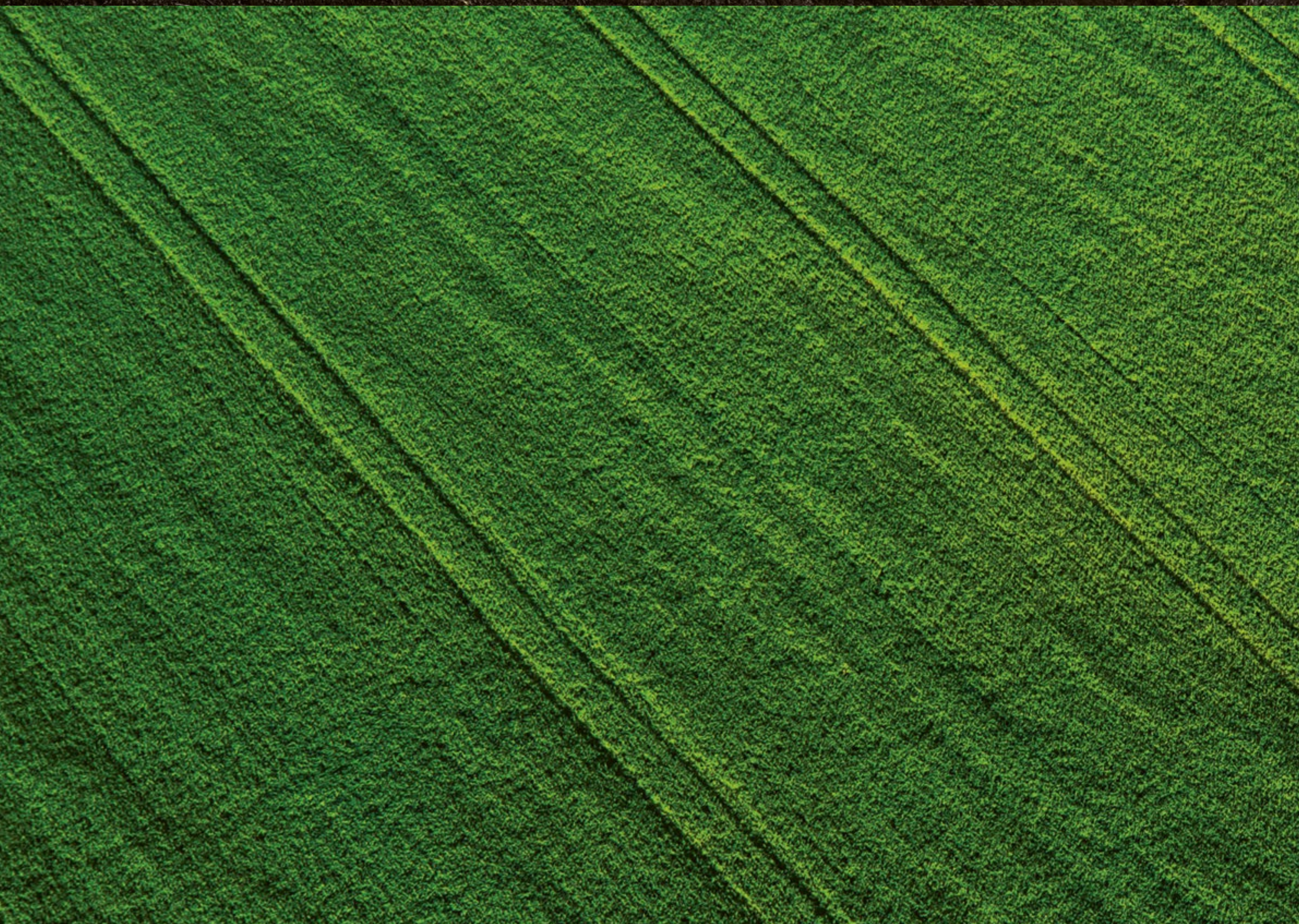


# Elders is shaping up to drive growth and innovation towards 2020.

# 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

It is extremely satisfying for the Board and management to achieve our earnings before interest and tax ($60 million) and return on capital (20%) goals that were established with the Eight Point Plan in 2014. This journey commenced in 2013 with the decision of the Elders Board to return Elders to being a pure play agribusiness, with our aim to "turn the Company around" and regain the confidence of customers, investors and employees.

This annual report will give you insights on how this has been achieved and hopefully the confidence to believe that Elders will continue to grow and strengthen in the future.

## Safety

The success of a Company, such as Elders, is very much dependent on the health and wellbeing of its employees. We prioritise the safety of our employees and recognise that their welfare must be a key consideration in all that we do.

In 2017, we had six lost time injuries (LTIs), which is another solid step in our journey to achieving our target of zero LTIs. In FY14, the year before the Eight Point Plan commenced, LTIs stood, on a like for like basis, at 14. As a result we consider we are on the right track with our safety strategy.

A safe and healthy Elders is in the interests of everyone: our employees and their families, our clients and customers, and our regional communities.

## Financial results

The Company has recorded another year of strong financial progress, with underlying net profit after tax increasing by $16.5 million, from $41.2 million last year to $57.7 million in FY17. Underlying earnings before interest and tax (EBIT) of $70.4 million was up $14.3 million on last year.

Balanced growth across the portfolio – including Retail Products, Agency Services, Real Estate Services, Financial Services, and Feed and Processing Services – contributed to the solid results which are discussed in greater detail in the Chief Executive Officer's report.

## Strategic direction

The strategic direction or "Eight Point Plan" has been the foundation of Elders' recent success and positioned the business for ongoing and consistent quality growth.

Elders continues to be disciplined in how it will grow in the future. There are important agricultural areas in Australia where Elders is under-represented. These areas are prioritised and thoroughly evaluated to determine how we should approach these opportunities. Several investments are listed below that are a result of this analysis and work continues to profitably expand Elders' footprint.

We continue to assess our current operations to ensuring we invest in only those products, services and geographies that are capable of generating positive and sustainable returns.

In FY16 we made the decision to divest the Live Export business. Completion of the sale of that business during the year marked a successful exit for Elders from Live Export logistics.

This means we are no longer competing with live cattle exporters in terms of shipping, logistics and supply chains, and this has facilitated an increase in our ability to supply cattle to exporters as we are now seen as a partner. We remain committed to the live export industry and our many clients servicing this industry with livestock.

Elders is committed to continuing to expand and improve our products and services for our customers. We believe technology that provides productivity improvements to Australia's growers and producers is key to ongoing profitability and sustainability.

Our plan is to offer access to new technology through improved digital platforms and through our partnerships with global and Australian research providers. We believe continuous improvement in productivity is key for Australia to successfully compete globally and meet growing demand for food and fibre in Asia.

## Investment

In 2017 Elders made several important investments to support the Eight Point Plan.

For example, in Bunbury Western Australia, Elders purchased Southern Districts Estate Agency which is one of the largest and most diversified real estate groups in the south-west of Western Australia.

In a fresh approach to the Real Estate offering, a team of water brokers has been recruited to establish a capital-light water broking business.

We continued to grow our specialised horticultural footprint with the acquisition of New South Wales horticultural service provider and inputs retailer, Ace Ohlsson. An established leader in the horticulture industry, Ace Ohlsson is a good strategic, cultural and geographical fit for Elders.

Another important investment in 2017 was the acquisition of 30% of the livestock financing company StockCo. The investment has created more financing options for our customers to acquire livestock and added another important service to our Financial Services business.

## Balance sheet and finance

One of the most significant accomplishments in 2017 was the simplification of the Elders balance sheet. In April 2017, Elders realised and cancelled its Hybrid securities which were issued in 2006 with a face value of $150 million. Realisation of the Hybrids enables Elders to pay a dividend for 2017, without the need to first pay distributions on the hybrids. This is, obviously, of great advantage to you, our shareholders.

I am pleased to report that on the back of the Eight Point Plan, with three years of strong business results, normalised banking arrangements, reduced debt levels and improved cash generation, a final dividend – the first since 2008 – will be forthcoming in December 2017, together with a special dividend.

## Board

Recently, we announced the appointment of a new non-executive director, Ms Diana Eilert, who will stand for election at Elders' 2017 Annual General Meeting (AGM). We are particularly excited about the deep digital experience that Diana brings to Elders as part of our commitment to vastly improving our digital offering to our clients.

Non-executive director, Mr James Jackson, announced his plans to retire and therefore will not be seeking re-election at the 2017 AGM. On behalf of the Board, I would like to express our thanks and appreciation for the valuable contributions made to the Company by James.

## Corporate governance

The Board strongly believes that a culture of compliance, and a commitment to applying the *One Elders Values* by our employees in their day-to-day business activities, is essential in ensuring the long-term success of our strategic objectives. To this end, we continue to uphold high standards of corporate governance, including our continuous disclosure obligations. The Company's 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 (CGS) available on our website at elders.com.au.

The CGS also outlines our policy, objectives, and progress against those objectives, for achieving gender diversity in the workplace, which remains a priority. A concerted effort to achieve gender balance in the workforce is progressing and steadily making inroads into the desired increase in representation of women in all facets of the business, from the Board to the branches.

The Board remains committed to ensuring Elders stays on its course of growth and that it continues to deliver results in accordance with shareholder expectations.

On behalf of the directors, I take this opportunity to extend the Board's gratitude to Mark Allison, his management team and all Elders' employees who continue to represent Elders with great professionalism, pride and enthusiasm.

Hutch Ranck
Chairman

# CEO's Report

**Commitment to our strategic plan and a resolve to realise our objective of continuous, solid, high quality growth underpinned Elders' achievements in 2016-17.**

**Pivotal to the business' strategic direction is the Eight Point Plan, which was introduced in 2014 and will continue to guide our growth and development through to 2020.**

Although straightforward in concept, the Eight Point Plan is essential in articulating our vision and ensuring our operations adhere to the strategic roadmap we have put in place.

The Plan's pillars are: values, performance and brand; retail products; agency services; real estate services; financial services; digital and technical services; feed and processing services; and cost, capital and efficiency.

Within each of those eight pillars, we are overwhelmingly on track in meeting and delivering on intended targets.

Commitment to the Plan means we are already generating positive results and outcomes on all manner of fronts, and our valued employees, clients, customers and shareholders are the beneficiaries. Their loyalty to the Elders brand and their belief in our values are truly appreciated and acknowledged.

In terms of the Plan's strategic financial intent for FY17, the target set in 2014 was $60 million in earnings before interest and tax (EBIT) and a 20 percent return on capital (ROC) through provision of value-creating products and services in Australia and overseas.

I am pleased to report that those targets were eclipsed. We achieved $70.4m EBIT and a 26.8% ROC.

Also most satisfying, from a business perspective, is that for the first time since 2008 we will in December 2017 pay fully franked dividends, marking the realisation of another goal set out with the formation of the Eight Point Plan.

The Plan has served to position Elders as a most robust, resilient, innovative, efficient and dynamic business.

Our goal is to build a business that can withstand seasonal, market demand and commodity price vagaries and the impacts of a variable climate and production constraints.

Our focus remains firmly fixed on factors within our control and extracting the positives out of what others may see as negative forces and circumstances.

Essentially, we are working to insulate the business from the agriculture cycle, while remaining focused solely on agriculture. Non-cyclical, high quality returns are our objective and we've achieved that to date with the implementation of the Eight Point Plan.

Following are some of the positive outcomes and developments over the past year I wish to highlight.

## Operational performance

Continuing on from a strong financial performance the previous year, FY17 was a period of further underlying profit growth. Underlying net profit after tax improved $16.5 million on the prior corresponding period to $57.7 million. Underlying EBIT of $70.4 million – up $14.3 million on last year – resulted largely from improved profitability across the product range.

The Retail business benefited from improved summer cropping conditions and geographical expansion, posting a $7.8 million margin improvement, while Agency Services' margin increased by $11 million on the back of strong cattle and sheep prices and footprint growth.

Real Estate margin improved from $29.2 million to $31.9 million with increased farm land and residential property turnover. Financial Services earnings were boosted by StockCo and Elders Insurance acquisitions, rising from $26.2 million in FY16 to $35.1 million this reporting period.

Increased utilisation at Killara feedlot contributed to Feed and Processing Services recording improved margins of $1 million.

Higher costs ($269 million compared with $252.1 million in the previous corresponding period) were the result of Eight Point Plan initiatives – including acquisitions, footprint growth and variablised increased incentives.

## Efficiency and growth

Since introducing the Eight Point Plan we have constantly reviewed our targets, objectives and business strategy to ensure we remain efficient and well positioned to generate growth and revenue. Through that review process we moved to replace one of the original eight pillars – the live export business – with technical and digital services.

Exiting from the non-core competency Live Export business (while maintaining our important involvement in the trade through the sourcing of livestock) is not only driving cost efficiencies but it has allowed us to invest in areas, such as technical and digital services, which are much more aligned with our growth agenda.

## Safety performance

We remain steadfast in our commitment to continual improvement in terms of the safety, health and wellbeing of our employees and our broader stakeholders. In 2017, our lost time injuries (LTIs) were six which is a notable achievement in our quest for zero LTIs and a considerable improvement on LTIs of 34 in 2013.

We also maintain a spotlight on the issue of mental health in rural areas, as emphasised through our ongoing partnership with the North Queensland Cowboys National Rugby League team – an initiative aimed at breaking down the stigma attached to mental health conditions through improved awareness, understanding and community discussion.

## Our people

In 2017, Elders employed 1977 full time equivalent (FTE) persons, compared with 1893 in FY16.

A key objective under the Eight Point Plan is to increase the focus on employee behaviour reflecting the *One Elders Values* as part of an overall thrust to build a high performance culture. To that end, our overall engagement and enablement levels, as measured through the annual employee effectiveness survey, increased on last year and continue to sit above levels for other Australian organisations at 74% and 76% respectively.

While we applaud that achievement within our business, more broadly it has been formally acknowledged nationally and internationally through the Korn Ferry Employee Engagement Awards, which have been developed to publicly recognise organisations that have built superior levels of engagement. Elders was one of only two Australian companies to receive an award in 2017, recipients of which came from 21 countries around the globe. Korn Ferry research confirms employee engagement is a consistent leading indicator of organisational health and sustainable performance – a philosophy we share here at Elders.

More than 97% of employees completed a mid-year performance review in 2017, reaffirming performance objectives. Elders recognises outstanding performance through the likes of the One Elders Awards and through incentive initiatives which encourage and reward high performance and achievement.

Elders continues to invest in upskilling and developing our people. We had 18 future and senior leaders participating in our Leadership Development Programs in 2016-17, nine people were inducted into the Stock and Station Agency Traineeship Program, and the Agronomy Graduate Program welcomed a further two graduates to its ranks.

Attracting and maintaining a diverse workforce is an ongoing commitment and in this regard a special emphasis is placed on increasing the proportion of women holding management positions. We still have some way to go but we have set some measureable objectives, including maintaining the pipeline of female leaders above 25% – that figure currently sits at 28% which is very encouraging.

## Our clients and customers

As mentioned earlier, Elders has increased its focus in the technical and digital space, primarily for the benefit of our clients. We are rapidly developing our digital services offering as farmers increasingly seek business and information services through online platforms.

During the year we updated the Elders Weather app and the website to improve user experience. Feedback and input from the branch network, as well as the Elders Insiders online community of around 1500 employees, clients and suppliers, enables our digital team to gauge the effectiveness of these popular digital tools in real time so adjustments can rapidly be made if necessary.

Elders Insiders also provides the business with client satisfaction insights. The latest survey returned strong positive results and an improvement in satisfaction year on year. When asked the question, “What do you like most about Elders?”, it was our people that drew the strongest response, with respondents citing employees’ “friendly, personalised, professional, local, helpful approach” as being key attributes, along with their knowledge and high levels of service.

In an exciting development, the groundwork was undertaken in FY17 for the creation of a revolutionary new offering for our clients – Thomas Elder Consulting (TEC).

TEC will be a premium agronomic fee-for-service business that will operate as an adjunct to the Elders branch retail agronomy offer. Through TEC, we will provide unrivalled technical excellence for our clients, as well as the broader industry and our major multinational research and development partners.

This development will no doubt contribute to Elders remaining at the forefront of agricultural innovation.

On the livestock front, it is most satisfying to see the continuing increase of cattle and sheep sales on behalf of our clients through AuctionsPlus. This year, a total of 731,000 sheep (578,000 in FY16) and 104,000 head of cattle (93,000 in FY16) were sold via this cost-efficient online trading system.

## Our communities

Elders takes considerable pride in supporting, nurturing and re-investing in our rural and regional communities. We contribute to the fostering of rural and regional prosperity and wellbeing through a number of ways, including *Elders Give It*, a formal partnership program with three key not-for-profit organisations – the Royal Flying Doctor Service, Landcare and beyondblue.

The program is designed to funnel funds from payroll donations and fundraising events into three organisations which have significant impacts on rural and remote Australia. Each partner has been chosen carefully based on their relationship with the communities in which Elders’ employees and clients live and work. The common factor between our partners of choice is that they all play an active role in supporting rural communities. Not only are these areas where we do business, it’s where our people live, it’s where their friends are, where their families are. Ensuring these locations have long-term support is important to Elders which firmly has its roots in rural Australia.

As previously mentioned, we continue to support the cause of rural mental health awareness through our partnership with the North Queensland Cowboys NRL club. Other key regional sponsorship agreements include that of the New South Wales Country Eagles. Many of our employees, clients and their children are involved in local rugby, so with the Eagles playing their home games in rural areas, it’s a great opportunity for Elders and our clients to get involved with a well-respected sporting organisation.

Elders' branches continue to support a wide range of local initiatives and charities, and many of our employees volunteer their time and are involved in community service activities. At a national level, Elders was recently the Major Partner for the 25th anniversary celebration of The Australian Rural Leadership Foundation, which supports what we see as the essential development of leaders in rural, regional and remote Australia.

Beyond our shores, we are also involved in supporting those communities in which we operate. In Indonesia, for example, we donate 20 kilograms of beef every month to the Mama Sayang Orphanage which cares for more than 100 children. Located on the outskirts of Jakarta, the orphanage is providing children with a sound education and guiding them through to university and into meaningful careers.

Over recent years, we have donated cows and calves to the local Indonesian community and provided veterinary services, we have supplied building materials for the construction and renovation of mosques, halls, school facilities and roads, and have donated sporting equipment, cattle feed and manure.

We have also worked with local government to improve the environmental impact of the waste water treatment plant associated with the abattoir.

We prioritise engagement with local communities to maintain healthy relationships and a welcome presence, and we continue to seek employees from the same villages that we support and in which we operate.

## Closing remarks

I am encouraged and excited by what we have achieved over the past year. Our platform for growth and evolution, shaped by the Eight Point Plan, is firmly entrenched and we are well placed to continue to make great strides and financial gains and to provide value to our shareholders.

We anticipate another year of progress and innovation to elevate the business even further. In FY18 we will be partnering with university researchers, international suppliers and government agencies, with a view to improving Australian agricultural research, development and extension and ultimately farm productivity and profitability. The collaborative projects will position Elders at the very heart of agricultural collaboration in Australia, expediting the delivery and adoption of new technologies and farming practices.

With the roll-out of such initiatives, we at Elders are certainly looking forward to the year ahead.

On behalf of the dedicated and hard-working Elders team, I thank our shareholders and all our stakeholders for their ongoing support and commitment.

Mark Allison
Managing Director

# Year in Brief

| Year ended 30 September | | 2017 | 2016 |
|---|---|---|---|
| Continuing sales revenue | $m | 1,603.1 | 1,519.3 |
| Underlying EBITDA | $m | 74.6 | 59.8 |
| Underlying EBIT | $m | 70.4 | 56.1 |
| Underlying finance costs | $m | 7.3 | 9.3 |
| Reported profit after tax | $m | 116.0 | 51.6 |
| Underlying profit after tax | $m | 57.7 | 41.2 |
| | | | |
| Net debt | $m | 95.3 | 86.1 |
| Shareholders' equity | $m | 257.7 | 186.5 |
| | | | |
| Operating cash flow | $m | 81.6 | 48.7 |
| | | | |
| Reported earnings per share (basic) | cents | 101.9 | 56.9 |
| Reported earnings per share (diluted) | cents | 98.9 | 48.7 |
| Underlying earnings per share (basic) | cents | 50.7 | 45.4 |
| Underlying earnings per share (diluted) | cents | 49.2 | 38.9 |
| Final dividend declared (fully franked) | cents | 7.5 | - |
| Additional special dividend declared (fully franked) | cents | 7.5 | - |
| Interim dividend declared | cents | - | - |
| | | | |
| **Key ratios** | | | |
| EBIT margin (EBIT to sales) | % | 4.4 | 3.7 |
| Return on capital | % | 26.8 | 28.1 |
| Leverage (average net debt to underlying EBITDA) | times | 1.8 | 2.2 |
| Interest cover (EBITDA to net interest) | times | 10.3 | 6.4 |
| Gearing (average net debt to closing equity) | % | 52.3 | 72.3 |
| | | | |
| **Key share data** | | | |
| ELD share price | $ | 4.85 | 3.87 |
| Market capitalisation | $m | 552.2 | 440.6 |
| Number of ordinary shareholders | | 13,824 | 15,759 |
| Ordinary shares on issue | | 113,859,440 | 113,859,440 |

# A Year of Progress

| | |
|---|---|
| **Safety Performance** | 52% decrease in days lost for FY17 |
| | Continued emphasis on employee and community safety health and wellbeing |
| **Operational Performance** | $70.4m underlying EBIT, up $14.3m on last year |
| | Underlying ROC at 26.8%, down from 28.1% at September 2016 |
| | Leverage ratio improved to 1.8 |
| | Interest cover ratio improved from 6.4 to 10.3 |
| | Commenced half yearly dividends, with final fully franked dividend declared at 7.5c per share |
| | Additional special fully franked dividend declared at 7.5c per share |
| **Key Relationships** | Strengthened relationships in aligned financial service providers |
| | Continued to work with retail key suppliers, including improved position in WA fertiliser market |
| | Expanded digital client offerings |
| | Formalised rural charitable partnerships through launch of *Elders Give It* |
| **Efficiency and Growth** | Real Estate footprint expansion in Western Australia |
| | Strategic acquisition of Ace Ohlsson to enhance horticulture capability |
| | Drove organic growth through improving sales force performance and attracting high performers |
| | Further 10% acquisition of Elders Insurance and 30% of StockCo |
| | Cancellation of all Hybrids resulting in a simplified capital structure |

# Elders Gives Back

**Elders supports charity initiatives at a national level, but even more so at a local level in the communities in which we operate. At our 440 points of presence throughout Australia, each with unique requirements, our teams work closely to provide support to these communities.**

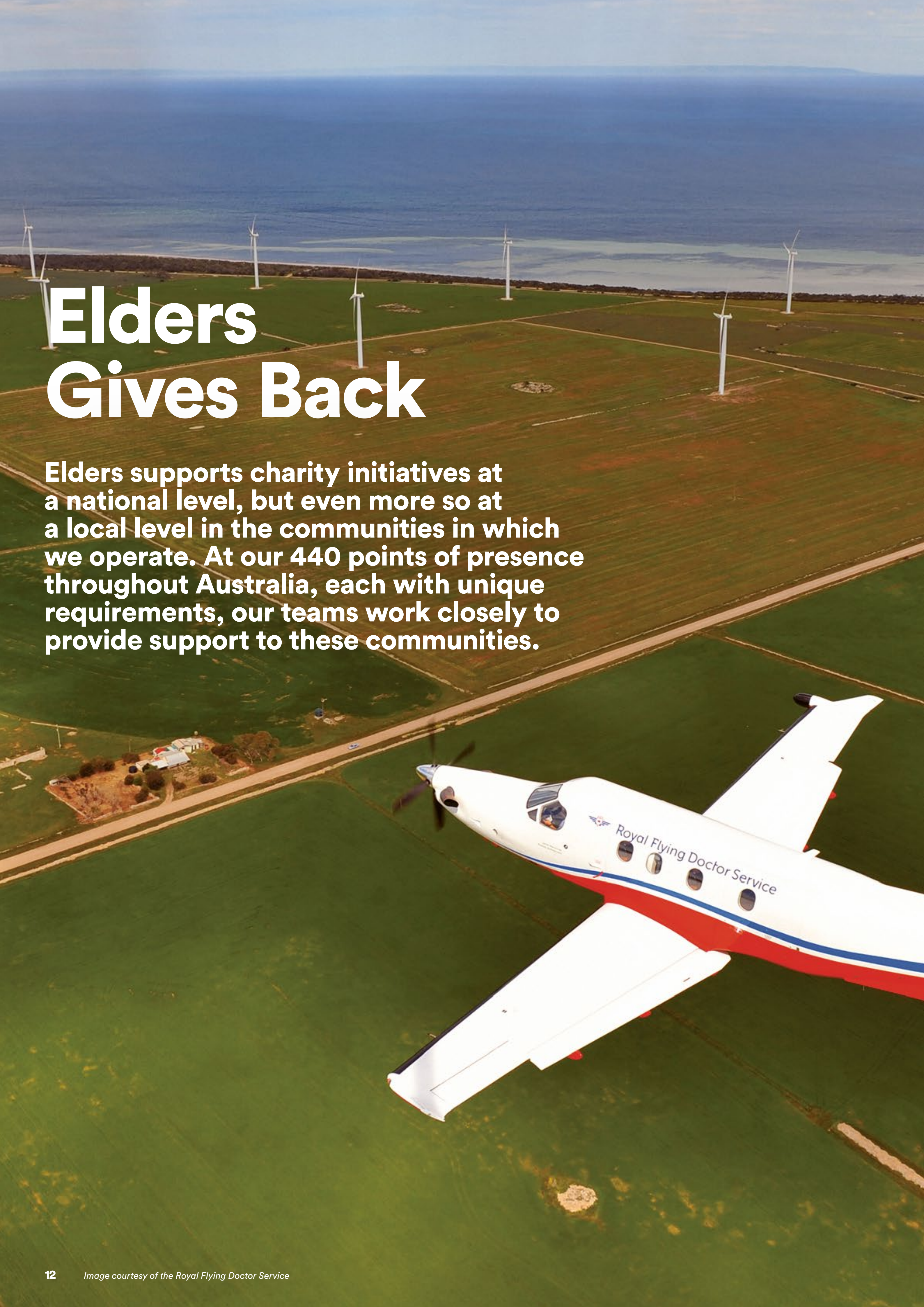



*Image courtesy of the Royal Flying Doctor Service*

## Elders Give It

*"Support those who support you"*

To further support our communities, in FY17 Elders strengthened partnerships with three key not-for-profit organisations to create the employee contribution program, *Elders Give It*. Those three organisations, Royal Flying Doctor Services (RFDS), Landcare and beyondblue, are a natural fit for Elders with strong ties to rural Australia.

The program allows employees to donate a nominated pre-tax amount to one or more of the chosen partners, or support one or all of the charities through raising awareness within the community and hosting events.

Elders General Manager People, Innovation and Brand, Karen Ross says, "The program aligns well with Elders' values and our community vision, and has been designed with the ability to grow."

"We want the local recognition of the pink shirt to accompany a reputation for operating with integrity and being a part of the local community; a company going above and beyond to add value to our clients."

"Our clients are the lifeline of our business, so it is always our focus to assist them in whatever capacity we can – whether that be in the sale yards, the paddock, the office or through local community initiatives."

## Royal Flying Doctor Service (RFDS)

The RFDS runs 100 flights a day, with 80% of these trips providing primary care to people in remote communities who would otherwise travel hours for basic health care. The other 20% are emergency service flights, transporting critically injured and ill patients from remote locations to large hospitals. Every dollar donated through *Elders Give It* to the RFDS helps to keep this lifesaving assistance in the air. A number of Elders branches held community events in support of the RFDS, including Elders Port Lincoln and surrounding Eyre Peninsula branches who made a contribution of $25,000 alone.

The relationship with the RFDS was further increased with the announcement of Elders becoming a *Major* Partner of the not-for-profit organisation, providing extensive support for the new flying intensive care unit, as well as to a range of initiatives throughout the coming financial year.

*Elders' CEO and Managing Director, Mark Allison, and Elders' General Manager People, Innovation and Brand, Karen Ross with RFDS' General Manager, Charlie Paterson at the Royal Flying Doctor Service Central Operations base in Adelaide.*

## Landcare

For more than 25 years, Landcare Australia has supported the protection, restoration and sustained the productivity and value of Australia's natural environment. Landcare's national resource management program aligns the practice of environmental management with land productivity.

To support National Landcare week during September, a group of head office employees volunteered in the Adelaide Hills collecting local seed, weeding and planting, to improve the habitat of the Southern Brown Bandicoot, as well as learning about the important role that Landcare groups across the country play in conserving and promoting environmental sustainability.

## beyondblue

Mental health has a huge impact on the personal and work lives of each of our employees, as well as those of our clients. *beyondblue* provides information and support to help everyone in Australia achieve their best possible mental health, *"whatever their age and wherever they live."* With mental illness an increasing issue in rural Australia, Elders established a partnership program with the North Queensland Cowboys to deliver a community program targeting mental health, working towards greater awareness and support, which has continued throughout the financial year. Elders also participated in R U OKAY Day to encourage having conversations about mental health on a national level, with 'mateship manuals' sent to all branches.

# Operating and Financial Review

# Operating and Financial Review

**Elders is focused on creating value for all of its stakeholders in Australia and internationally. We achieve this through approximately 2,000 employees across 440 points of presence throughout Australia, and in China and Indonesia. Our people use their expertise and knowledge to provide the inputs, advice, marketing options and trading platforms that help primary producers to get the most out of their 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 in both major population centres and regional areas. Our feed and processing business across Australia 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 drawing on its proud history of service and innovation in its quest to assist Australia's primary producers to be the most productive in the world.

# Profit and Loss

## Profit: Reported and Underlying

| $million | FY17 | FY16 | Change |
|---|---|---|---|
| **Sales** | **1,603.1** | **1,519.3** | **83.8** |
| | | | |
| Australian Network | 112.2 | 89.8 | 22.4 |
| Feed and Processing Services | 4.9 | 3.8 | 1.1 |
| Corporate Services and Unallocated Costs | (46.7) | (37.4) | (9.3) |
| **Underlying EBIT** | **70.4** | **56.1** | **14.3** |
| Finance Costs | (7.3) | (9.3) | 2.1 |
| **Underlying profit before tax** | **63.2** | **46.8** | **16.4** |
| Tax | (2.9) | (2.9) | 0.1 |
| Non-controlling Interests | (2.6) | (2.7) | 0.1 |
| **Underlying profit to shareholders** | **57.7** | **41.2** | **16.5** |
| **Items excluded from underlying profit** | **58.3** | **10.4** | **47.9** |
| **Reported profit after tax to shareholders** | **116.0** | **51.6** | **64.4** |
| Underlying EBITDA | 74.6 | 59.8 | 14.7 |

**Chart 1 — Underlying performance by product ($million)**

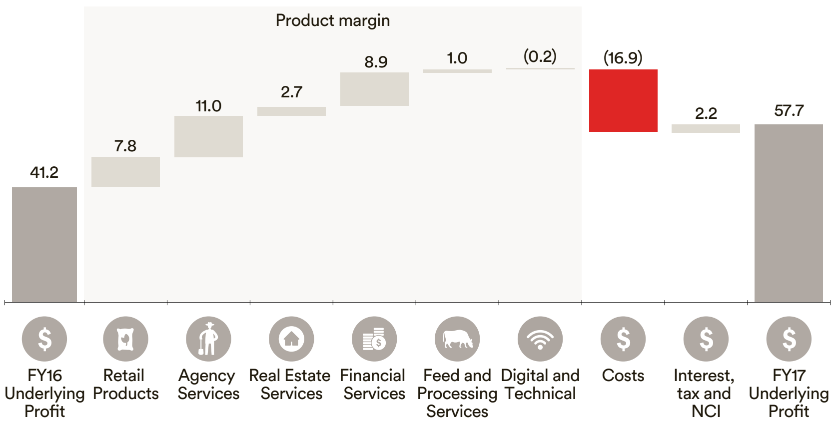
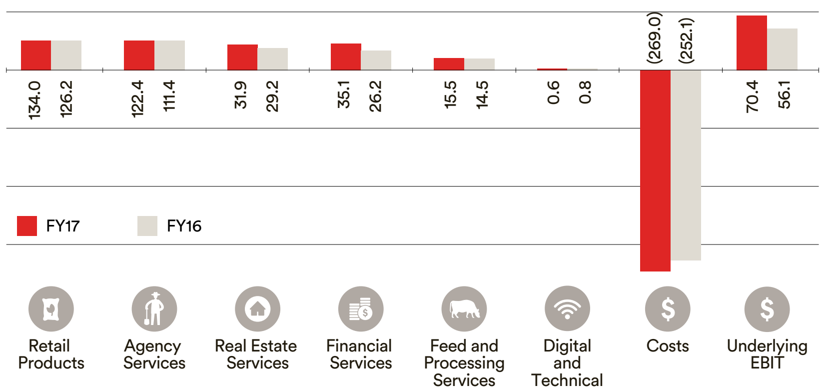


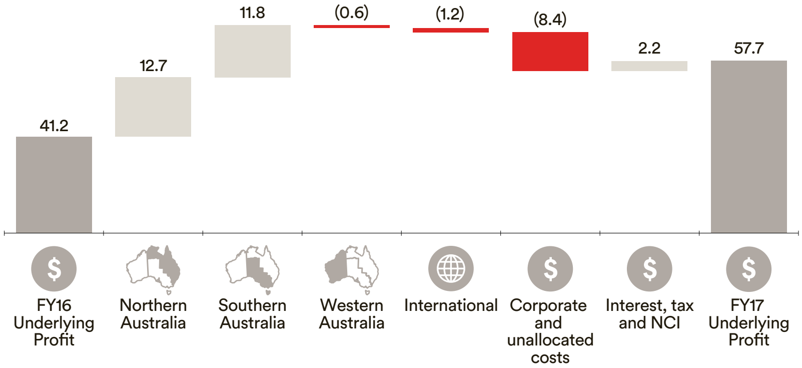

**Chart 2 — Underlying EBIT by product ($million)**



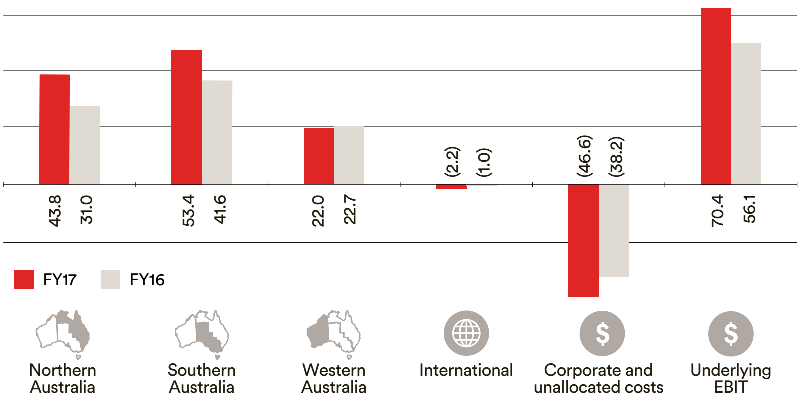

**Key movements in profit by product resulted from:**

- Retail benefited from improved summer cropping conditions and geographical expansion
- Agency improved with strong cattle and sheep prices and benefit from footprint growth
- Real Estate earnings improved with increased farm land and residential property turnover
- Financial Services boosted by StockCo and Elders Insurance acquisitions
- Feed and Processing earnings improved with increased utilisation at Killara feedlot
- Higher costs to drive Eight Point Plan initiatives, including acquisitions and footprint growth, and increased incentives
- Interest expense savings resulting from lower discount expense related to provisions and improved working capital financing terms

## Chart 3 — Underlying performance by geography ($million)




## Chart 4 — Underlying EBIT by geography ($million)




### Key movements in profit by geography resulted from:

- Northern Australia benefitted from high cattle prices, improved summer retail performance, and upside from geographical expansion
- Southern Australia performance driven by retail improvements, along with livestock agency upside from high sheep prices and footprint expansion
- Western Australia impacted by a decline in retail earnings, offset by increased livestock and real estate agency earnings
- High input costs continue to adversely impact the International margins
- Higher corporate and unallocated costs from increased short term incentives resulting from improved profitability across the business
- Interest expense savings resulting from lower discount expense related to provisions and improved working capital financing terms

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 | FY17 | Commentary |
|---|---|---|
| Brand name impairment reversal, net of tax | 38.3 | Based on delivery of Eight Point Plan |
| Live Export | 4.5 | Operating profits and gain on disposal |
| Fair value adjustment of investment in Elders Insurance | 2.3 | Revaluation of initial 10% holding to fair value |
| IT transformation costs | (2.1) | Refresh current infrastructure and services |
| Tax asset adjustment | 15.2 | Recognition of tax losses based on profitability forecasts |
| **Items excluded from underlying profit** | **58.3** | |

# Balance Sheet

## Key Items

| $million as at: | Sep-17 | Sep-16 | Change |
|---|---|---|---|
| Inventory | 111.1 | 109.6 | 1.5 |
| Livestock | 44.6 | 36.1 | 8.5 |
| Trade and other receivables | 385.6 | 381.3 | 4.3 |
| Trade and other payables | (360.4) | (335.4) | (25.5) |
| **Working capital** | **180.5** | **191.6** | **(11.1)** |
| Borrowings: working capital and other facilities | (130.5) | (121.3) | (9.2) |
| Cash and cash equivalents | 35.2 | 35.2 | 0.0 |
| **Net debt** | **(95.3)** | **(86.1)** | **(9.2)** |
| Provisions | (53.0) | (47.0) | (6.0) |
| **Shareholders' equity** | **257.7** | **186.5** | **71.3** |
| Underlying return on capital | 26.8% | 28.1% | (1.3%) |

## Working capital

Working capital balances by product were:

| $million | Sep-17 | Sep-16 | Change |
|---|---|---|---|
| Retail Products | 136.8 | 131.3 | ↑ 4% |
| Agency Services | 19.4 | 40.3 | ↓ 52% |
| Real Estate | 1.6 | 1.1 | ↑ 45% |
| Financial Services | 11.4 | (3.3) | ↑ n/m |
| Feed and Processing Services | 50.2 | 38.9 | ↑ 29% |
| Live Export Services | - | 17.1 | ↓ 100% |
| Other | (39.0) | (33.7) | ↓ 16% |
| **Working capital (balance date)** | **180.5** | **191.6** | ↓ **6%** |
| **Working capital (average)** | **223.1** | **216.3** | ↑ **3%** |

Working capital as at 30 September 2017 was 5.8% lower than 30 September 2016. Lower working capital balances resulted from:

— Increased activity in Retail

— Variability of livestock activity leading up to balance date

— Investment in Financial Services through provision of shareholder funding to StockCo

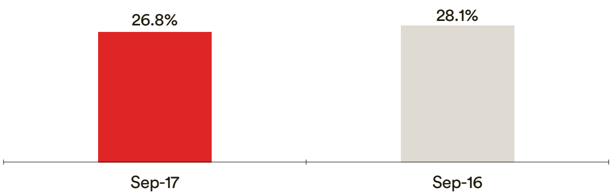
— Higher livestock prices and increase in utilisation at the Killara feedlot

— Lower Live Export balances post exit

Average working capital deployed during FY17 was $223.1 million compared to $216.3 million in FY16.

## Return on capital

**Chart 5 — Underlying return on capital**




Slight decline in return on capital:

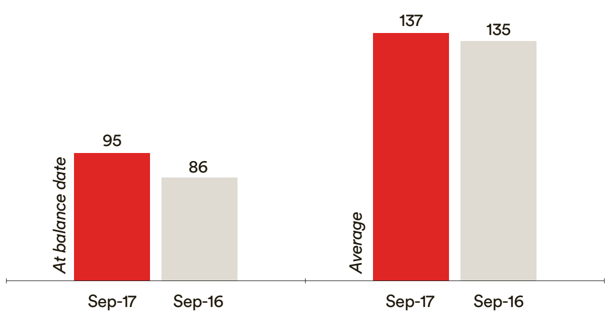
— Continued strong agency earnings, particularly livestock, which requires minimal working capital

— Investment in aligned financial services providers which deliver a lower risk earnings profile

— Stable retail earnings and capital mix

## Net debt

**Chart 6 — Net debt**




| Key Ratios | Sep-17 | Sep-16 | Change |
|---|---|---|---|
| Leverage (average net debt to EBITDA) | 1.8 | 2.2 | (0.4) |
| Interest cover (EBITDA to net interest) | 10.3 | 6.4 | 3.9 |
| Gearing (average net debt to closing equity) | 52% | 72% | 20% |

Net debt of $95.3 million as at September 2017 was $9.2 million higher than September 2016:

— Increase in net debt at balance date reflects strong cash generation, offset by acquisition related cash outflows

— Average net debt steady over period

— Leverage, interest cover and gearing ratio improvement with increased profitability

## Provisions

Provisions increased during the year driven by an increase in employee entitlements, offset by the utilisation and reversal of provisions relating to the Live Export divestment.

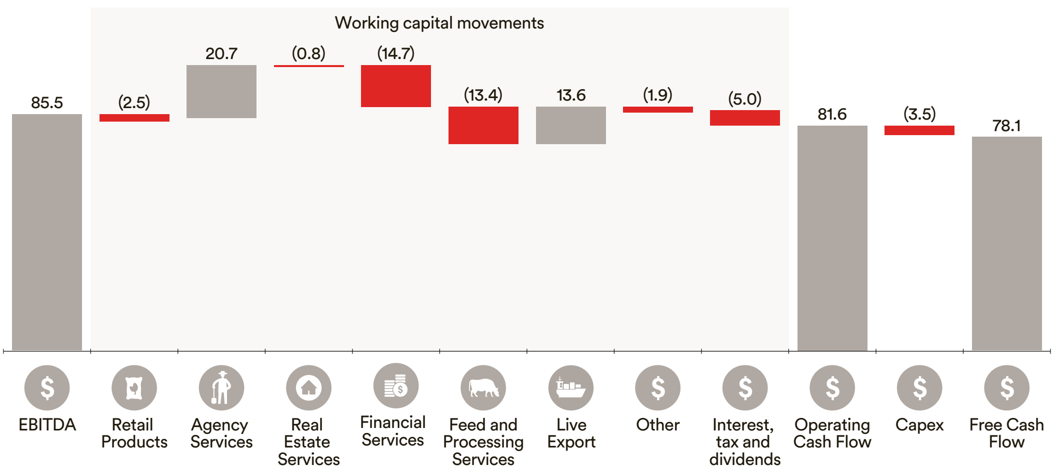
## Shareholders' equity

Shareholders' equity increased by $71.3 million to $257.7 million as a result of the FY17 net profit, offset by the $42 million Hybrid acquisition in the first half of 2017.

# Cash Flow

| $million | FY17 | FY16 | Change |
|---|---|---|---|
| Operating cash flow | 81.6 | 48.7 | 32.9 |
| Investing cash flow | (42.0) | (27.3) | (14.7) |
| Financing cash flow | (39.6) | 13.1 | (52.7) |
| **Total cash flow** | **0.0** | **34.5** | **(34.4)** |

**Chart 7 — Cash flow ($million)**




| A$m | Retail Products | Agency Services | Real Estate | Financial Services | Feed and Process | Live Export | Other | Total |
|---|---|---|---|---|---|---|---|---|
| EBITDA adjusted | 49.5 | 37.2 | 13.2 | 10.4 | 6.4 | 0.8 | (32.0) | 85.5 |
| Movements in assets and liabilities | (2.5) | 20.7 | (0.8) | (14.7) | (13.4) | 13.6 | (1.9) | 1.1 |
| Interest, tax and dividends | | | | | | | (5.0) | (5.0) |
| Operating cash flow | 47.0 | 57.9 | 12.4 | (4.3) | (7.0) | 14.5 | (38.9) | 81.6 |

**Highlights from the FY17 cash flow were:**

— Strong EBITDA cash conversion

— Working capital movements reflect:
  - –Variability of livestock activity leading up to balance date
  - –Investment in Financial Services through provision of shareholder funding to StockCo
  - –Increased utilisation in the Feed and Processing feedlots
  - –Reduction in Live Export working capital balance due to reduced shipping activity prior to exit

Investing outflow of $42.0 million included acquisitions of:

— 10% stake in Elders Insurance (Underwriting Agency) in April 2016

— 30% stake in StockCo

— 100% acquisitions of Southern Districts Estate Agency and Ace Ohlsson

— Facility upgrades at Killara

Financing outflow of $39.6 million mainly as a result of the Hybrid realisation completed in the first half.

# Material Business Risks

# Material Business Risks

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

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

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

Risks are reported to the Board Audit, Risk and Compliance Committee to ensure the Board is adequately informed of the evolving risk environment.

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

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

| Material Business Risk | Our strategy |
|---|---|
| **Biosecurity threats** | |
| Biosecurity threats to agricultural products and livestock may affect Elders' business. An outbreak of a systemic animal or plant disease can lead to quarantine conditions in rural Australia and reduce producers' need for goods and services or affect their ability to operate. | To manage the impact, Elders has in place employee training and disease management protocols. In addition, Elders also has a business continuity framework in place to respond to and recover from the risk of disruption. |
| **Food safety** | |
| Through our Feed and Processing operations, Elders handles livestock within the food 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 in the feedlots. |
| **Fraud and corruption** | |
| Elders is exposed to fraud, bribery and corruption risks, including in foreign markets in which it operates. | Elders has a number of controls to counter these risks, including appropriate segregation of duties, the terms of its Code of Conduct, compliance policies, fraud policy, anti-bribery and corruption policy, training throughout the business, financial reconciliation processes, whistle-blower policy and reporting hot-line, leave management protocols and an Internal Audit program which is complemented by periodic reviews conducted by the external auditor. |
| **Counterparty** | |
| Elders' counterparty universe 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 credit risk assessments, maintaining credit policies and procedures, oversight by the Credit Committee, debtor monitoring and reporting, trade credit insurance (major livestock processors debtor) and high level reviews of significant credit issues by the CEO and CFO, and if sufficiently material, the Board. To address counterparty risk through its foreign operations, Elders performs counterparty risk assessments, undertakes due diligence processes and seeks to establish long-term strategic relationships with key customers. |
| **Political** | |
| Elders' operates in foreign jurisdictions where the business may be affected by changes implemented by foreign governments. In addition, subsidies given to foreign rural producers may adversely affect the competitive position of Australian rural outputs. | Elders controls consequential exposure to this risk through contractual means wherever practicable and seeks to cultivate a diverse range of international markets to reduce concentration risk. The Board maintains control and oversight over ventures in new jurisdictions. |
| **Cyber threats** | |
| Elders operations rely on information technology solutions which expose us to the threat of cyber disruption and loss of data. | Elders maintains a strong focus on our information technology capabilities and we continue to implement and embed stronger security for our IT infrastructure. |
| **Logistics** | |
| Due to the nature of our operations, we work with numerous logistics suppliers who are working towards compliance with the amended government regulations. | This operational risk will continue to be a strong focus in 2018 and work with government regulators and other parties will continue to improve our processes as well as educate and inform the logistics suppliers we transact with. |

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

**Economic sustainability** — the ability to continue operating at a 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.


# Review of Operations

# Key Statistics

| | | |
|---|---|---|
| **Retail Products** | Farm Supplies | $1.1b retail sales |
| | Fertiliser | 718k tonnes fertiliser |
| **Agency Services** | Livestock | 9.0m head sheep<br>1.5m head cattle |
| | Wool | 349k wool bales |
| | Grain | 0.2m grain tonnes |
| **Real Estate Services** | Farmland | $1.0b farmland sales |
| | Residential | $670m residential sales |
| | Property Management | 8,291 properties under management |
| | Franchise | 130 franchisees |
| **Financial Services** | Agri Finance | $2.8b loan book[1]<br>$1.6b deposit book[1]<br>$78m StockCo book |
| | Insurance | $654m gross written premium[2] |
| **Digital and Technical Services** | Fee for Service | 144 agronomists |
| | AuctionsPlus (50%) | 731k head sheep<br>104k head cattle |
| | Elders Weather | 182.4m hits |
| **Feed and Processing Services** | Killara Feedlot | 52k head cattle |
| | Elders Indonesia | 18k head cattle |
| | Elders China | $13m sales |

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

# Review of Operations

## Retail Products

**Elders is one of Australia's leading suppliers of rural farm inputs including seeds, fertilisers, agricultural chemicals, animal health products and general rural merchandise. We also provide professional production and cropping advice with over 144 agronomists nationwide.**

### Performance

Retail margins improved by $7.8 million in FY17. Normalised summer cropping conditions across northern New South Wales, Victoria and South Australia generated strong crop protection and fertiliser demand. Conditions in the second half were challenging in Western Australia, impacting sales activity across the northern wheat belt.

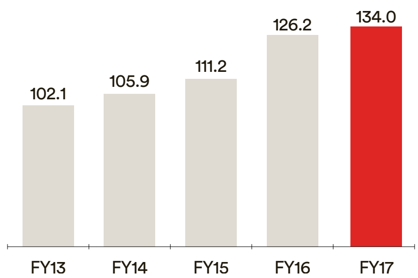
Geographical expansion, including the recruitment of high performing employees in Tasmania and New South Wales, and the acquisition of horticultural specialist business Ace Ohlsson, were earnings accretive. Margins also improved through continued focus on price book management and increased target rebates earn.

### Strategy

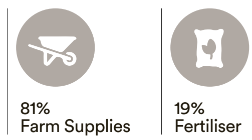
To deliver profitable and capital light growth of our retail products portfolio with an enhanced customer benefit and experience.

| Strategy | Achievement | Plan |
|---|---|---|
| Capital light, return on capital driven business model | — Continued improvement in supplier trading agreements, including increased deferred payment terms and increased performance based target rebates<br>— Continue to focus on margin improvement through price book management | — Improve product ranging within key animal health and agricultural chemicals categories<br>— Increased focus on specialised high value cropping market, including in selected geographical gaps |
| Product focus | — Successful introduction of CSBP Fertiliser supply agreement in Western Australia<br>— Increase support of agency products and consignment locations<br>— Access to east coast Horticultural markets through acquisition | — Introduce Elders home branded products<br>— Build on customer loyalty through increased provision of agronomy services |
| People | — Selective recruitment of high performing staff in key agricultural areas | — Identify, select and recruit proven localised management to establish Elders' presence in selected geographical gap areas<br>— Launch Centre of Excellence |

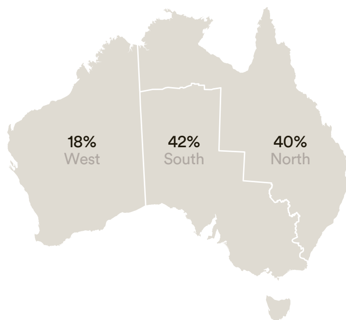
**Retail margin ($m)**




**Margin by product**




**Margin split by geography**



# Agency Services

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

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 to Elders-owned and third-party feedlots and livestock exporters.

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

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

### Performance

Livestock prices and footprint expansion drove margin improvement of $10.4 million. Cattle and sheep prices remained high throughout the year and rose on average 10% and 22% respectively. Sustained high cattle prices were driven by continued strong domestic, restocker and export demand.

Elders' wool earnings improved $0.8 million, despite bales sold being slightly lower than FY16. The higher wool market prices and corresponding wool earn per bale for Elders offset the lower activity.

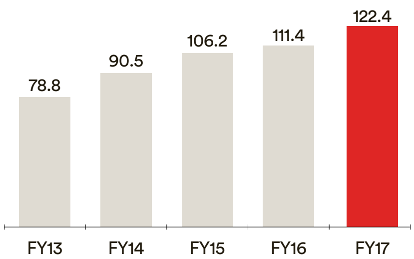
Elders' grain platform transacted 0.2 million tonnes during the FY17 year.

### Strategy

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

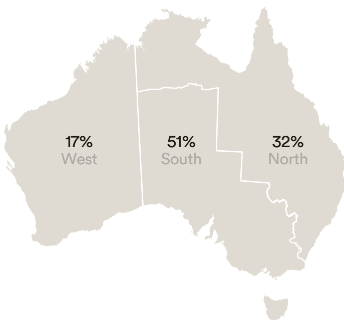
| Strategy | Achievement | Plan |
|---|---|---|
| Operating model | — Increase agency opportunity and earnings through StockCo expansion<br>— Long-term wool logistics and distribution agreement renegotiated | — Continue livestock, wool and grain product development to improve and expand offering<br>— Continue footprint expansion through targeted acquisitions |
| People | — Transition to variabilised remuneration structures which reward outperformance<br>— Selective recruitment of livestock and wool personnel | — Continued footprint expansion through recruitment of key operatives with aligned values and performance characteristics |

**Agency margin ($m)**




**Margin by product**


**Margin split by geography**



# Real Estate Services

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

## Performance

Favourable market conditions, including low interest rates and high livestock prices continue to generate demand for large cattle farming and broadacre cropping properties, with Elders experiencing an increase of $122 million (14%) in turnover for farmland real estate on last year.

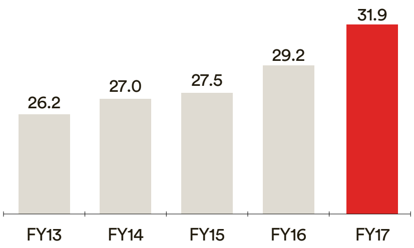
Despite softening real estate markets in the Northern and Western geographies, Elders has maintained residential turnover levels and earnings. Acquisitions of agency and property management businesses contributed to the strong result for the year.

## Strategy

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

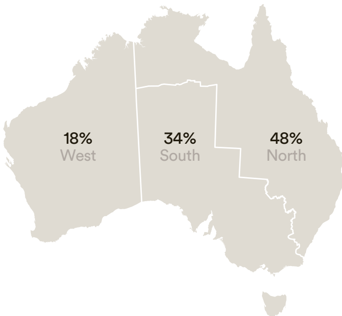
| Strategy | Achievement | Plan |
|---|---|---|
| Operating model | — Expansion achieved through strategic acquisitions in Bunbury and south east South Australia<br>— Strong pipeline of acquisitions | — Increase company owned presence in major regional centres<br>— Ongoing focus on productivity and efficiency<br>— Elders real estate profile enhancement |
| People | — Sales workforce strengthened with quality recruits appointed across all zones<br>— Investment in water broking capability | — Recruitment of high performing sales representatives in both the broadacre and residential agency business<br>— Recruitment of home loan brokers<br>— 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. Collectively, these relationships enable us to offer a broad spectrum of products designed to help our customers grow their business.**

## Performance

Financial Services was boosted by acquisitions during the year, being the purchase of 30% of StockCo (a specialist livestock financier) on 13 October 2016, and an additional 10% of Elders Insurance on 1 December 2016, raising our share to 20%.

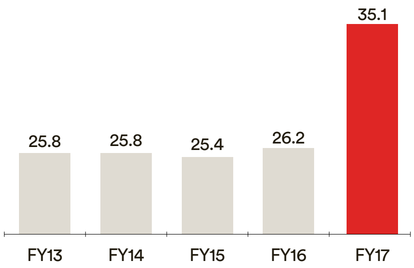
The banking distribution arrangement with Rural Bank yielded strong results with the performing loan book growing $84 million (3%) on last year. Gross written premiums in the Insurance business for the year were $654 million, representing growth of $44 million (7%) on last year.

## Strategy

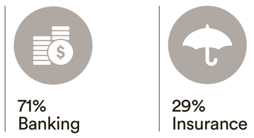
To deliver profitable growth of the financial services portfolio through business improvement, product development and upstream investment in our services business.

| Strategy | Achievement | Plan |
|---|---|---|
| Deeper, more productive partnerships | — Acquired additional 10% of Elders Insurance<br>— Acquired 30% of StockCo's Australian livestock funding business | — Investment in aligned financial service product providers<br>— Collaboration with Rural Bank to improve productivity and efficiency of sales team |
| Increased market awareness and cross-sell within Elders | — National television marketing campaign for Agri Finance<br>— Increased digital presence via website enhancements and electronic marketing campaigns<br>— Internal referral campaigns facilitating new banking leads | — Continue advertising investment<br>— Further internal referral campaigns to drive cross-sell of Financial Services products to Elders customers |

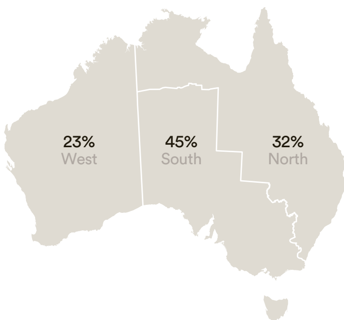
**Financial Services margin ($m)**




**Margin by product**




**Margin split by geography**



# Feed and Processing Services

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

### Performance

Earnings for the Killara feedlot increased 17% on last year. The improved performance came from efficiencies arising from a higher utilisation of 95%, compared to 82% last year, continued success in paddock procurement strategies and lower repairs and maintenance expenses following significant capital investment.

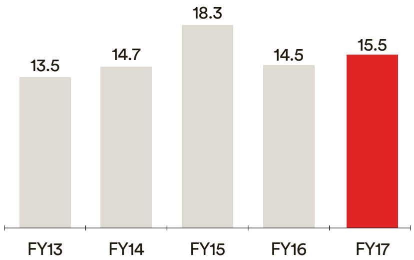
High cattle costs and tightening supply continue to adversely impact the overseas businesses. Indonesian feedlot earnings were adversely impacted by longer days on feed caused by irregular supply, while the Indonesia retail meat business benefited from the commencement of importation of Elders' branded Killara and Marlee products. Despite increased sales activity and growth in the customer base in the China business, pricing pressures and the high Australian dollar resulted in lower earnings.

### Strategy

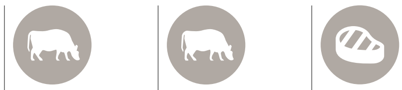
To deliver continuous improvement in EBIT and ROC for all businesses with active portfolio composition management.

| 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 | — Capital upgrade plan at Killara allowed increased utilisation and efficiencies<br>— Abattoir capacity optimised in Indonesia with introduction of external custom processing | — Improve procurement strategies through backgrounding and use of external facilities for Killara<br>— Sale of non-core assets within the Indonesian business<br>— 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<br>— Expansion of Killara branded product in Bali market |

**Feed and Processing margin ($m)**




**Margin by product**

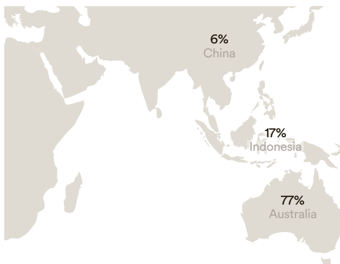


77%
Killara (Aus)

17%
Indonesia

6%
China

**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

— Dry winter conditions are likely to affect crop and pasture growth with crop production to normalise to historical averages.

— The full year benefit of acquisitions completed during FY17 will deliver further benefits during FY18.

— Retail will continue to pursue geographical and crop segment growth opportunities.

## Agency Services

— Cattle prices are predicted to ease during FY18 due to livestock herd expansion and lower forecast beef export prices.

— Sheep prices expected to remain strong supported by exporter and restocker demand.

— Livestock volumes are expected to increase through continued footprint expansion and additional trading opportunities.

— Wool earnings growth in FY18 is expected with a strong pipeline of wool in store, strengthening wool prices and slow supply growth.

## Real Estate Services

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

— Residential turnover and property management earnings will benefit from full year impact of acquisitions completed during the FY17 year, mostly in Western Australia.

— Water broking earnings will increase in line with the recent investment in employee capabilities.

## Financial Services

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

— Insurance earnings look to increase from FY17 levels due to a full year of 20% ownership.

## Feed and Processing

— Investment in infrastructure at Killara over the last two years will support sustained utilisation and efficiency levels as enjoyed in FY17.

— Higher commodity prices, in particular grain, are expected to impact profitability at Killara feedlot.

— High input costs will continue to adversely impact the International operations.

## 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 FY18.

# Digital and Technical Services Snapshot

**Elders continues to introduce products and services to benefit clients and the productivity of their businesses. Agriculture has increasing demands for digital solutions, and the rate of change is expected to increase with succession to future generations. A snapshot of Elders' key digital initiatives for FY17 include:**

## Elders Weather App

The Elders Weather App has undergone change to maximise tools available to users.

**149,000**
Elders Weather Users

**5,399,888**
User sessions in FY17

- Advanced push notification
- Customisable layout and interface

- 48 hour forecasts (with hourly breakdown)
- 7 Day synoptic
- Global Forecast System (GFS) 0-7 and 7-14 day
- Observation history

- Minimum and maximum temperature

- Chance of rain and amount
- 28 day rain forecast
- Dew point
- Delta-T
- Rain forecast maps

- Extra radar layers
- Local and national radar maps
- National satellite

- Warnings
- Wind (gusts)

- Tides and moon
- Sunrise/sunset

# Elders' Smart Farmer App will be as trustworthy as the Country Hour.

## Elders Online

The Elders Online client portal is a key initiative for the Eight Point Plan. Clients can now access their account information online. Since the launch of the new version in July 2017, more than 5,000 clients have accessed their Elders Online account – this figure is growing daily.

The benefits for clients include;

- All historical transactions, dating back up to ten years can now be viewed.
- Clients can access invoices and have the option to print or save as a PDF.
- The summary screen shows clients their amounts overdue, currently due and future items which will come due (for deferred term purchases).
- The data displayed for clients is real time.
- Clients can download a CSV file of transactional data for loading into their own accounting package, such as MYOB or Xero.

eldersrural.com.au/elders-online

## Elders Grain App

Elders has increased its digital offering with the introduction of a new app for grain growers.

Historically, Elders delivered grain price updates to clients via text messaging – the Elders Grain app delivers price updates instantly through push notifications. With a wide range of partner relationships in the international grain market as well as domestic end users, Elders enables growers to contract grain for maximum effect in a time sensitive commodity environment.

## Elders Insiders

Elders Insiders enables clients and employees to have their say and assist in shaping Elders' development through participation in surveys. The Elders Insiders community has grown rapidly to over 3,336 participants, hosting 15 surveys covering a range of topics from safety to livestock, retail to client satisfaction.

## Smart Farmer App

Research and phase one development of the Smart Farmer App occurred in FY17. The app will assist clients in decision making on-farm by presenting consolidated and aggregated farm management data from several industry leading and reputable sources.

## Online Sales and Classifieds

The Sales and Classifieds section is the most visited page on the Elders website and has undergone some significant changes during FY17. Clients are able to create personal alerts to receive notifications when livestock listings, which match their criteria, are added to the website. Integrating with AuctionsPlus also enables listings to feed through to the Elders website.

## Thomas Elder Consulting

In FY17 Elders researched and developed a premium agribusiness consultancy model that provides an independent, fee-for-service offering to clients, known as Thomas Elder Consulting or TEC. The consultants are top-tier experts in their field, with the ability to deliver sustainable, holistic farm management strategies that increase the productivity and profitability of their client's enterprise. TEC is based on science, leveraged with technology and delivered through expertise.

## Trial Sites

Elders aims to bring global technology to regional Australia. Providing information to producers with the latest and pipeline innovative technology and testing it under local conditions. The focus for 2017 was on genetics, herbicides, fungicides and nutrition, having previously looked into managing risks like frost and drought.

**8**
Trial Sites

**Over 30 trials**
in FY17

# Elders Expands National Footprint

**Elders has played a significant role in Australian history throughout the Company's 178 year journey, and is an iconic part of the rural landscape today. Having experienced many changes and transformations, Elders continued its growth strategy during the financial year through a targeted approach directed by the Eight Point Plan.**

Elders has increased its service offering and presence in two key areas of growth, the horticulture industry through the acquisition of Ace Ohlsson, and its real estate business with the acquisition of Southern Districts Estate Agency.

Chief Executive Officer and Managing Director, Mark Allison said the acquisitions support Elders' Eight Point Plan initiatives to expand the geographical footprint, increasing the business's prospects for sustainable long term growth.

Elders is continuing to target profitable growth and expansion of the business through improvement, recruitment and acquisition – including 20 new branches by 2020.

"We're looking to invest in more branches, in the best areas, with the best people, and the best offer, so we can continue to grow alongside Australian agriculture," Mark said.

## Ace Ohlsson

Established in 1938, Ace Ohlsson provides horticultural crop protection, vegetable and flower seeds, fertilisers, pest control, plant nutrition advisory services and strategic cropping programs. The central retail operation is strategically based at the Sydney markets to service local growers in the early hours of the morning as they deliver their produce for sale and distribution. Ace Ohlsson also has six stocking points within a 300km radius of Sydney, each with agronomists servicing vegetable, fruit, wine grape and turf farmers. Ace Ohlsson agronomists are constantly on farms inspecting crops, soil and leaf testing and advising growers the best strategy for their produce. Additional professional capabilities include financial assessments, and advice in relation to machinery, marketing, irrigation and seed technology.

"The Ace Ohlsson business will continue to build on Elders' breadth of horticultural and technical specialists, and increase our market share in New South Wales. As well established leaders in the horticulture industry, we believe the Ace Ohlsson business is a good strategic and cultural fit for Elders," Mark said.

## Southern Districts Estate Agency

Under the leadership of General Manager Tom Russo, Elders Real Estate has expanded by 12 new locations, taking the total number of Real Estate offices to 276. The acquisition of well-known real estate business, Southern Districts Estate Agency (SDEA), contributed three new offices in Bunbury, Capel and Collie in Western Australia.

Established more than 40 years ago as a rural real estate and auctioneering business, SDEA is one of the longest operating real estate agencies in the South West. Its service offerings include rural, residential and commercial sales, as well as residential and commercial property management. SDEA has become Elders' first large scale property management business in the West Zone. The acquisition also saw 60 new real estate professionals convert to the pink shirt.

Elders' General Manager Real Estate, Tom Russo says that Elders is excited about the strategic acquisition and is confident that the SDEA team will be an excellent asset to the Elders Real Estate network in achieving its improvement and growth ambitions.

"Our Board has backed the strategic direction for the Real Estate business, which is heavily aimed around increased growth and a greater brand presence, right across Australia," he said.

"We are focused on lifting the service offering for our teams, branches, franchise principals and, most importantly, clients – ensuring we've got innovative solutions and investing in experienced professionals to achieve operational excellence."

Elders' West Zone General Manager James Cornish said; "the Bunbury branch is a very important part of our business and has achieved some tremendous growth in recent years, the branch team is now complemented by SDEA."

"We are committed to growing the business and our presence in Western Australia and the acquisition of SDEA presents an excellent opportunity to further diversify our client offering across our core products and services."

# Board of Directors

# Board of Directors

*Pictured from left: Mr James Jackson, Ms Robyn Clubb, Mr Mark Allison, Mr Hutch Ranck and Mr Ian Wilton*

## Mr James Jackson

***B Com, FAICD***

Age 55 – 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 Work 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.

## Ms Robyn Clubb

***BEc, CA, F Fin, MAICD***

Age 60 – 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 a Director of Craig Mostyn Group Limited, Chair of the Australian Wool Exchange Limited, Chair of the Rice Marketing Board for the State of NSW, Councillor of the Royal Agricultural Society of NSW and Chair of the NSW Primary Industries Ministerial Advisory Council. Robyn is a former non-executive director of Rural Bank Ltd, Beef CRC Limited, UrbanGrowth (a NSW state-owned corporation responsible for urban land development) and Murray Irrigation Limited. Ms Clubb is a resident of New South Wales.

## Mr Mark Charles Allison

***BAgrSc, BEcon, GDM, FAICD***

Age 57 – 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.

## Mr James Hutchison (Hutch) Ranck

***BS Econ, FAICD***

Age 69 – Appointed Chairman in April 2014. Non-executive director of the Board since June 2008. He is also Chairman of the Work Health and Safety Committee and the Nomination and Prudential Committee and a member of the Remuneration and Human Resources Committee and the Audit, Risk and Compliance Committee. Hutch retired as Managing Director of DuPont (Australia) and Group Managing Director of DuPont ASEAN in May 2010. In his 31 years with DuPont Hutch 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.

## Mr Ian Wilton

***MSc, FCCA, FCPA, FAICD, CA***

Age 65 – 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 Work Health and Safety Committee, the Nomination and Prudential Committee and the Remuneration and Human Resources Committee. Ian is an accountant with extensive experience across the agricultural sector as both a Non-Executive Director and Senior Executive. He has held Chief Financial Officer positions with the sugar division of CSR Limited, Ridley Corporation Limited and GrainCorp Limited and was President and Chief Executive Officer of GrainCorp Malt. Mr Wilton is a Non-Executive Director of the Sheep CRC Limited, Australian Innovation Company Ltd and Tivoli Investments Pty Ltd and Chair of the advisory board of MacKays Banana Marketing. Mr Wilton is a resident of New South Wales.

# Company Secretaries

## Mr Peter Gordon Hastings

***BA, LLB, GDLP, FGIA***

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), FGIA***

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

# Executive Management Remarks

# Executive Management Remarks

## Mark Allison

***Managing Director and Chief Executive Officer***

2017 is very significant for Elders, as it marks the third year of the Eight Point Plan. The business has had a strong focus on safety, growth and innovation, and we have now set a strong platform which will serve us well to 2020. I'm pleased with the dedication and hard work of our teams across our Australian, Chinese and Indonesian businesses and thank our clients for their support.

## Richard Davey

***Chief Financial Officer***

The 2017 financial year is a testament to the hard work and dedication seen across the business to continually improve efficiencies and increase profitability. Elders is in a strong growth phase with a number of acquisitions completed in FY17, and many more in the pipeline with a strategic focus to implement a greater national presence.

## Peter Hastings

***Company Secretary and General Counsel***

This year, the Corporate Governance team led successful realisation of Elders' Hybrids, which was fundamental to simplifying our capital structure. We have also made significant headway in a program of continuous improvement of Elders' resilience principles and practices, provided valuable legal assistance in connection with each of the acquisitions and divestments undertaken by Elders and provided guidance and assistance on matters related to the safety of our people. Overall, I am pleased to report that Elders continues to adopt high standards of governance and behaviour which are conducive to shaping the culture of Elders for long-term success.

## Liz Ryan

***General Manager — Financial Services***

Elders Financial Services delivered profitable growth in FY17, driven by a healthy mix of organic and in-organic initiatives. Our equity investments in StockCo (30%) and Elders Insurance (20%) performed strongly, and enhanced marketing campaigns generated new business leads across the financial services offering. Importantly, we also continued to invest in our team to ensure we have the right people in the right places, equipped to provide the best financial solutions to our customers.

## Tom Russo

***General Manager — Real Estate***

This financial year we have continued to invest in the growth and improvement of the real estate business. We have delivered upon the promises made in FY16 to invest in the professionals and technology to support our national network and drive brand presence in all key markets. Our farmland agency network performed particularly well, with unprecedented levels of interest in Australian rural property driven by positive seasonal conditions, commodity prices, and the low interest rate environment. The acquisition of Southern Districts Estate Agency, together with other smaller acquisitions, drove growth in our residential agency and property management business. Late in the year we also recruited a team of water trading professionals to drive our capital light water markets strategy.

## Nick Fazekas

***General Manager — Retail***

Since 2014 the Retail business has embarked on a capital light strategy to drive improvement in our return on capital metrics; the main focus being on improving purchasing margin, longer payment terms and inventory concessions. We are extremely pleased with the turnaround of our return on capital results over the period and delivering improved gross margin year on year. We have also continued focusing on rationalising our key suppliers to a core group while delivering a higher level of service offerings to our loyal customer base. During the FY17 period we have seen continued organic growth, even with difficult growing conditions in some key farming areas. We have also increased our access to east coast horticultural markets through the acquisition of Ace Ohlsson.

## Malcolm Hunt

***Zone General Manager — South***

This year we've focused on strategic recruitment which has had excellent results for the zone. High livestock prices, combined with retail improvements and footprint expansion have enabled the South to increase productivity and profitability. We've continued to strengthen relationships with clients and delivered tools to create better efficiencies throughout their businesses.

## Greg Dunne

***Zone General Manager — North***

Our focus this year has been on our clients, our people and the communities surrounding our operations. We have also continued our partnership with the North Queensland Cowboys to continue raise awareness for mental health. The Northern areas benefitted from improved summer cropping and high cattle prices which have remained strong throughout the year.

## James Cornish

***Zone General Manager — West***

Elders' market position has continued to strengthen within the Western Zone throughout FY17. Our presence grew significantly with a number of Eight Point Plan initiatives, in particular the acquisition of the Southern Districts Estate Agency business based in the South West. The high-performing culture within our business has enabled us to continue to attract and develop the right people for the right roles. Both client and supplier relationships have further strengthened throughout the Zone this year which has seen us achieve upside across nearly every product and category.

## David Adamson

***General Manager — Agency***

The Agency business continued to perform well, with continued strong domestic and export demand for both livestock and wool, providing multiple marketing options for growers. 2017 saw the business continue to implement digital tools to add value and create efficiencies across the Agency business for clients and our team.

## Karen Ross

***General Manager — People, Innovation & Brand***

2017 has been the year that we've really focussed on understanding our clients' needs and as a result we've further increased our digital and technical services offering with data driven solutions to enhance the productivity and profitability of our clients. Our employees have continued to give back to the communities in which we operate, with the launch of Elders Give It, our employee contribution program. Elders' was one of only two Australian companies recognised with Korn Ferry's Employee Engagement award, demonstrating the clear connection our employees have with their own performance and the performance of the business. We are also partnering with a number of universities around the country to better facilitate research, development and extension activities for the benefit of the Australian agricultural industry.


# Women in Pink

**With some 2,000 Elders employees proudly wearing the pink shirt throughout the last financial year, 38.3% are women – which has remained consistently higher than the Agriculture, Forestry and Fishing Industry average. Elders is dedicated to targeting a shift in the diversity mindset across the business.**

An increasing number of women are joining Elders through our Graduate Agronomy and Traineeship Programs, and the business has continued to ensure leadership programs are available to women from a diverse range of roles. Elders completed a pilot program in the West Zone, known as Fast Track which aimed to bridge the gap between operational and first line management capabilities, in which women represented 62% of participants. The program is aimed at building a talent pipeline through internal upskilling and promotion and is set to be implemented on a national scale.

Women make a significant contribution to Australian agriculture and Elders is proud to highlight just a few examples of trailblazers throughout the network.

## Steph Brooker-Jones recruits the right people

Steph Brooker-Jones, a famous face in the wool industry and throughout South Australia, as well as industry advocate and mentor, has supported Elders' SA wool team to becoming 50% women. Steph is also chair of Sports Shear Australia, and has travelled extensively in her various roles within the industry.

Steph works alongside a talented group of district wool managers stretching from Broken Hill to Ceduna and south to Mount Gambier. All members of the team are driven by a combined love of livestock and wool and are committed to sharing their skills and experiences with their clients and industry alike.

"I enjoy passing on knowledge and educating people, and we're all continually learning and developing. My job is to train people on a daily basis – from Elders' trainees, to my clients and industry members about wool classing, preparation, and marketing. Schools call on me to help them bring an outside perspective on sheep and wool, as well as careers within the industry."

"People value the knowledge you can share. I feel I have always been accepted, regardless of my gender, and I think this comes back to the ability to communicate. It's fantastic to see that this is the case more and more often with women involved in agriculture."

"The opportunities available in agriculture are now much more diverse and this opens up so many more roles. Schools and colleges are including agriculture as part of their offering, introducing children to the variety of pathways that agriculture offers," Steph says.

Elders' Southern Zone Wool Manager Lachie Brown says it's a natural progression and the industry is embracing the influence and impact women are having throughout the whole supply chain.

"It's very positive to see the industry shifting its mindset. Elders is incredibly supportive and it's only a matter of time before we begin to see more women come into our wool marketing team on a national level."

The number of women in wool classer and roustabout roles has overtaken men in the past twenty years.

## Passionate pink shirt, Maree Crawford drives equal opportunities

An agronomy powerhouse from Elders' North Zone, women in agriculture advocate and chairwoman of Australian Summer Grains Conference, Maree Crawford, is well-known for increasing awareness of women in agriculture and recognising equal opportunities.

This year's Australian Summer Grains Conference (ASGC) was one of the biggest yet, featuring renowned scientists, marketers, growers and leading industry identities. As chairwoman and keynote speaker, Maree was responsible for co-ordinating a team to ensure that the event was a success, managing to generate a good profit for the five joint venture partner grain associations – plus presenting women as a powerful force for growth of the agriculture industry.

"For the industry to see growth and remain economically sustainable we need to enable women to have greater involvement in the running of the farm whilst still being able to meet their share of domestic commitments."

Maree also believes that the future of the industry is dependent on well-trained specialists coming through a good mentorship program. Although from a farming background, Maree described entering a male dominated industry as daunting and is a strong advocate of the next generation being trained by those more experienced in the industry.

"I was taken under the wing of those above me when I first started and it ignited my passion for agriculture and taught me skills and knowledge I wouldn't have otherwise acquired. One of the most important things we can do as professionals is pass on our knowledge to build a strong future for the industry."

"This message ties into women in agriculture too. The more we lead by example and have strong women in leadership roles mentoring the up and coming leaders, the greater chance we have of building a sustainable industry with equal gender representation."

Maree has also been a key player in her 'pink shirts in paddocks' campaign, as a way of raising the visibility and profiles of Elders' employees.

"The Elders brand is iconic and as such the pink shirt stands for our ability, our resilience, and our contribution to the industry. There is a lot of pride in being a part of Elders and wearing the pink shirt shows that pride."

National Agronomy Technical Services Manager, Graham Page, says that Maree is a role model in the industry and is continually going above and beyond for Elders and her clients.

"Maree plays a key role not just in improving the standard of agronomy services in Elders' North Zone, but in advocating for improvements industry-wide. She sets a precedent for other agronomists and the industry, and their capacity to influence change," Graham says.


# Directors’ Report

**The directors present their report for the year ending 30 September 2017.**

# Directors' Report

## Current Directors

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

### Non-Executive Directors

— James Hutchison Ranck, Chairman

— 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

A summary of the experience, qualifications and special responsibilities of each Director and Company Secretary is provided on pages 42 and 43 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;

(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 operations in both rural and residential markets, including property management services;

(e) live export operations (sold in the second half of the year);

(f) feedlotting of cattle;

(g) grain marketing; 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 $116.0m (2016: profit of $51.6m). A review of the operations and results of the consolidated entity and its principal businesses during the year is contained in pages 15 to 33 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.

As announced to ASX on 23 February 2017, the Elders Hybrids were realised by way of a resale on 30 March 2017. A further ASX announcement dated 20 April 2017 informed that Elders Limited had redeemed all Elders Hybrids and effected termination of the Elders Hybrid Trust Deed. As a result of these events, the Elders Hybrid security (ASX: ELDPA) ceased quotation.

## Events Subsequent to Balance Date

There is no matter or circumstance that has arisen since 30 September 2017 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 34 and 35 of this report.

## Share and Other Equity Issues During the Year

No ordinary shares were issued during the year.

## Dividends and Other Equity Distributions

Subsequent to year end, the Board declared a fully franked final ordinary dividend of 7.5 cents per share, and a fully franked special dividend of 7.5 cents per share. The final ordinary dividend and special dividend will be paid on 15 December 2017 to those shareholders on Elders' share register on the record date of 21 November 2017. The Dividend Reinvestment Plan will operate in respect of both the final and special dividend.

## 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 61 of this annual report.

The total quantity of options (not including performance rights disclosed on page 71 of the Remuneration Report) on issue as at 30 September 2017 would represent, if exercised, 1.49% of the Group's issued ordinary shares.

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

(a) **Options on Issue:**
All options listed in Table 1 are subject to performance conditions as described on page 71 of the Remuneration Report.

(b) **Options issued since the end of the previous financial year:**
No options have been issued since the end of the previous financial year.

(c) **Options exercised since the end of the previous financial year:**
No options have been exercised since the end of the previous financial year.

(d) **Options lapsed since the end of previous financial year:**
No options have lapsed since the end of the previous financial year. As disclosed in Table 11 appearing on page 76 of the Remuneration Report, no performance rights held by Senior Executives have lapsed since 30 September 2016.

(e) **Options vested since the end of previous financial year:**
1,694,790 options vested on 13 November 2017 as disclosed on page 70 of the Remuneration Report.

## Directors' Interests

At the date of this report, the relevant interests of the Directors in shares and other equity securities of Elders are detailed in Table 2 on page 58.

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 2.

## 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 3 on page 58.

## Indemnification of Officers and Auditors

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

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

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

— that Elders will maintain an insurance policy insuring the officer against any liability incurred by the officer in the officer's capacity as an officer of Elders or another group entity to the maximum extent allowed by law;

— for indemnity against liability as an officer, except to the extent of indemnity under the insurance policy or where prohibited by law; and

— for access to company documents and records, subject to undertakings as to confidentiality.

## Remuneration of Directors and Senior Executives

Details of the remuneration arrangements in place for Key Management Personnel of Elders are set out in the Remuneration Report commencing on page 61. In compiling this report Elders has met the disclosure requirements prescribed in the Australian Accounting Standards and the *Corporations Act 2001*.

## Environmental Performance Regulation

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

### Feedlots

Elders operates the Killara feedlot in Quirindi, New South Wales. Killara is subject to both state and local government environmental legislation.

No breaches of environmental regulations affecting Killara were reported during the year ended 30 September 2017 or to the date of this report.

### Saleyards

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

No breaches of environmental regulations affecting Elders' saleyards were reported during the year ended 30 September 2017 or to the date of this report.

### Retail Operations

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

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

A letter was received from the Environmental Protection Authority advising that a complaint regarding fertiliser dust 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 breaches of environmental regulations affecting Elders' retail operations were reported during the year ended 30 September 2017 or to the date of this report.

**Live Export Services**
Prior to the divestment of its live export business, Elders was 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 were 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.

No breaches of environmental regulations or legislation were recorded by the live export business in the year to 30 September 2017 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 otherwise stated.

## Non-Audit Services

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

— all non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact on the impartiality or objectivity of the auditor; and

— the nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

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

— Other compliance and assurance services: $33,650

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

This report, including the Remuneration Report commencing on page 61 is 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 | $1.57 | 30/09/2019 |

## Table 2 — Directors' Interests

| | No. of ordinary shares | No. of performance rights and options |
|---|---|---|
| **Non-Executive Directors** | | |
| J H Ranck | 130,000 | - |
| I Wilton | 105,000 | - |
| J A Jackson | 10,000 | - |
| R Clubb | 3,400 | - |
| **Executive Director** | | |
| M C Allison | 54,344 | 1,140,000 |

## Table 3 — 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 | 14 | 14 | 2 | 2 | 6 | 6 |
| J A Jackson | 14 | 14 | 2 | 2 | 6 | 6 |
| I Wilton | 14 | 14 | 2 | 2 | 6 | 6 |
| M C Allison | 14 | 14 | - | - | - | - |
| R Clubb | 14 | 14 | 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 | 6 | 6 | 5 | 5 |
| J A Jackson | 6 | 6 | 5 | 5 |
| I Wilton | 6 | 6 | 5 | 5 |
| M C Allison | - | - | 5 | 5 |
| R Clubb | 6 | 6 | 5 | 5 |

**Hutch Ranck**
Chairman

**Mark Allison**
Managing Director

# Auditor's Independence Declaration

As lead auditor for the audit of Elders Limited for the year ended 30 September 2017, 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
13 November 2017

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# Remuneration Report

# Remuneration Report

## The Directors of Elders Limited present the Remuneration Report for the consolidated entity for the year ended 30 September 2017. The information provided in this report has been audited, unless otherwise indicated, as required by the *Corporations Act 2001 (Cth)* and forms part of the Directors' Report.

## Key Messages

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

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

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

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

A summary of key remuneration outcomes for the 2017 financial year is set out below.

## Fixed Remuneration

As part of the annual review of fixed remuneration across the organisation held in November 2016 eligible KMP subsequently received an increase to their fixed remuneration at an average rate of 3.04%, in line with market movements for FY17.

In addition, CFO, Mr Davey, received an out of cycle fixed remuneration increase of 13% in June 2017 as approved by the Board to reflect an increase in responsibilities taking on functional oversight of Elders Fine Foods in China, PT Indonesia and Killara Feedlots and the Internal Audit function. The CFO fixed remuneration package remains within benchmark range compared with other companies with similar market capitalisation.

## Variable Remuneration

### Short Term Incentive Plan

Elders' strong financial performance in exceeding its FY17 EBIT target of $60m and 20% Return on Capital as well as strong safety, operational and strategic performance resulted in the delivery of between target and maximum short-term incentive payments to the MD & CEO and Senior Executives for FY17.

### 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 FY17. This grant has a 3-year performance period ending 30 September 2019, with key metrics of Absolute Total Shareholder Return, Earnings per Share growth and Return on Capital. The LTIP is designed to focus executives on continuing to drive sustainable growth and shareholder return.

### Change to Exercise Price in FY15 Options Plan

Having regard to the dilutive impact of the capital raising undertaken by Elders during 2016, the Board reviewed the conditions of the 2015 grant under the LTIP and as a result the exercise price of $1.70 was amended to $1.57. This change has been calculated in accordance with the formula outlined in the ASX listing rules and was made in line with the Plan Rules.

### Long-term incentives vesting in the year

We believe our remuneration framework remains aligned with the strategy of the business and promotes long-term alignment with shareholders. As a result the options granted in FY15 under the Long Term Incentive Plan had a three year performance period which concluded 30 September 2017. Testing against the three performance conditions, being Elders' Absolute Total Shareholder Return, Underlying Earnings Before Interest and Tax and Return on Capital resulted in 100% vesting. Further details on the vesting are outlined on page 69.

## Managing Director and CEO and Senior Executive remuneration outcomes for 2017

Table 1 below sets out certain items of remuneration paid or payable to the MD & CEO and Senior Executives in respect of the 2017 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 75 provides the audited remuneration disclosures as required under Accounting Standards and statutory requirements. Elders believes the information provided in Table 1 is useful to investors as it provides a simple overview of the remuneration paid or payable to the MD & CEO and Senior Executives, 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 and 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 2017 (unaudited and non-IFRS)**

| | | $ | Base Salary | STI[1] | LTI[2] | Super-annuation | Other (monetary) | Other (non-monetary)[3] | Termination benefits[4] | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| M C Allison | MD & CEO | | 839,082 | 864,075 | - | 19,724 | - | - | - | 1,722,881 |
| R I Davey | CFO | | 458,721 | 150,000 | - | 19,724 | - | - | - | 628,445 |
| J H Cornish | GM Zone West | | 343,845 | 110,000 | - | 19,724 | - | 1,200 | - | 474,768 |
| G J Dunne | GM Zone North | | 366,338 | 190,000 | - | 19,724 | - | 4,486 | - | 580,548 |
| M L Hunt | GM Zone South | | 368,770 | 190,000 | - | 19,724 | - | 39,816 | - | 618,310 |

1 *STI that will be paid for performance in the 2017 financial year.*

2 *Value of any performance rights that vested during the 2017 financial year based on the closing share price on the date of vesting, and options that were exercised during the 2017 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 2017 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 2017 (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 | |
| M L Hunt | Zone General Manager South | |

## Section 2 — Remuneration Governance

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

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

On an annual basis the Board reviews and approves the performance and remuneration plans and outcomes for the MD & CEO on the recommendation of the 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 Elders. The Committee also reviews major remuneration policies and programs applying across Elders.

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

The Committee is comprised entirely of Non-Executive Directors.

### B. Key Committee activities

During 2017, the Committee met on five occasions. The Committee has a strong focus on the relationship between business performance, risk management and remuneration with the following activities occurring during the year:

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

### C. Independent remuneration advice

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

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

In the year ending 30 September 2017, the Committee approved the engagement of Korn Ferry Hay Group to provide market remuneration information for the MD & CEO role. Total fees paid to Korn Ferry Hay Group were $11,200 (excluding GST).

Korn Ferry Hay Group has confirmed that any remuneration recommendations have been made free from undue influence by members of the KMP. The agreement for the provision of remuneration consulting services was executed by the Chairman and the report containing the remuneration recommendations was provided by Korn Ferry Hay Group directly to the chair of the Remuneration and Human Resources Committee. As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of KMP.

# Section 3 — Non-Executive Director Remuneration

## A. Remuneration Framework & Policy

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

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

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

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

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

The Board believes Elders' Non-Executive Directors should own securities in Elders to further align their interests with the interests of other shareholders. Details of Non-Executive Directors' shareholdings in Elders can be found in Table 12 of this Report.

## B. Non-Executive Director remuneration in 2017

Total fees for the financial year ended 30 September 2017 remain well within the aggregate fee limit of $1,200,000 per annum, approved by the Board following Elders' 2013 Annual General Meeting. Statutory superannuation guarantee contributions are excluded from the aggregate fee limit.

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

During the financial year ended 30 September 2017, as compensation for time spent on committee business, the following fees applied:

— Each member of the **Audit, Risk and Compliance Committee** was entitled to $16,000 per annum, except for the Committee Chairman who was entitled to $30,000 per annum to reflect the significant workload associated with this position.

— Each member of the **Work Health and Safety Committee** was entitled to $10,000 per annum.

— Each member of the **Remuneration and Human Resources Committee** was entitled to $10,000 per annum, except for the Committee Chairman who was entitled to $15,000 per annum to reflect the workload associated with the position.

— Members of the **Nomination and Prudential Committee** receive no further fees for membership of this Committee.

Actual Committee fees paid are provided as "Board Committee Fees" in Table 3 below. The base Board fee has remained unchanged since 2014.

**Table 3 — Non-Executive Director remuneration details**

| | | Short-term payments | | Post employment | Total |
|---|---|---|---|---|---|
| | | Base Board Fee | Board Committee Fees | Super-annuation | |
| J H Ranck | 2017 | 240,000 | - | 19,724 | 259,724 |
| | 2016 | 240,000 | - | 19,385 | 259,385 |
| R Clubb | 2017 | 100,000 | 36,000 | 12,920 | 148,920 |
| | 2016 | 100,000 | 36,000 | 12,920 | 148,920 |
| J A Jackson | 2017 | 100,000 | 41,000 | 13,395 | 154,395 |
| | 2016 | 100,000 | 41,000 | 13,395 | 154,395 |
| I Wilton | 2017 | 100,000 | 50,000 | 14,250 | 164,250 |
| | 2016 | 100,000 | 50,000 | 14,250 | 164,250 |
| **Total** | **2017** | **540,000** | **127,000** | **60,289** | **727,289** |
| | **2016** | **540,000** | **127,000** | **59,950** | **726,950** |

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

## A. Remuneration framework & policy

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

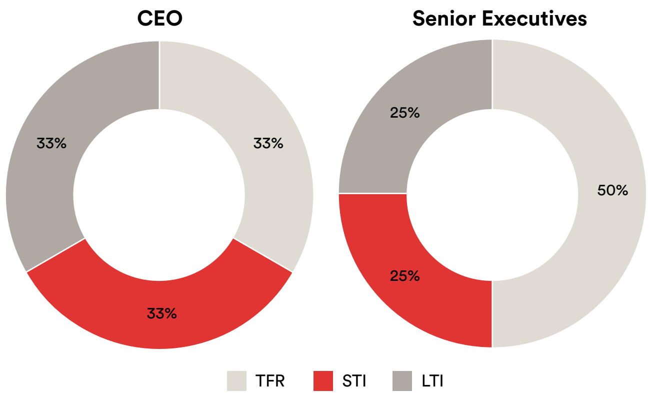
- appropriate reward for their roles and responsibilities;
- balancing fixed and at-risk remuneration components with an appropriate balance between short and long-term incentives within the at-risk component;
- performance measures reflecting long-term drivers of shareholder value;
- paying for performance,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

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

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

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

**Chart 1 — Remuneration structure**




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

## B. Total fixed remuneration

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

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

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

## C. Short-term incentive

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

**Table 4 — Short-term incentive plan**

| | MD & CEO | Senior Executives |
|---|---|---|
| Maximum STI opportunity as % of TFR | 100% of TFR | 50% of TFR |
| Performance measure(s) | 45% of the MD & CEO's STI is based on quantitative financial performance including Underlying Earnings Before Interest and Tax (EBIT) and Return on Capital (ROC) targets.<br>10% of the STI is based on driving significant progress in achieving an injury free workplace.<br>10% of the STI is based on employee effectiveness and customer satisfaction.<br>35% 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.<br>The STI is based on Elders' overall, business unit and individual performance against KPIs set for:<br>— Safety<br>— Financial and operational performance (including EBIT and ROC)<br>— Key relationships (people and customers)<br>— 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 Elders or being promoted within Elders, will be pro-rated accordingly. | |
| Payment | Payments are made in cash or elected to be paid as shares; Senior Executives may elect to salary sacrifice to acquire Elders' shares via the Deferred Employee Share Plan. | |
| Clawback | Elders may recover payments made, where the STI was calculated on financial results due to:<br>— a material non-compliance with any financial reporting requirement; or<br>— misconduct of any employees, contractors or advisers; and<br>as a result, of which the actual metrics and outcomes used to determine the STI were incorrect, and as such a lower payment would have been made based on the restated results. | |

**Table 5 — STI outcomes for 2017**

All STI payments for 2017 performance were paid according to plan performance measures. The following table outlines the KMP participants who received an STI payment in 2017:

| | Maximum Opportunity $ | Awarded % | Forfeited % |
|---|---|---|---|
| M C Allison | 864,075 | 100% | 0% |
| R I Davey | 260,000 | 58% | 42% |
| J H Cornish | 183,251 | 60% | 40% |
| G J Dunne | 194,896 | 97% | 3% |
| M L Hunt | 196,125 | 97% | 3% |

## D. Long-term incentive

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

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

Subject to the ASX Listing Rules, 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 – 2015 grant

The 3 year performance period of the FY15 options granted under the Long Term Incentive Plan concluded on 30 September 2017.

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

<table>
<tr><th>% of total grant</th><th>Performance measures</th><th>Outcome of testing</th></tr>
<tr><td colspan="3">Tranche 1 – Total Shareholder Return (TSR)</td></tr>
<tr><td>50%</td><td>
Based on Elders' average annual compound TSR over the three year performance period 1 October 2014 ending on 30 September 2017.
TSR Options will be subject to a target goal and a stretch goal. The target and stretch goal that apply over the performance period are as follows:
<table>
<tr><th></th><th>Target</th><th>Stretch</th></tr>
<tr><td>Elders' Absolute TSR over the performance period</td><td>12% average annual compound TSR<br>The 10 trading day volume weighted average price (VWAP) (up to and including the last day of the performance period) must be at least $2.39 at the end of the performance period.</td><td>20% average annual compound TSR<br>The 10 trading day VWAP (up to and including the last day of the performance period) must be at least $2.94 at the end of the performance period.</td></tr>
</table>
The % of TSR options that will vest is determined as follows:
<table>
<tr><th>Absolute TSR over performance period</th><th>% of Options in tranche that vest</th></tr>
<tr><td>Less than target</td><td>Nil</td></tr>
<tr><td>Target[1]</td><td>50%</td></tr>
<tr><td>Between target and stretch[2]</td><td>50-100% on a straight line sliding scale</td></tr>
<tr><td>Stretch[2] and above</td><td>100%</td></tr>
</table>
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<br>— 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; and<br>— dividend paid
</td><td>Elders' 10 trading day VWAP as at 30 September was $4.697 being significantly higher than the stretch hurdle of $2.94</td></tr>
</table>

| % of total grant | Performance measures | Outcome of testing |
|---|---|---|
| **Tranche 2 – Earnings Before Interest and Tax (EBIT)** | | |
| 25% | 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. | Elders' reported underlying EBIT as at 30 September 2017 was $70.4m being higher than $60m performance condition |
| **Tranche 3 – Return on Capital (ROC)** | | |
| 25% | ROC options will vest in full if ROC is greater than or equal to 20% for the financial year ending 30 September 2017. | Elders' return on capital as at 30 September 2017 was 26.8% being higher than 20% performance condition |

The total number of vested options under the 2015 grant is 1,694,790, with 1,210,000 of these vesting to the MD & CEO and Senior Executives and the remainder to other senior manager participants. Individual vesting amounts are outlined in Table 11.

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 $1.57 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.

**b — Current long-term incentive – 2016 and 2017 grants**

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

— FY16 Rights grant – to be tested following 30 September 2018; and

— FY17 Rights grant – to be tested following 30 September 2019

Details of the actual grant are outlined in Table 11.

The rights granted in the current year to the CEO & MD were approved by shareholders at Elders' AGM held on 16 December 2016. Following this the Board then approved a grant of performance rights to selected senior management on 16 December 2016.

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

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

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

**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 2017**<br>**No of rights outstanding and no of participants** | | | | |
| Grant date: | | | | |
| 17-Dec-15<br>16-Dec-16 | 260,000 Rights<br>280,000 Rights | 1 participant<br>1 participant | 600,000 Rights<br>595,000 Rights | 12 participants<br>11 participants |
| **Performance period:** | | | | |
| 17-Dec-15 | Three years – 1 October 2015 to 30 September 2018 | | | |
| 16-Dec-16 | Three years – 1 October 2016 to 30 September 2019 | | | |
| **Performance conditions:** | | | | |
| 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% |

| | |
|---|---|
| 17-Dec-16 | The performance conditions of this grant mirror those of the 17-Dec-15 grant. |
| **Performance measures and vesting** | |
| 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 Elders' 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 (EPS CAGR) is greater than or equal to 15% for the performance period.

**Tranche 3 – ROC Performance Rights**

25% of rights vest in full if ROC is greater than or equal to 20% for the financial year ending 30 September 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 paid share in Elders will be allocated for each performance right.

<table>
<tr><th></th><th>MD & CEO</th><th>Senior Executives</th></tr>
<tr><td>17-Dec-16</td><td colspan="2">

**Tranche 1 – Absolute TSR Performance Rights**

50% of rights vest subject to an absolute TSR performance condition. The absolute TSR performance condition is tested based on Elders' average annual compound TSR over the three-year performance period 1 October 2016 ending on 30 September 2019.

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

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

*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 $3.8426, being the 5 trading day VWAP up to and including 30 September 2016; and

— the closing share price value will be based on the 5 trading day VWAP up to and including the last day of the performance period, 30 September 2019.

**Tranche 2 – EPS Growth Performance Rights**

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

**Tranche 3 – ROC Performance Rights**

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

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

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

</td></tr>
<tr><td>Performance testing</td><td colspan="2">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.</td></tr>
</table>

**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 2016 | 30 Sept 2017 | 30 Sept 2016 | 30 Sept 2017 |
| 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.<br>There are no further performance or service conditions once shares are purchased. | All permanent employees. | 125 | 141 | 159,165 | 185,851 |
| Elders Loan Share Plan (ELSP) | This plan was designed to provide an equity participation opportunity for all eligible employees when offered by Elders. 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.<br>There are no performance conditions once issued.<br>No shares were issued under the ELSP during the financial year.<br>In FY17 the Board approved the wind-up of this plan with all participants agreeing to forfeit and surrender all interests in their shares under the plan. | The ELSP was suspended in 2009. | 597 | 0 | 41,603 | 0 |

*Note: No KMP participated in the DESP in 2016 or 2017. 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 2016).*

# Section 5 — Link Between Elders' Financial Performance and Executive Reward

STI payments are awarded to executives on achievement of a range of financial and non-financial performance targets (see Table 4).

Under the LTI grants issued 18 December 2014, 17 December 2015 and 16 December 2016 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).

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

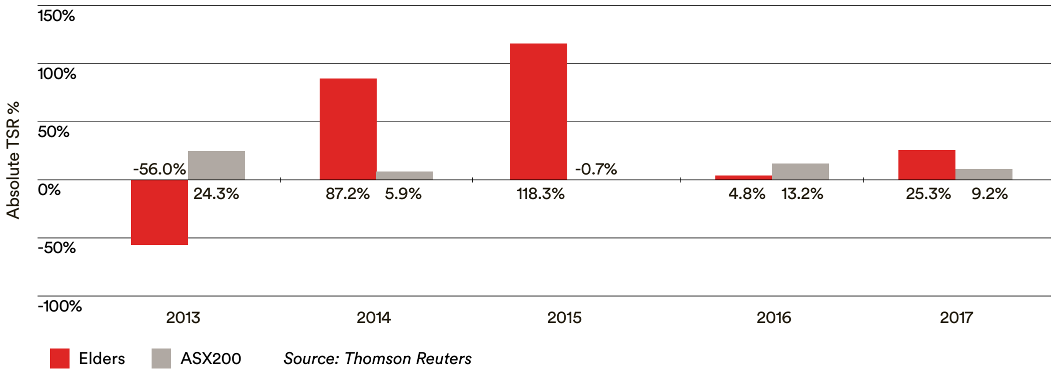
### Table 8 — Elders' performance

| Performance measure ($ millions) | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Sales revenue | 1,417.2 | 1,427.7 | 1,502.0 | 1,519.3 | 1,603.1 |
| Underlying EBIT | (21.5) | 22.3 | 40.5 | 56.1 | 70.4 |
| Statutory profit | (505.3) | 3.0 | 38.3 | 51.6 | 116.0 |
| Return on Capital based on underlying earnings | n/a | 11.9% | 21.9% | 28.1% | 26.8% |
| Cashflow from operating activities | (81.6) | 15.1 | (5.3) | 48.7 | 81.6 |

*Note: Details of KMP STI outcomes for 2017 are provided on page 68.*

### Chart 2 — Absolute TSR %

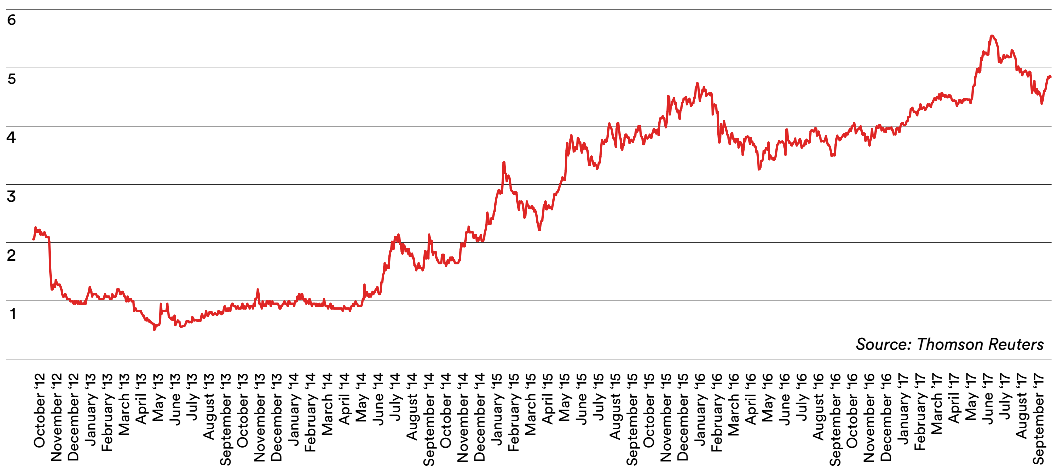
The following chart shows Elders' TSR performance over the last five years against the ASX/S&P 200 Accumulation Index.




## Dividend history

No dividends were declared or paid (interim or final) over the five years from 2013 to 2016. A final dividend and special dividend of 7.5 cents each will be paid for FY17.

### Chart 3 — Elders five year share price history




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

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

## A. Contractual arrangements with KMP

In 2017 Elders 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 | 12 months | 6 months |
| Individual | 6 months | 3 months |
| | Payment in lieu of notice may be made equivalent to the remuneration the MD & CEO and Senior Executive would have received over the notice period.<br>Payment may be awarded under a short-term or long-term incentive plan in accordance with plan rules. | |
| Notice for Serious Misconduct | Elders may terminate immediately. No payment in lieu of notice or other termination payments are payable under the employment agreement. | |
| Redundancy | Not applicable | Due to genuine redundancy, as defined by the *Fair Work Act 2010*, the Senior Executive is entitled to a retrenchment payment in accordance with Elders' policy. This payment is also subject to the rules and limitations specified in the *Corporations Act 2001* and Corporations Regulations. |
| Change of Control | Not 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.<br>If this occurs, Elders will pay the Senior Executive the equivalent of up to 12 months TFR. |

## B. Other transactions with KMP

There are no loans to KMP outstanding in the current year. In the prior year it was only those loans held under the ELSP in Table 7 of which G.Dunne, J.Cornish and R.Davey participated holding 595, 338 and 258 shares respectively.

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

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

### Table 10 — Details of MD & CEO and Senior Executive remuneration for the 2016 and 2017 financial years

| | | Short-term payments | | | Post-employment | Share-based payments | | Long-term payments | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Base salary | STI | Other[1] | Superannuation | Options | Share Rights | Long Service Leave | Termination benefits[2] | Total | % performance-related[3] |
| M C Allison | 2017 | 839,082 | 864,075 | - | 19,724 | 203,700 | 558,200 | 16,999 | - | 2,501,780 | 65% |
| | 2016 | 817,989 | 632,250 | - | 19,359 | 125,700 | 296,400 | 3,407 | - | 1,895,105 | 56% |
| R I Davey | 2017 | 458,721 | 150,000 | - | 19,724 | 50,925 | 150,125 | 33,585 | - | 863,080 | 41% |
| | 2016 | 431,566 | 85,000 | - | 19,385 | 31,425 | 72,101 | 22,295 | - | 661,772 | 28% |
| J H Cornish | 2017 | 343,845 | 110,000 | 1,200 | 19,724 | 40,740 | 115,300 | 5,898 | - | 636,707 | 42% |
| | 2016 | 332,944 | 90,000 | 1,232 | 19,385 | 25,140 | 53,003 | 15,754 | - | 537,458 | 31% |
| G J Dunne | 2017 | 366,338 | 190,000 | 4,486 | 19,724 | 44,135 | 120,100 | 8,993 | - | 753,776 | 47% |
| | 2016 | 353,319 | 100,000 | 4,358 | 19,385 | 27,235 | 57,803 | 13,260 | - | 575,360 | 32% |
| C C Hall[4] | 2017 | - | - | - | - | - | - | - | - | - | - |
| | 2016 | 329,279 | - | 19,454 | 19,385 | 25,140 | 57,600 | (1,170) | 221,735 | 671,423 | 12% |
| M L Hunt | 2017 | 368,770 | 190,000 | 39,816 | 19,724 | 44,135 | 120,100 | 5,004 | - | 787,549 | 45% |
| | 2016 | 355,662 | 100,000 | 33,263 | 19,385 | 27,235 | 57,600 | 6,068 | - | 599,213 | 31% |
| **Total** | **2017** | **2,376,756** | **1,504,075** | **45,502** | **98,620** | **383,635** | **1,063,825** | **70,479** | **-** | **5,542,892** | |
| | **2016** | **2,620,759** | **1,007,250** | **58,307** | **116,284** | **261,875** | **594,507** | **59,614** | **221,735** | **4,940,330** | |

*1 Comprising the provision of leased car parking (Cornish, Dunne, Hall, Hunt), company leased vehicle (Hall and Hunt).*

*2 These benefits, which comprise redundancy payments under Elders' redundancy policy and payments in lieu of notice, comply with Part 2D.2 of the Corporations Act 2001 (Cth).*

*3 Performance related remuneration consists of STI and share rights and options as a percentage of total remuneration. Share options are those disclosed in Table 11 and share rights includes performance rights disclosed in Table 11.*

*4 C. Hall ceased employment on 16 September 2016.*

# Section 8 — Additional Statutory Information

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

| KMP<br>Grant Date | Balance at Start of Period | Granted | Vesting date | Vested | | Lapsed | | Balance at End of Period | Expensed at End of Period | Fair Value at grant date[1] | Rights maximum value yet to vest[2] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. | No. | | No. | % | No. | % | No. | $ | $ | $ |
| **M C Allison** | | | | | | | | | | | |
| 18-Dec-14 | 600,000 | - | 13-Nov-17 | 600,000 | 100% | - | - | - | 203,700 | 377,100 | n/a |
| 17-Dec-15 | 260,000 | | Nov-18 | - | - | - | - | 260,000 | 296,400 | 889,200 | 296,400 |
| 16-Dec-16 | - | 280,000 | Nov-19 | - | - | - | - | 280,000 | 261,800 | 785,400 | 523,600 |
| | **860,000** | **280,000** | **-** | **600,000** | **-** | **-** | **-** | **540,000** | **761,900** | **2,051,700** | **820,000** |
| **R I Davey** | | | | | | | | | | | |
| 18-Dec-14 | 150,000 | - | 13-Nov-17 | 150,000 | 100% | - | - | - | 50,925 | 94,275 | n/a |
| 17-Dec-15 | 75,000 | - | Nov-18 | - | - | - | - | 75,000 | 72,000 | 216,000 | 72,000 |
| 16-Dec-16 | - | 75,000 | Nov-19 | - | - | - | - | 75,000 | 78,125 | 234,375 | 156,375 |
| | **225,000** | **75,000** | | **150,000** | **-** | **-** | **-** | **150,000** | **201,050** | **544,650** | **228,375** |
| **J H Cornish** | | | | | | | | | | | |
| 18-Dec-14 | 120,000 | - | 13-Nov-17 | 120,000 | 100% | - | - | - | 40,740 | 75,420 | n/a |
| 17-Dec-15 | 55,000 | - | Nov-18 | - | - | - | - | 55,000 | 52,800 | 158,400 | 52,800 |
| 16-Dec-16 | - | 60,000 | Nov-19 | - | - | - | - | 60,000 | 62,500 | 187,500 | 125,000 |
| | **175,000** | **60,000** | | **120,000** | **-** | **-** | **-** | **115,000** | **156,040** | **421,320** | **177,800** |
| **G J Dunne** | | | | | | | | | | | |
| 18-Dec-14 | 130,000 | - | 13-Nov-17 | 130,000 | 100% | - | - | - | 41,135 | 81,705 | n/a |
| 17-Dec-15 | 60,000 | - | Nov-18 | - | - | - | - | 60,000 | 57,600 | 172,800 | 57,600 |
| 16-Dec-16 | - | 60,000 | Nov-19 | - | - | - | - | 60,000 | 62,500 | 187,500 | 125,000 |
| | **190,000** | **60,000** | | **130,000** | **-** | **-** | **-** | **120,000** | **164,235** | **442,005** | **182,600** |
| **C C Hall[3]** | | | | | | | | | | | |
| 18-Dec-14 | 80,000 | - | 13-Nov-17 | 80,000 | 100% | - | - | - | - | 75,240 | n/a |
| 17-Dec-15 | 20,000 | - | Nov-18 | - | - | - | - | 20,000 | - | 172,800 | - |
| | **100,000** | **-** | Nov-19 | **80,000** | **-** | **-** | **-** | **20,000** | **-** | **248,220** | **-** |
| **M L Hunt** | | | | | | | | | | | |
| 18-Dec-14 | 130,000 | - | 13-Nov-17 | 130,000 | 100% | - | - | - | 44,135 | 81,705 | n/a |
| 17-Dec-15 | 60,000 | - | Nov-18 | - | - | - | - | 60,000 | 57,600 | 172,800 | 57,600 |
| 16-Dec-16 | - | 60,000 | Nov-19 | - | - | - | - | 60,000 | 62,500 | 187,500 | 125,000 |
| | **190,000** | **60,000** | | **130,000** | **-** | **-** | **-** | **120,000** | **164,235** | **442,005** | **182,600** |

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

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

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

*Note: The fair value per option and performance right at grant date is as follows, with the grant date differing for the MD & CEO and Senior Executive grant in 2015 and 2016, resulting in a different fair value.*

| | MD & CEO Grant | | Senior Executive Grant | |
|---|---|---|---|---|
| Options<br>18 December 2014 | | Tranche 1 | $0.50 | |
| | | Tranche 2 & 3 | $0.757 | |
| Performance Rights<br>18 December 2015 | Tranche 1 | $2.260 | Tranche 1 | $1.640 |
| | Tranche 2 & 3 | $4.580 | Tranche 2 & 3 | $4.120 |
| Performance Rights<br>18 December 2016 | Tranche 1 | $1.630 | Tranche 1 | $1.940 |
| | Tranche 2 & 3 | $3.980 | Tranche 2 & 3 | $4.310 |

## 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 | 2017 | 125,000 | - | - | 5,000 | 130,000 |
| | 2016 | 100,000 | - | - | 25,000 | 125,000 |
| R Clubb | 2017 | 1,200 | - | - | 2,200 | 3,400 |
| | 2016 | - | - | - | 1,200 | 1,200 |
| J A Jackson | 2017 | 37,500 | - | - | (27,500) | 10,000 |
| | 2016 | 30,000 | - | - | 7,500 | 37,500 |
| I Wilton | 2017 | 100,000 | - | - | 5,000 | 105,000 |
| | 2016 | 80,000 | - | - | 20,000 | 100,000 |
| **MD & CEO and Senior Executives** | | | | | | |
| M C Allison | 2017 | 22,107 | - | - | 32,237 | 54,344 |
| | 2016 | 17,685 | - | - | 4,422 | 22,107 |
| R I Davey | 2017 | 2,008 | - | - | (258) | 1,750 |
| | 2016 | 258 | - | 1,750 | - | 2,008 |
| J H Cornish | 2017 | 29,528 | - | - | (338) | 29,190 |
| | 2016 | 26,028 | - | 3,500 | - | 29,528 |
| G J Dunne | 2017 | 44,054 | - | - | (595) | 43,459 |
| | 2016 | 40,554 | - | 3,500 | - | 44,054 |
| C C Hall[1] | 2017 | n/a | n/a | n/a | n/a | n/a |
| | 2016 | - | - | - | - | - |
| M L Hunt | 2017 | - | - | - | - | - |
| | 2016 | - | - | - | - | - |
| Total | 2017 | 361,397 | - | - | 15,746 | 377,143 |
| | 2016 | 294,525 | - | 8,750 | 58,122 | 361,397 |

*1 C.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 ending 30 September 2017

# Elders Limited Annual Financial Report

## 30 September 2017

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2017

| | Note | 2017 $000 | 2016 $000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Sales revenue | 4 | 1,603,137 | 1,519,336 |
| Cost of sales | | (1,269,080) | (1,211,970) |
| **Gross profit from continuing operations** | | **334,057** | **307,366** |
| Equity accounted profits | 10 | 5,411 | 861 |
| Distribution expenses | | (221,846) | (213,142) |
| Administrative expenses | | (47,186) | (38,954) |
| Finance costs | 4 | (7,265) | (9,343) |
| Other items of income/(expense) | 4 | 55,001 | (1,226) |
| **Profit from continuing operations before income tax expense** | | **118,172** | **45,562** |
| Income tax (expense)/benefit | 5 | (4,137) | 19,403 |
| **Profit from continuing operations after income tax expense** | | **114,035** | **64,965** |
| Net profit/(loss) of discontinued operations, net of tax | 33 | 4,536 | (10,726) |
| **Net profit for the period** | | **118,571** | **54,239** |
| **Items that may be reclassified to profit and loss** | | | |
| Exchange differences on translation of foreign operations | | (1,211) | (818) |
| **Other comprehensive loss for the period, net of tax** | | **(1,211)** | **(818)** |
| **Total comprehensive income for the period** | | **117,360** | **53,421** |
| **Profit for the period is attributable to:** | | | |
| Non-controlling interest | | 2,576 | 2,670 |
| Owners of the parent | 19 | 115,995 | 51,569 |
| | | **118,571** | **54,239** |
| **Total comprehensive income for the period is attributable to:** | | | |
| Non-controlling interest | | 2,576 | 2,670 |
| Owners of the parent | | 114,784 | 50,751 |
| | | **117,360** | **53,421** |
| **Reported operations** | | | |
| Basic earnings per share (cents per share) | 30 | 101.9 ¢ | 56.9 ¢ |
| Diluted earnings per share (cents per share) | 30 | 98.9 ¢ | 48.7 ¢ |
| **Continuing operations** | | | |
| Basic earnings per share (cents per share) | 30 | 97.9 ¢ | 68.7 ¢ |
| Diluted earnings per share (cents per share) | 30 | 95.0 ¢ | 58.9 ¢ |
| **Discontinued operations** | | | |
| Basic earnings per share (cents per share) | 30 | 4.0 ¢ | (11.8)¢ |
| Diluted earnings per share (cents per share) | 30 | 3.9 ¢ | (11.8)¢ |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

| | Note | 2017 $000 | 2016 $000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 21(b) | 35,186 | 35,151 |
| Trade and other receivables | 6 | 385,641 | 381,316 |
| Livestock | 7(a) | 44,616 | 36,057 |
| Inventory | 8 | 111,101 | 109,643 |
| **Total current assets** | | **576,544** | **562,167** |
| | | | |
| **Non current assets** | | | |
| Plantations | 7(b) | - | 1,300 |
| Other financial assets | 9 | 1,269 | 19,304 |
| Equity accounted investments | 10 | 53,842 | 3,412 |
| Property, plant and equipment | 11 | 29,885 | 30,562 |
| Intangibles | 12 | 81,230 | 10,418 |
| Deferred tax assets | 5 | 59,382 | 64,126 |
| **Total non current assets** | | **225,608** | **129,122** |
| | | | |
| **Total assets** | | **802,152** | **691,289** |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 13 | 355,539 | 331,565 |
| Interest bearing loans and borrowings | 14 | 130,482 | 121,300 |
| Current tax payable | 5 | 109 | 1,090 |
| Provisions | 15 | 49,077 | 42,661 |
| **Total current liabilities** | | **535,207** | **496,616** |
| | | | |
| **Non current liabilities** | | | |
| Other payables | 13 | 5,343 | 3,820 |
| Provisions | 15 | 3,924 | 4,349 |
| **Total non current liabilities** | | **9,267** | **8,169** |
| | | | |
| **Total liabilities** | | **544,474** | **504,785** |
| | | | |
| **Net assets** | | **257,678** | **186,504** |
| | | | |
| **Equity** | | | |
| Contributed equity | 16 | 1,422,255 | 1,422,382 |
| Hybrid equity | 17 | - | 36,830 |
| Reserves | 18 | (27,596) | (29,063) |
| Retained earnings | 19 | (1,139,118) | (1,246,064) |
| **Total parent entity equity interest** | | **255,541** | **184,085** |
| | | | |
| Non-controlling interests | | 2,137 | 2,419 |
| **Total equity** | | **257,678** | **186,504** |

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 2017

| | Note | 2017 $000 | 2016 $000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Receipts from customers | | 7,104,407 | 6,434,915 |
| Payments to suppliers and employees | | (7,017,838) | (6,377,688) |
| Dividends received | | 5,592 | 546 |
| Interest and other costs of finance paid | | (7,095) | (7,593) |
| Income taxes paid | | (3,467) | (1,504) |
| **Net operating cash flows** | **21(a)** | **81,599** | **48,676** |
| **Cash flow from investing activities** | | | |
| Payment for property, plant and equipment | | (3,481) | (5,986) |
| Purchase of other financial assets at cost | | - | (18,035) |
| Purchase of equity accounted investments | | (30,306) | - |
| Payment for intangibles | | (590) | (1,079) |
| Payment for controlled entities, net of cash acquired | | (11,828) | (3,659) |
| Proceeds from sale of property, plant and equipment | | 198 | 560 |
| Proceeds from sale of intangibles | | - | 907 |
| Proceeds from disposal of controlled entity | | 2,696 | - |
| Proceeds from sale of plantations | | 1,300 | - |
| **Net investing cash flows** | | **(42,011)** | **(27,292)** |
| **Cash flow from financing activities** | | | |
| Proceeds from issue of shares | | - | 102,424 |
| Share issue costs | | (127) | (4,902) |
| Proceeds/(Repayment) of borrowings | | 8,622 | (15,522) |
| Hybrid equity distributions | | (3,557) | - |
| Hybrid equity repurchased | | (42,009) | (67,031) |
| Partnership profit distributions/dividends paid | | (2,482) | (1,871) |
| **Net financing cash flows** | | **(39,553)** | **13,098** |
| Net increase/(decrease) in cash held | | 35 | 34,482 |
| Cash at the beginning of the financial year | | 35,151 | 669 |
| **Cash at the end of the financial year** | 21(b) | **35,186** | **35,151** |

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 2017

| $000 | Issued capital | Hybrid equity | Reserves | Retained earnings | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|
| **As at 1 October 2016** | **1,422,382** | **36,830** | **(29,063)** | **(1,246,064)** | **2,419** | **186,504** |
| Profit for the period | - | - | - | 115,995 | 2,576 | 118,571 |
| **Other comprehensive income/(loss):** | | | | | | |
| Exchange differences on translation of foreign operations | - | - | (1,211) | - | - | (1,211) |
| **Total comprehensive income/(loss) for the period** | **-** | **-** | **(1,211)** | **115,995** | **2,576** | **117,360** |
| | | | | | | |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Partnership profit distributions/dividends paid | - | - | - | - | (2,482) | (2,482) |
| Other movements in non-controlling interest | - | - | - | - | (376) | (376) |
| Hybrid equity repurchased net of transaction costs | - | (42,009) | - | - | - | (42,009) |
| Hybrid equity distributions | - | - | - | (3,557) | - | (3,557) |
| Cost of share based payments | - | - | 2,205 | - | - | 2,205 |
| Reallocation of equity | - | 5,179 | - | (5,179) | - | - |
| Other | (127) | - | 473 | (313) | - | 33 |
| **As at 30 September 2017** | **1,422,255** | **-** | **(27,596)** | **(1,139,118)** | **2,137** | **257,678** |
| | | | | | | |
| **As at 1 October 2015** | **1,323,284** | **107,600** | **(19,307)** | **(1,301,213)** | **1,265** | **111,629** |
| Profit 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** |

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 2017

## Note 1 — Corporate Information

The consolidated financial report of Elders Limited for the year ended 30 September 2017 was authorised for issue in accordance with a resolution of the Directors on 13 November 2017. 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 2017 and have been applied in preparing these consolidated financial statements. None of these have materially impacted Elders and its policies.

Elders 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 2017 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 2017. 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.

## Note 2 — Summary of Significant Accounting Policies

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.

### (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 Elders will not be able to collect the receivable. Financial difficulties of the debtor, default payment or debts greater than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 2 — Summary of Significant Accounting Policies

### (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.

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

### (j) Biological assets

Elders holds biological assets in the form of livestock and plantations (in the prior year). 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.

### (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) Discontinued operations

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

### (m) Other financial assets

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

### (n) 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.

### (o) 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 |

## Note 2 — Summary of Significant Accounting Policies

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.

### (p) 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.

### (q) 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.

### (r) Intangibles

***(i) Brand names***
The brand name intangibles are deemed to have an indefinite useful life and are not amortised. The brand names are tested for impairment at each reporting date or whenever there is indication of impairment. Impairment is determined by assessing the recoverable amount of the group of cash-generating units, to which the brand names relate. When the recoverable amount of the group of cash-generating units is less than the carrying amount, an impairment loss is recognised. When the recoverable amount of the group of cash-generating units is higher than the carrying amount, Elders will assess whether it is appropriate to reverse any previous impairments.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 2 — Summary of Significant Accounting Policies

***(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 amortisation and impairment losses. These intangible assets have been determined to have finite useful lives and are amortised over their useful lives of 10 years and tested for impairment whenever there is an indicator of impairment.

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

### (s) 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 to Elders prior to the end of the financial year that remain unpaid and arise when Elders becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within supplier terms.

**Financial guarantees**

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

### (t) 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.

### (u) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 2 — Summary of Significant Accounting Policies

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

**Onerous contracts**

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

### (v) 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.

### (w) 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.

### (x) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 2 — Summary of Significant Accounting Policies

### (y) 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. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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 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 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.

**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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## 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 or whether it is appropriate to reverse any previous impairments on an annual basis. This requires an estimation of the recoverable amount of the associated cash-generating units, using a value in use discounted cash flow methodology, to which the Brand Name or goodwill is allocated.

### Accounting for rebates

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 4 — Revenue and Expenses

| | Note | 2017 $000 | 2016 $000 |
|---|---|---|---|
| **Sales revenue** | | | |
| Sale of goods and biological assets | | 1,267,412 | 1,166,490 |
| Debtor interest associated with sales | | 5,579 | 5,044 |
| Commission revenue | | 330,146 | 347,802 |
| | | 1,603,137 | 1,519,336 |
| *Discontinued operations* | 33 | 99,002 | 222,582 |
| | | **1,702,139** | **1,741,918** |
| **Other items of income/(expense)** | | | |
| Insurance equity accounted investment fair value adjustment | | 2,270 | - |
| Impairment reversal/(impairment) of assets | | 54,785 | (1,049) |
| Other | | (2,054) | (177) |
| | | 55,001 | (1,226) |
| *Discontinued operations* | 33 | 4,538 | (6,048) |
| | | **59,539** | **(7,274)** |
| **Finance costs** | | | |
| Interest expense | | 6,830 | 7,176 |
| Unwinding of discounts in regards to liabilities | | 435 | 2,167 |
| | | 7,265 | 9,343 |
| *Discontinued operations* | 33 | 265 | 417 |
| | | **7,530** | **9,760** |
| **Specific expenses: depreciation and amortisation** | | | |
| Depreciation and amortisation | | 4,134 | 3,706 |
| **Specific expenses: employee benefit expense** | | | |
| Salaries, wages and incentives | | 145,798 | 134,189 |
| Superannuation and other employee costs | | 27,681 | 26,361 |
| Share based payments | | 2,205 | 1,304 |
| | | 175,684 | 161,854 |
| *Discontinued operations* | | 1,084 | 3,590 |
| | | **176,768** | **165,444** |
| Operating lease expenditure | | 43,163 | 60,662 |
| Foreign exchange net gains | | 334 | 233 |
| Provision for doubtful debts expense | | 2,985 | 589 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 5 — Income Tax

### (a) Major components of income tax expense are:

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Income statement** | | |
| Current income tax expense | (3,019) | (3,288) |
| Adjustments in respect of current income tax of previous years | 66 | (673) |
| Deferred income tax (expense)/benefit | (2,290) | 27,961 |
| **Income tax (expense)/benefit reported in the statement of comprehensive income** | **(5,243)** | **24,000** |
| | | |
| **Statement of changes in equity** | | |
| Deferred tax recognised directly in equity | - | 1,365 |

### (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:

| | 2017 $000 | 2016 $000 |
|---|---|---|
| *Accounting profit/(loss) before tax from:* | | |
| — Continuing operations | 118,172 | 45,562 |
| — Discontinued operations | 5,642 | (15,323) |
| Total accounting profit before tax | 123,814 | 30,239 |
| | | |
| Income tax (expense) at 30% (2016: 30%) | (37,144) | (9,072) |
| Adjustments in respect of current income tax of previous years | 66 | (673) |
| Share of equity accounted profits | 1,623 | 258 |
| Non-assessable profits/(losses) | 2,091 | (1,537) |
| Recognition of deferred tax liabilities on intangibles | - | (1,685) |
| Recognition of previously unrecognised losses | 29,259 | 39,280 |
| Other | (1,138) | (2,571) |
| **Income tax (expense)/benefit as reported in the statement of comprehensive income** | **(5,243)** | **24,000** |
| | | |
| *Aggregate income tax (expense)/benefit is attributable to:* | | |
| — Continuing operations | (4,137) | 19,403 |
| — Discontinued operations | (1,106) | 4,597 |
| | (5,243) | 24,000 |
| **Current tax payable** | **109** | **1,090** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 5 — Income Tax

### (c) Major components of deferred income tax:

| | Statement of Financial Position | | Movement | |
|---|---|---|---|---|
| | 2017 $000 | 2016 $000 | 2017 $000 | 2016 $000 |
| *Deferred income tax assets* | | | | |
| Losses available to offset against future taxable income | 57,437 | 43,251 | 14,186 | 35,952 |
| Provision for employee entitlements | 14,843 | 11,734 | 3,109 | 525 |
| Other provisions | 3,205 | 3,863 | (658) | (1,329) |
| Capitalised expenses | 4,831 | 8,239 | (3,408) | (1,689) |
| Other | 1,063 | 1,114 | (51) | (877) |
| **Gross deferred income tax assets** | **81,379** | **68,201** | **13,178** | **32,582** |
| | | | | |
| *Deferred income tax liabilities* | | | | |
| Inventory | (869) | (1,655) | 786 | (1,655) |
| Intangibles | (20,304) | (1,685) | (18,619) | (1,685) |
| Other | (824) | (735) | (89) | 84 |
| **Gross deferred income tax liabilities** | **(21,997)** | **(4,075)** | **(17,922)** | **(3,256)** |
| **Movement in net deferred tax asset** | | | **(4,744)** | **29,326** |
| Deferred income tax (expense)/benefit recognised in the statement of comprehensive income | | | (2,290) | 27,961 |
| Deferred income tax liabilities recognised for intangibles acquired as part of business combinations | | | (2,454) | - |
| Deferred income tax benefit recognised in equity | | | - | 1,365 |
| | | | **(4,744)** | **29,326** |
| | | | | |
| **Net deferred tax asset** | **59,382** | **64,126** | | |

**Tax losses**

Elders has tax losses for which no deferred tax asset is recognised in the statement of financial position of $170.8 million (2016: $200.8 million) which are available indefinitely for offset against future taxable profits subject to continuing to meet relevant statutory tests.

**Tax Consolidation**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 6 — Receivables

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Current** | | |
| Trade debtors | 369,938 | 374,898 |
| Allowance for doubtful debts | (6,658) | (4,499) |
| | 363,280 | 370,399 |
| Amounts receivable from equity accounted investments | 16,531 | 1,065 |
| Prepayments | 1,852 | 4,846 |
| Other receivables | 3,978 | 5,006 |
| **Total current receivables** | **385,641** | **381,316** |

| | | |
|---|---|---|
| *Movements in the allowance for doubtful debts – trade debtors* | | |
| Opening balance of allowance for doubtful debts | 4,499 | 5,236 |
| Trade debts written off | (826) | (1,326) |
| Trade debts provided for during the year | 2,985 | 589 |
| **Closing balance of allowance for doubtful debts** | **6,658** | **4,499** |

Included in trade debtors is $68.0 million (2016: $63.7 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 $3.0 million (2016: $0.6 million) has been recognised by Elders. During the period, no individual amount within the impairment allowance was considered material.

| | | |
|---|---|---|
| *The ageing analysis of trade debtors is as follows:* | | |
| Current – within terms | 305,687 | 307,666 |
| Trade debtors past due but not considered impaired | | |
| 1-30 days | 50,601 | 54,076 |
| 31-60 days | 3,686 | 3,273 |
| 61-90 days | 1,539 | 1,445 |
| +91 days | 1,767 | 3,939 |
| Trade debtors past due and considered impaired | | |
| +91 days | 6,658 | 4,499 |
| **Total trade debtors** | **369,938** | **374,898** |

### 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.

## Note 7 — Biological Assets

### (a) Livestock

| | | |
|---|---|---|
| **Current** | | |
| Fair value at the end of the period | 44,616 | 36,057 |

At balance date 27,040 head of cattle (2016: 23,331) are included in livestock. This represents cattle held in Australia and Indonesia for short term trading and feedlotting purposes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 7 — Biological Assets

All Elders' cattle are valued at fair value internally as there is no observable market for them. Where there are unobservable inputs for an asset or liability, these are classified as Level 3 Price Inputs. The value is based on the estimated exit price per kilogram and the value changes for the weight of each animal as it progresses through the feedlot program. The key factors affecting the value of each animal are price/kg, days on feed and the feed conversion ratio.

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

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Non current** | **-** | **1,300** |
| | | |
| Opening balance | 1,300 | 5,969 |
| Costs incurred in respect of forestry plantations | - | 183 |
| Fair value increment in period | - | 963 |
| Allocation of provisions and payables | - | (5,815) |
| Proceeds from sale | (1,300) | - |
| **Fair value at the end of the period** | **-** | **1,300** |

During the period Elders finalised the sale of its forestry plantation assets.

## Note 8 — Inventory

| | | |
|---|---|---|
| **Current** | | |
| Retail | 102,958 | 99,871 |
| Other | 8,143 | 9,772 |
| **Total inventory** | **111,101** | **109,643** |

Inventory write-downs recognised as an expense totalled $2.0 million (2016: $0.4 million).

## Note 9 — Other Financial Assets

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

On 1 December 2016, Elders acquired another 10% in Elders Insurance (Underwriting Agency) Pty Limited for $20.3 million. As a result of this transaction, the existing 10% investment was reclassified from other financial assets to equity accounted investments. A fair value adjustment of $2.3 million was also applied to the original investment based on the purchase price of the acquisition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 10 — Equity Accounted Investments

| | Balance date | Ownership interest | |
|---|---|---|---|
| | | 2017 % | 2016 % |
| Auctions Plus Pty Ltd | 30-Jun | 50 | 50 |
| Elders Financial Planning Pty Ltd | 30-Sep | 49 | 49 |
| Elders Insurance (Underwriting Agency) Pty Ltd | 31-Dec | 20 | 10 |
| StockCo Holdings Pty Ltd | 30-Jun | 30 | - |

| | Consolidated entity investment | | Contribution to net profit | | Dividends received | |
|---|---|---|---|---|---|---|
| | 2017 $000 | 2016 $000 | 2017 $000 | 2016 $000 | 2017 $000 | 2016 $000 |
| Auctions Plus Pty Ltd | 1,450 | 1,213 | 992 | 801 | 755 | 546 |
| Elders Financial Planning Pty Ltd | 974 | 2,199 | - | 60 | 1,225 | - |
| Elders Insurance (Underwriting Agency) Pty Ltd | 41,363 | - | 4,364 | - | 3,612 | - |
| StockCo Holdings Pty Ltd | 10,055 | - | 55 | - | - | - |
| Other | - | - | - | 58 | - | - |
| Equity accounted investments | 53,842 | 3,412 | 5,411 | 919 | 5,592 | 546 |

| | | |
|---|---|---|
| **Share of profit** | | |
| Continuing operations | 5,411 | 861 |
| Discontinued operations | - | 58 |

All equity accounted investments are Australian resident companies. On 13 October 2016, Elders acquired 30% in StockCo Holdings Pty Ltd for $10.0 million. On 1 December 2016, Elders acquired another 10% in Elders Insurance (Underwriting Agency) Pty Limited for $20.3 million. As a result of this transaction, the existing 10% investment was reclassified from other financial assets to equity accounted investments. A fair value adjustment of $2.3 million was also applied to the original investment based on the purchase price of the acquisition.

In 2016 a $1.0 million impairment was recognised against the investment in Elders Financial Planning Pty Ltd. This was recognised in the operating segment titled 'Other'.

Summary financial information for equity accounted investees is as follows:

| | Profit/(loss) after income tax $000 | Assets $000 | Liabilities $000 |
|---|---|---|---|
| **2017** | | | |
| Auctions Plus Pty Ltd | 1,984 | 4,016 | (1,179) |
| Elders Financial Planning Pty Ltd | (157) | 4,699 | (863) |
| Elders Insurance (Underwriting Agency) Pty Ltd | 21,817 | 56,938 | (51,380) |
| StockCo Holdings Pty Ltd | 185 | 192,893 | (193,073) |
| **Total** | **23,829** | **258,546** | **(246,495)** |
| | | | |
| **2016** | | | |
| Auctions Plus Pty Ltd | 1,602 | 3,337 | (912) |
| Elders Financial Planning Pty Ltd | 143 | 7,503 | (1,298) |
| **Total** | **1,745** | **10,840** | **(2,210)** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 11 — Property, Plant and Equipment

**Reconciliation of carrying amounts at beginning and end of period:**

| | 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 |
| **2017** | | | | | | | |
| Carrying amount at beginning of period | 5,354 | 7,860 | 6,241 | 8,704 | 732 | 1,671 | 30,562 |
| Additions | - | 761 | 89 | 1,849 | 391 | 391 | 3,481 |
| Additions through entities acquired | - | - | 519 | 142 | - | - | 661 |
| Disposals | - | (5) | (405) | (275) | (37) | - | (722) |
| Depreciation expense | - | (656) | (792) | (1,785) | (390) | - | (3,623) |
| Exchange fluctuations | (190) | (91) | - | (151) | - | (42) | (474) |
| Transfers from assets under construction | - | 427 | - | 1,274 | - | (1,701) | - |
| Other | - | - | - | 93 | (93) | - | - |
| **Carrying amount at end of period** | **5,164** | **8,296** | **5,652** | **9,851** | **603** | **319** | **29,885** |
| | | | | | | | |
| Cost | 5,164 | 15,970 | 12,224 | 27,440 | 1,031 | 319 | 62,148 |
| Accumulated depreciation and impairment | - | (7,674) | (6,572) | (17,589) | (428) | - | (32,263) |
| | **5,164** | **8,296** | **5,652** | **9,851** | **603** | **319** | **29,885** |
| | | | | | | | |
| **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 |

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 2017

## Note 12 — Intangibles

| Non current | Goodwill | Rent rolls | Brand Names | Other | Total |
|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | $000 |
| **2017** | | | | | |
| Carrying amount at beginning of period | 2,052 | 2,751 | 5,615 | - | 10,418 |
| Additions | - | 590 | - | - | 590 |
| Additions through entities acquired | 7,164 | 4,904 | 2,579 | 1,301 | 15,948 |
| Amortisation | - | (511) | - | - | (511) |
| Impairment reversal | - | - | 54,785 | - | 54,785 |
| **Carrying amount at end of period** | **9,216** | **7,734** | **62,979** | **1,301** | **81,230** |
| | | | | | |
| Cost | 9,216 | 8,307 | 62,979 | 1,301 | 81,803 |
| Accumulated amortisation and impairment | - | (573) | - | - | (573) |
| | **9,216** | **7,734** | **62,979** | **1,301** | **81,230** |
| | | | | | |
| **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 2016, the Elders Brand Name was carried at $5.6 million, net of accumulated impairment of $54.8 million. During the period, the previously recognised impairment losses have been reversed. Management has determined in the current year that there is a reversal of the previously recognised impairment loss in relation to the Brand Name due to sustained positive results in line with the Eight Point Plan over a number of years, including the removal of profit and loss volatility and other uncertainty due to the exit of the Live Export segment. For impairment testing purposes, all intangibles except for the Elders' Brand Name are allocated to the Network CGU, which is also an operating segment.

### Elders Brand Name

For the purposes of impairment testing, the Elders Brand Name has not been allocated to individual CGU's but rather assessed against all CGUs expected to benefit from it. The recoverable amount of the cash generating units to which the Elders Brand Name has been allocated to have been determined based on a value in use calculation using cash flow projections approved by management that covers a period of 5 years. Future cash flows are based on budgets and forecasts taking into account current market conditions and known future business events that will impact cash flows. The discount rate applied to the cash flow projections is 10.6% pre-tax (2016: 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 Elders Brand Name was based on the following key assumptions:

### Gross margin

Gross margin is expected to increase from financial year 2017 levels due to:

- Increased earnings from geographical expansion through acquisitions and footprint growth as implemented in the 2017 financial year
- Higher earnings from continued organic growth focus across our product and service portfolio
- Livestock volume increase due to continued footprint expansion and additional trading opportunities offset by easing of cattle and sheep prices throughout financial year 2018

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 12 — Intangibles

### Growth rate estimates

Cash flows are based on the 2018 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.

## Note 13 — Trade and Other Payables

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Current** | | |
| Trade creditors | 314,750 | 303,710 |
| Other creditors and accruals | 37,841 | 27,855 |
| Payables to associated companies | 2,948 | - |
| | 355,539 | 331,565 |
| **Non current** | | |
| Other creditors and accruals | 5,343 | 3,820 |
| **Total trade and other payables** | **360,882** | **335,385** |

### 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 exchange 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** | | |
| Trade receivables funding | 129,874 | 120,697 |
| Lease liabilities | 608 | 603 |
| | **130,482** | **121,300** |

Elders also has an ancillary facility in relation to contingent funding, such as bank guarantees. As at 30 September 2017, $5.2 million had been issued (2016: $1.4 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 2017

## Note 15 — Provisions

**Reconciliation of carrying amounts at beginning and end of period:**

| | Employee entitlements | Restructuring provisions | Make good | Onerous contracts | Other | Total |
|---|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | $000 | $000 |
| **2017** | | | | | | |
| As at beginning of period | 39,342 | 3,176 | - | 3,990 | 502 | 47,010 |
| Arising during year | 14,575 | 344 | 265 | 1,055 | 610 | 16,849 |
| Utilised | (5,404) | (3,317) | - | (411) | (199) | (9,331) |
| Unused amounts reversed | - | (152) | - | (2,565) | (52) | (2,769) |
| Discount rate adjustment | 435 | - | - | - | - | 435 |
| Provisions arising from entities acquired | 807 | - | - | - | - | 807 |
| Transfer between provisions | - | 1,064 | - | (1,064) | - | - |
| | **49,755** | **1,115** | **265** | **1,005** | **861** | **53,001** |
| *Disclosed as:* | | | | | | |
| Current | 45,831 | 1,115 | 265 | 1,005 | 861 | 49,077 |
| Non current | 3,924 | - | - | - | - | 3,924 |
| **Total** | **49,755** | **1,115** | **265** | **1,005** | **861** | **53,001** |
| **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 |

## Note 16 — Contributed Equity

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Issued and paid up capital** | | |
| 113,859,440 ordinary shares (September 2016: 113,859,440) | 1,422,255 | 1,422,382 |

Contributed equity declined by $0.1 million as a result of purchase of shares on market for senior executive short term incentive programs.

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

## Note 17 — Hybrid Equity

| | | |
|---|---|---|
| Hybrid equity | - | 36,830 |

During the period, Elders realised all Hybrids at a price of $108.48 each, being total consideration of $45.5 million. As a result of this transaction, all balances relating to hybrid equity have been derecognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 18 — Reserves

**Reconciliation of carrying amounts at beginning and end of period:**

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

### Nature and purpose of reserves

***(i) Business combination reserve***

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

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

***(ii) Employee equity benefits reserve***

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

***(iii) Foreign currency translation reserve***

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

## Note 19 — Retained Earnings

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Retained earnings at the beginning of the financial year | (1,246,064) | (1,301,213) |
| Net profit attributable to owners of the parent | 115,995 | 51,569 |
| Transfer from employee equity benefits reserve | - | 52 |
| Hybrid equity distribution | (3,557) | - |
| Reallocation of equity | (5,179) | 3,528 |
| Other | (313) | - |
| **Retained earnings at the end of the financial year** | **(1,139,118)** | **(1,246,064)** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 20 — Dividends

No dividends paid during the year (2016: Nil).

| | 2017 $000 | 2016 $000 |
|---|---|---|
| *Subsidiary equity dividends on ordinary shares:* | | |
| Dividends paid to non-controlling interests during the year | 2,482 | 1,871 |
| | | |
| Franking credits available to the parent for subsequent financial years based on tax rate of 30% (2016: 30%) | 24,900 | 21,600 |

## Note 21 — Cash Flow Statement Reconciliation

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

| | | |
|---|---|---|
| Profit after income tax expense | 118,571 | 54,239 |
| *Adjustments for non cash items:* | | |
| Depreciation and amortisation | 4,134 | 3,706 |
| Unwinding of discount in regards to provisions | 435 | 2,167 |
| Equity accounted profits | (5,411) | (919) |
| Dividends from equity accounted investments | 5,592 | 546 |
| Fair value adjustments to equity accounted investments | (2,270) | - |
| Other fair value adjustments | (396) | (1,018) |
| (Impairment reversal)/impairment | (54,785) | 1,473 |
| Doubtful debts | 2,985 | 589 |
| Employee entitlements | 15,010 | 7,287 |
| Other provisions | (495) | 7,387 |
| Other write downs | 2,030 | 397 |
| Net (profit)/loss on sale of non-current assets | 524 | (1,129) |
| Net (profit) on sale of controlled entity | (1,955) | - |
| Net tax movements | 1,097 | (28,039) |
| Other non cash items | 2,205 | 2,669 |
| | 87,271 | 49,355 |
| — (Increase)/decrease in receivables and other assets | (13,143) | (17,862) |
| — (Increase)/decrease in inventories | (505) | (9,184) |
| — Increase/(decrease) in payables and provisions | 7,976 | 26,367 |
| Net cash flows from operating activities | 81,599 | 48,676 |

### (b) Cash and cash equivalents

| | | |
|---|---|---|
| Cash at bank and in hand | 35,186 | 35,151 |

At balance date, Elders held $22.9 million of client monies in trust which are off balance sheet. The funds are held on behalf of clients in the Real Estate business and Elders is bound by the relevant legislation in each state in relation to controls and governance over the funds.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 22 — Expenditure Commitments

### Operating lease commitments – Elders as a lessee

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

| | 2017 $000 | 2016 $000 |
|---|---|---|
| *Operating lease commitments:* | | |
| — Within one year | 28,929 | 45,080 |
| — After one year but not later than five years | 35,244 | 58,872 |
| — After more than five years | 5,744 | 8,213 |
| Total minimum lease payments | 69,917 | 112,165 |

## Note 23 — Contingent Liabilities

| | | |
|---|---|---|
| *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 | 5,207 | 1,364 |

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 the Executive Director 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.

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 24 — Segment Information

### Type of product and service

- Network includes the provision of a range of retail products and services 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 principal position trades of dairy, beef feeder, beef slaughter and breeding cattle, and sheep from Australia and New Zealand to international markets by sea or air freight. Elders has exited the live export business during the year.
- The Other segment includes the general investment activities not associated with the other business segments and the administrative corporate office activities, including centrally held costs not allocated to the other segments.

### Accounting policies and intersegment transactions

The accounting policies used by Elders in reporting segments internally are the same as those contained in 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 |
|---|---|---|---|---|---|
| **2017** | | | | | |
| Sales revenue | 1,425,820 | 176,716 | 99,002 | 601 | 1,702,139 |
| Equity accounted profits | 5,411 | - | - | - | 5,411 |
| | | | | | |
| Earnings before interest, tax, depreciation & amortisation | 116,943 | 6,037 | 5,907 | 6,591 | 135,478 |
| Depreciation & amortisation | (2,511) | (1,179) | - | (444) | (4,134) |
| Segment result | 114,432 | 4,858 | 5,907 | 6,147 | 131,344 |
| Corporate net interest expense | | | | | (7,530) |
| **Profit from ordinary activities before tax** | | | | | **123,814** |
| | | | | | |
| Segment result | 114,432 | 4,858 | 5,907 | 6,147 | 131,344 |
| Discontinued operations results | - | - | (5,907) | - | (5,907) |
| Continuing profit before net borrowing costs and tax expense | 114,432 | 4,858 | - | 6,147 | 125,437 |
| Corporate net interest expense | | | | | (7,265) |
| **Continuing profit before tax expense** | | | | | **118,172** |
| | | | | | |
| Segment assets | 567,599 | 72,202 | - | 162,351 | 802,152 |
| Segment liabilities | 309,952 | 8,747 | - | 225,775 | 544,474 |
| **Net assets** | **257,647** | **63,455** | **-** | **(63,424)** | **257,678** |
| | | | | | |
| Carrying value of equity accounted investments | 53,842 | - | - | - | 53,842 |
| Acquisition of non current assets | 44,989 | 1,216 | - | - | 46,205 |
| Non cash income/(expense) other than depreciation and amortisation | (2,530) | - | - | 36,533 | 34,003 |
| Profit/(loss) on sale of non current assets | (524) | - | 1,955 | - | **1,431** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 24 — Segment Information

| | Network | Feed and Processing | Live Export | Other | Total |
|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | $000 |
| **2016** | | | | | |
| Sales revenue | 1,359,488 | 159,080 | 222,582 | 768 | 1,741,918 |
| Equity accounted profits | 861 | - | 58 | - | 919 |
| | | | | | |
| Earnings before interest, tax, depreciation & amortisation | 92,591 | 3,964 | (14,906) | (37,944) | 43,705 |
| Depreciation & amortisation | (2,062) | (954) | - | (690) | (3,706) |
| Segment result | 90,529 | 3,010 | (14,906) | (38,634) | 39,999 |
| Corporate net interest expense | | | | | (9,760) |
| Profit from ordinary activities before tax | | | | | 30,239 |
| | | | | | |
| Segment result | 90,529 | 3,010 | (14,906) | (38,634) | 39,999 |
| Discontinued operations results | - | - | 14,906 | - | 14,906 |
| Continuing profit before net borrowing costs and tax expense | 90,529 | 3,010 | - | (38,634) | 54,905 |
| Corporate net interest expense | | | | | (9,343) |
| Continuing profit before tax expense | | | | | 45,562 |
| | | | | | |
| 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 on sale of non current assets | 1,129 | - | - | - | 1,129 |

## Note 25 — Auditors' Remuneration

The auditor of Elders Limited is PricewaterhouseCoopers.

| | 2017 $ | 2016 $ |
|---|---|---|
| *Amounts received or due and receivable by the auditor for:* | | |
| — auditing or review of financial statements | 505,000 | 565,000 |
| — tax services (primarily compliance) | - | 13,120 |
| — other services | 33,650 | 10,000 |
| | 538,650 | 588,120 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 26 — Investment in Controlled Entities

### (a) Schedule of controlled entities

| | Country of | | % Held by Group | |
|---|---|---|---|---|
| | Incorporation | | 2017 | 2016 |
| Ace Ohlsson Pty Limited | Australia | (b), (d) | 100 | - |
| Agsure Pty Ltd | Australia | (a) | 100 | 100 |
| AI Asia Pacific Operations Holding Limited | Hong Kong SAR | | 100 | 100 |
| Air International Asia Pacific Operations Pty Ltd | Australia | (f) | 100 | 100 |
| Air International Vehicle Air Conditioning (Shanghai) Co Ltd | China | | 100 | 100 |
| APO Administration Limited | Hong Kong SAR | (e) | 100 | 100 |
| APT Projects Pty Ltd | Australia | (f) | 100 | 100 |
| Aqa Oysters Pty Ltd | Australia | (f) | 77 | 77 |
| Argo Trust No. 2 | Australia | (g) | 100 | 100 |
| Ashwick (Vic) No 102 Pty Ltd | Australia | (f) | 100 | 100 |
| B & W Rural Pty Ltd | Australia | | 75.5 | 75.5 |
| BWK Holdings Pty Ltd | Australia | (f) | 100 | 100 |
| Chemseed Australia Pty Ltd (formerly Elders Conveyancing (WA) Pty Ltd) | Australia | (b) | 100 | 100 |
| Elders Automotive Group Pty Ltd | Australia | (f) | 100 | 100 |
| Elders Burnett Moore WA Pty Ltd | Australia | (f) | 100 | 100 |
| Elders China Trading Company | China | | 100 | 100 |
| Elders Communications Pty Ltd | Australia | (f) | 100 | 100 |
| Elders Finance Pty Ltd | Australia | (a) | 100 | 100 |
| Elders Fine Foods (Shanghai) Company | China | | 100 | 100 |
| Elders Fine Foods Vietnam Company Limited | Vietnam | (d) | 100 | - |
| Elders Forestry Finance Pty Ltd | Australia | (f) | 100 | 100 |
| Elders Forestry Management Pty Ltd | Australia | (f) | 100 | 100 |
| Elders Forestry Pty Ltd | Australia | (f) | 100 | 100 |
| Elders Global Wool Holdings Pty Ltd | Australia | (f) | 100 | 100 |
| Elders Home Loans Pty Ltd | Australia | (f) | 100 | 100 |
| Elders Management Services Pty Ltd | Australia | (f) | 100 | 100 |
| Elders Merchandise Limited | New Zealand | | 100 | 100 |
| Elders PT Indonesia | Indonesia | | 100 | 100 |
| Elders Real Estate (Tasmania) Pty Ltd | Australia | (f) | 100 | 100 |
| Elders Real Estate (WA) Pty Ltd | Australia | (f) | 100 | 100 |
| Elders Real Estate Limited | New Zealand | | 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 Victorian Feedlot Pty Ltd (formerly Charlton Feedlot Pty Ltd) | Australia | (f) | 100 | 100 |
| Elders Wool International Pty Ltd | Australia | (h) | - | 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 |
| Fares Exports Pty Ltd | Australia | (f) | 100 | 100 |
| Fares Exports Trading Mexico, S.A. de C.V. | Mexico | | - | 100 |
| Former EFP Pty Ltd | Australia | (f) | - | 100 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 26 — Investment in Controlled Entities

| | Country of Incorporation | | % Held by Group 2017 | 2016 |
|---|---|---|---|---|
| Gisborne Farmers Ltd | New Zealand | | 100 | 100 |
| ITC Timberlands Pty Ltd | Australia | (f) | 100 | 100 |
| JS Brooksbank & Co Australasia Ltd | New Zealand | | 100 | 100 |
| JSB New Zealand Limited | New Zealand | | 100 | 100 |
| Keratin Holdings Pty Ltd | Australia | (f) | 100 | 100 |
| Killara Feedlot Pty Ltd | Australia | (a) | 100 | 100 |
| Manor Hill Pty Ltd | Australia | (f) | 100 | 100 |
| New Ashwick Pty Ltd | Australia | (f) | 100 | 100 |
| North Australian Cattle Company Pty Ltd | Australia | (c), (h) | - | 100 |
| Prestige Property Holdings Pty Ltd | Australia | (f) | 100 | 100 |
| Primac Exports Pty Ltd | Australia | (f) | 100 | 100 |
| Primac Pty Ltd | Australia | (f) | 100 | 100 |
| PT Indo Mahesa Surya | Indonesia | (h) | - | 100 |
| Redray Enterprises Pty Ltd | Australia | (f) | 100 | 100 |
| SDEA Nominees Pty Ltd | Australia | (b), (d) | 100 | - |
| Southern Australian Cattle Company Pty Ltd (formerly Elders International Australia Pty Ltd) | Australia | (c), (h) | - | 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.

### (b) Deed of Cross Guarantee

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 26 — Investment in Controlled Entities

Certain members of the Closed Group, in addition to certain controlled entities, are guarantors in connection with the consolidated entity's borrowings facilities disclosed at note 14. A consolidated statement of comprehensive income and consolidated statement of financial position, comprising Elders 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 2017 is set out as follows:

| | 2017 $000 | 2016 $000 |
|---|---|---|
| *Statement of comprehensive income of the Closed Group* | | |
| Sales revenue | 147,141 | 327,655 |
| Cost of sales | (130,734) | (326,013) |
| **Gross profit** | **16,407** | **1,642** |
| Other revenue | 40,000 | - |
| Distribution expenses | (9,119) | (6,494) |
| Administrative expenses | (8,528) | (6,324) |
| Other items of income/(expense) | (71,709) | 30,416 |
| Finance costs | (1,033) | (1,525) |
| **Profit/(loss) before income tax (expense)/benefit** | **(33,982)** | **17,715** |
| Income tax (expense)/benefit | (5,243) | 24,000 |
| **Profit/(loss) after income tax (expense)/benefit** | **(39,225)** | **41,715** |
| | | |
| *Consolidated statement of financial position of the Closed Group* | | |
| **Current assets** | | |
| Cash and cash equivalents | 1,910 | 3,620 |
| Trade and other receivables | 9,449 | 19,955 |
| Livestock | 36,336 | 31,943 |
| Inventory | 3,546 | 1,966 |
| **Total current assets** | **51,241** | **57,484** |
| **Non current assets** | | |
| Other financial assets | 147,568 | 85,806 |
| Property, plant and equipment | 9,124 | 8,130 |
| Deferred tax assets | 59,382 | 64,126 |
| **Total non current assets** | **216,074** | **158,062** |
| **Total assets** | **267,315** | **215,546** |
| **Current liabilities** | | |
| Trade and other payables | 8,557 | 11,563 |
| Interest bearing loans and borrowings | - | 8,996 |
| Current tax payable | 109 | 1,049 |
| Provisions | 971 | 7,434 |
| **Total current liabilities** | **9,637** | **29,042** |
| **Total liabilities** | **9,637** | **29,042** |
| **Net assets** | **257,678** | **186,504** |
| **Equity** | | |
| Contributed equity | 1,422,255 | 1,422,382 |
| Hybrid equity | - | 36,830 |
| Reserves | 3,916 | 1,711 |
| Retained earnings | (1,168,493) | (1,274,419) |
| **Total equity** | **257,678** | **186,504** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## 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.

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Short term | 4,593,333 | 4,353,316 |
| Long term | 70,479 | 59,614 |
| Post employment | 158,909 | 176,234 |
| Termination benefits | - | 221,735 |
| Share based payments | 1,447,460 | 856,382 |
| | 6,270,181 | 5,667,281 |

## Note 28 — Share Based Payment Plans

### (a) Long Term Incentive Options

In 2015, 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 $1.57, each option entitles the holder to one ordinary share.

An expense of $0.5 million was recognised in profit and loss during the year in relation to the options (2016: $0.3 million). As at 30 September 2017, 1,694,790 options were outstanding.

### (b) Long Term Incentive Performance Rights

In 2016, 970,000 performance rights were granted to eligible executives with a three year performance period and split into three tranches. Each tranche carries a different performance condition being Absolute TSR, EPS Growth and Return on Capital. Upon vesting of performance rights one fully paid share in Elders will be allocated for each performance right.

An expense of $0.8 million (2016: $1.0 million) was recognised in profit and loss during the year in relation to these performance rights. As at 30 September 2017, 860,000 rights were outstanding.

In 2017, 895,000 performance rights were granted to eligible executives with a three year performance period and split into three tranches. Each tranche carries a different performance condition being Absolute TSR, EPS Growth and Return on Capital. Upon vesting of performance rights one fully paid share in Elders will be allocated for each performance right.

An expense of $0.9 million was recognised in profit and loss during the year in relation to these performance rights. As at 30 September 2017, 875,000 rights were outstanding.

## Note 29 — Related Party Disclosures

The ultimate controlling entity of the Group is Elders Limited.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 30 — Earnings Per Share

| | 2017 | 2016 |
|---|---|---|
| Weighted average number of ordinary shares ('000) used in calculating basic EPS | 113,859 | 90,699 |
| Dilutive share options ('000) | 3,430 | 15,093 |
| **Adjusted weighted average number of ordinary shares used in calculating dilutive EPS ('000)** | **117,289** | **105,792** |

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

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Reported operations** | | |
| *Basic and dilutive* | | |
| **Net profit/(loss) attributable to members (after tax)** | **115,995** | **51,569** |
| | | |
| *Reported operations:* | | |
| Basic earnings per share (cents per share) | 101.9 ¢ | 56.9 ¢ |
| Diluted earnings per share (cents per share) | 98.9 ¢ | 48.7 ¢ |
| | | |
| **Continuing operations** | | |
| *Basic* | | |
| Net profit/(loss) attributable to members (after tax) | 115,995 | 51,569 |
| Less: Net loss/(profit) of discontinued operations (net of tax) | (4,536) | 10,726 |
| **Net profit/(loss) of continuing operations (net of tax)** | **111,459** | **62,295** |
| | | |
| *Continuing operations earnings per share:* | | |
| Basic earnings per share (cents per share) | 97.9 ¢ | 68.7 ¢ |
| Diluted earnings per share (cents per share) | 95.0 ¢ | 58.9 ¢ |
| | | |
| **Discontinued operations** | | |
| **Net profit/(loss) of discontinued operations (net of tax)** | **4,536** | **(10,726)** |
| | | |
| *Discontinued operations earnings per share:* | | |
| Basic earnings per share (cents per share) | 4.0 ¢ | (11.8)¢ |
| Diluted earnings per share (cents per share) | 3.9 ¢ | (11.8)¢ |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 31 — Financial Instruments

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

**Risk exposures and responses**

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

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

### (a) Interest rate risk

Elders' exposure to market interest rates relates primarily to short term debt obligations. The level of debt is disclosed in note 14. At September 2017 interest on $120.0 million (2016: $70.0 million) of secured loans was hedged under a floating to fixed arrangement, meaning at balance date, Elders had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk:

| | 2017<br>$000 | 2016<br>$000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 35,186 | 35,151 |
| Amounts receivable from associated entities | - | 1,065 |
| | 35,186 | 36,216 |
| | | |
| **Financial liabilities** | | |
| Secured loans | (9,874) | (50,697) |
| **Net exposure** | **25,312** | **(14,481)** |

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) | |
|---|---|---|
| | **2017<br>$000** | **2016<br>$000** |
| + 100 basis points | 253 | (145) |
| - 100 basis points | (253) | 145 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2017

## 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 committed available lines of credit. Elders manages its liquidity risk by monitoring the total cash inflows and outflows expected on a daily basis. Elders has established comprehensive risk reporting covering its business units that reflect expectations of management of the expected settlement of financial assets and liabilities.

***(i) Non derivative financial liabilities***

The following liquidity risk disclosures reflect all contractually fixed pay-offs, repayments and interest resulting from the recognised financial liabilities and financial guarantees as of 30 September 2017. 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 | Contractual cash flows | 6 months or less | 6-12 months | 1-5 years |
|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | $000 |
| **2017** | | | | | |
| *Non derivative financial assets:* | | | | | |
| Cash and cash equivalents | 35,186 | 35,186 | 35,186 | - | - |
| Trade and other receivables | 392,299 | 392,299 | 392,299 | - | - |
| | 427,485 | 427,485 | 427,485 | - | - |
| *Non derivative financial liabilities:* | | | | | |
| Interest bearing loans and borrowings | (130,162) | (130,162) | (130,162) | - | - |
| Trade and other payables | (357,539) | (357,539) | (354,390) | (1,149) | (2,000) |
| Financial guarantees | - | (5,207) | (5,207) | - | - |
| | (487,701) | (492,908) | (489,759) | (1,149) | (2,000) |
| **Net inflow/(outflow)** | **(60,216)** | **(65,423)** | **(62,274)** | **(1,149)** | **(2,000)** |
| | | | | | |
| **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) | - | - |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## 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 |
| **2017** | | | | | |
| Derivative assets – net settled | 83 | 83 | 83 | - | - |
| **Total inflow/(outflow)** | **83** | **83** | **83** | **-** | **-** |
| **2016** | | | | | |
| Derivative assets – net settled | 98 | 98 | 98 | - | - |
| Total inflow/(outflow) | 98 | 98 | 98 | - | - |

## (c) Credit risk

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

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

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Cash and cash equivalents | 35,186 | 35,151 |
| Trade and other receivables | 392,216 | 385,717 |
| Derivative financial assets | 83 | 98 |
| | 427,485 | 420,966 |
| *Location of credit risk* | | |
| Australia | 420,699 | 409,986 |
| Asia | 6,786 | 10,980 |
| **Total** | **427,485** | **420,966** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 31 — Financial Instruments

### (d) Foreign currency risk

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

— Purchase and sale contracts written in foreign currency;

— Receivables and payables denominated in foreign currencies;

— 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 2017, Elders had the following AUD exposures to foreign currencies that were not designated in cash flow hedges:

| | 2017 $000 | 2016 $000 |
|---|---|---|
| *Financial assets* | | |
| Cash and cash equivalents – CNY | 945 | 706 |
| Cash and cash equivalents – IDR | 1,136 | 2,286 |
| Cash and cash equivalents – other | 82 | 1,517 |
| Receivables – CNY | 2,428 | 3,839 |
| Receivables – IDR | 2,141 | 4,055 |
| Receivables – other | 136 | 9,136 |
| | 6,868 | 21,539 |
| *Financial liabilities* | | |
| Payables – CNY | (556) | (247) |
| Payables – IDR | (3,095) | (1,485) |
| Interest bearing loans and borrowings – CNY | (320) | - |
| Interest bearing loans and borrowings – other | - | (8,996) |
| | (3,971) | (10,728) |
| **Net exposure** | **2,897** | **10,811** |

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/equity — Higher/(Lower) | |
|---|---|---|
| | 2017 $000 | 2016 $000 |
| CNY | (250) | (430) |
| IDR | (18) | (486) |
| Other | (22) | (166) |

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 2017

## 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:

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Quoted market price | Valuation technique – market observable inputs | Valuation technique – non market observable inputs | Quoted market price | Valuation technique – market observable inputs | Valuation technique – non market observable inputs |
| | (Level 1) | (Level 2) | (Level 3) | (Level 1) | (Level 2) | (Level 3) |
| | $000 | $000 | $000 | $000 | $000 | $000 |
| *Financial assets* | | | | | | |
| Derivatives | - | 83 | - | - | 98 | - |
| | **-** | **83** | **-** | **-** | **98** | **-** |

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

### (a) Acquisitions

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

**Prior period acquisitions**

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

### (b) Disposals

During the current period, Elders exited the live export business and disposed the net assets of the business. The proceeds from disposal were $2.7 million which resulted in a gain on sale of $1.9 million. There were no disposals in the prior period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 33 — Discontinued Operations

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

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Cont | Disc | Total | Cont | Disc | Total |
| | $000 | $000 | $000 | $000 | $000 | $000 |
| Sales revenue | 1,603,137 | 99,002 | 1,702,139 | 1,519,336 | 222,582 | 1,741,918 |
| Cost of sales | (1,269,080) | (95,690) | (1,364,770) | (1,211,970) | (225,393) | (1,437,363) |
| **Gross profit** | **334,057** | **3,312** | **337,369** | **307,366** | **(2,811)** | **304,555** |
| Other revenues | 5,411 | - | 5,411 | 861 | 58 | 919 |
| Distribution expenses | (221,846) | (1,943) | (223,789) | (213,142) | (6,105) | (219,247) |
| Administration expenses | (47,186) | - | (47,186) | (38,954) | - | (38,954) |
| Other items of income/(expense) | 55,001 | 4,538 | 59,539 | (1,226) | (6,048) | (7,274) |
| **Profit/(loss) before borrowing costs and tax expense** | **124,437** | **5,907** | **131,344** | **54,905** | **(14,906)** | **39,999** |
| Finance costs | (7,265) | (265) | (7,530) | (9,343) | (417) | (9,760) |
| **Profit/(loss) before tax expense** | **118,172** | **5,642** | **123,814** | **45,562** | **(15,323)** | **30,239** |
| Income tax benefit/(expense) | (4,137) | (1,106) | (5,243) | 19,403 | 4,597 | 24,000 |
| **Net profit/(loss) for year** | **114,035** | **4,536** | **118,571** | **64,965** | **(10,726)** | **54,239** |
| Net profit/(loss) attributable to non-controlling interest | (2,576) | - | (2,576) | (2,670) | - | (2,670) |
| **Net profit/(loss) attributable to members of the parent entity** | **111,459** | **4,536** | **115,995** | **62,295** | **(10,726)** | **51,569** |
| | | | | | | |
| **Revenue and expenses** | | | | | | |
| *Sales revenue:* | | | | | | |
| Sale of goods and biological assets | 1,267,412 | 99,002 | 1,366,414 | 1,166,490 | 222,582 | 1,389,072 |
| Debtor interest associated with sales | 5,579 | - | 5,579 | 5,044 | - | 5,044 |
| Commission and other selling charges | 330,146 | - | 330,146 | 347,802 | - | 347,802 |
| | 1,603,137 | 99,002 | 1,702,139 | 1,519,336 | 222,582 | 1,741,918 |
| *Other expenses:* | | | | | | |
| Insurance fair value adjustment | 2,270 | - | 2,270 | - | - | - |
| Gain on divested assets | - | 1,955 | 1,955 | - | - | - |
| Live export exit costs | - | 2,583 | 2,583 | - | (6,048) | (6,048) |
| Impairment reversal/(impairment) of assets | 54,785 | - | 54,785 | (1,049) | - | (1,049) |
| Restructuring, redundancy and other | (2,054) | - | (2,054) | (177) | - | (177) |
| | 55,001 | 4,538 | 59,539 | (1,226) | (6,048) | (7,274) |

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

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Operating activities | 14,494 | 1,254 |
| Investing activities | 2,696 | - |
| Financing activities | - | - |
| **Net cash inflow/(outflow)** | **17,190** | **1,254** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

## Note 34 — Parent Entity

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

| | 2017<br>$000 | 2016<br>$000 |
|---|---|---|
| *Results:* | | |
| Net profit/(loss) for the period after income tax expense | 69,096 | (25,527) |
| **Total comprehensive income/(loss)** | **69,096** | **(25,527)** |
| | | |
| *Financial position:* | | |
| Current assets | 108 | 314 |
| Non current assets | 258,395 | 187,886 |
| **Total assets** | **258,503** | **188,200** |
| Current liabilities | 825 | 1,696 |
| **Total liabilities** | **825** | **1,696** |
| **Net assets** | **257,678** | **186,504** |
| | | |
| Issued capital | 1,422,255 | 1,422,382 |
| Hybrid equity | - | 145,151 |
| Retained earnings | (1,208,493) | (1,382,740) |
| Profit reserve | 40,000 | - |
| Employee equity reserve | 3,916 | 1,711 |
| **Total equity** | **257,678** | **186,504** |

### 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 35 — Subsequent Events

There are no other matters or circumstances that have arisen since 30 September 2017 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 2017 are in accordance with the Corporations Act 2001, including:
      (i) Giving a true and fair view of its financial position as at 30 September 2017 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 2017.
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
13 November 2017

# *Independent auditor's report*

To the members of Elders Limited

## *Report on the audit of the financial report*

### *Our opinion*

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 30 September 2017 and of its financial performance for the year then ended

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

***What we have audited***

The Group financial report comprises:

- the consolidated statement of financial position as at 30 September 2017
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

### *Basis for opinion*

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

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

***Independence***

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

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## Our audit approach

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

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

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

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

Elders provides feed and processing services both domestically and internationally. In Australia, Elders operates the Killara feedlot, a beef cattle feedlot near Tamworth in New South Wales. In Indonesia, the Group operates an integrated feedlot, abattoir and meat distribution business. Elders has a business in China which imports, processes and distributes premium Australian meat in China.


### *Materiality*

For the purpose of our audit we used overall materiality of $3.1 million, which represents approximately 5% of the Group's profit before tax excluding impairment reversals, amounts associated with the disposal of Live Export and acquisition related fair value gains.

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

We chose to use the Group's profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We adjusted the Group's profit before tax for impairment reversals, amounts associated with the disposal of Live Export and acquisition related fair value gains as they are unusual or infrequently occurring items which are not expected to recur from year to year or otherwise significantly affect the underlying trend of performance of the Group.

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

***Audit scope***

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

We decided the nature, timing and extent of work that needed to be performed by us and component auditors operating under our instruction.

The Group is comprised of three components being Australia, Indonesia and China.

We audited the Australian component financial information given its financial significance. To perform our audit procedures we attended head office, the Killara feedlot and a sample of branches across the Australian network.

The components in Indonesia and China did not contribute materially to the Group profit before tax. We did however perform specified risk focussed audit procedures over certain balances in each of these components. These procedures were performed by us with the exception of work performed by component auditors in Indonesia over the existence of livestock. For the procedures performed by component auditors in Indonesia, we decided on the level of involvement required from us to be able to conclude whether sufficient and appropriate audit evidence had been obtained. Our involvement included discussions and written instructions and reporting from component auditors.

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

## *Key audit matters*

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

- Reversal of the Brand Name impairment
- Recoverability of deferred tax assets
- Accounting for rebates

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Reversal of the Brand Name impairment***<br>*(Refer to notes 2(r)(i) and 12)*<br><br>In the financial year ended 30 September 2013, Elders impaired the Brand Name asset from $60.4 million to $5.6 million, largely as a result of a reduction in expected future cash flows and an increased allocation of corporate costs to the business following a Group reorganisation.<br><br>The carrying value of the Brand Name is reviewed annually by Elders using a value in use model ('the model').<br><br>In the current year, the Group assessed that the sustained positive results and removal of profit and loss volatility given the exit from Live Export provide objective evidence that the conditions leading to the asset impairment were no longer present and were an indicator that the Group should consider a reversal of the impairment. Given the above factors and the model supported a Brand Name recoverable amount of $60.4 million, an impairment reversal of $54.8 million has been recognised in the consolidated statement of comprehensive income.<br><br>The reversal of the Brand Name impairment was a key audit matter given the financial significance of the reversal and the judgemental assumptions included in the model, particularly the future cash flows, growth rate and discount rate. | We considered the Group's reassessment of the carrying value of the Brand Name and its conclusion to recognise an impairment reversal and performed the following procedures, amongst others:<br><br>• Compared the cash flow forecasts in the model to those in the latest Board approved budgets, particularly inputs for growth rate and working capital movements.<br><br>• Evaluated Elders' ability to forecast future results within impairment models by comparing budgets with reported actual results for the previous financial year.<br><br>• Tested the mathematical accuracy of the model, and assessed the completeness of cash flows included within the model based on our understanding of operations from the audit.<br><br>• Evaluated the appropriateness of the discount rate by assessing the reasonableness of the relevant inputs to the calculation against industry and market factors. We performed a sensitivity analysis of the discount rate by varying critical inputs including the risk free rate, equity risk market premium and pre-tax cost of debt in the weighted average cost of capital calculation.<br><br>• Evaluated the accuracy and adequacy of the disclosures made in the financial report, including those regarding the key assumptions in light of the requirements of Australian Accounting Standards. |

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| ***Recoverability of deferred tax assets***<br>*(Refer to notes 2(y) and 5)*<br><br>Elders disclosed unused tax losses of $228.2 million available for use in future periods.<br><br>Elders recognised net deferred tax assets of $59.4 million at 30 September 2017 in the consolidated statement of financial position, of which $57.4 million arises from tax losses carried forward.<br><br>Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable on future taxable profits.<br><br>This was a key audit matter due to the quantum of the accumulated losses available as well as the judgement involved by the Group in preparing forecasts to demonstrate the future utilisation of these losses. | We performed the following procedures, amongst others:<br><br>• Assessed the forecast profits over the relevant utilisation period and evaluated whether the forecasts were consistent with Board approved budgets, and had been appropriately adjusted for the differences between accounting profits and taxable profits.<br><br>• With assistance from PwC tax experts, examined the ability to carry forward the tax losses for future use and considered the appropriateness of the deductions in the forecasts.<br><br>• Tested the mathematical accuracy of the forecasts.<br><br>• Performed a reconciliation of tax losses recognised and utilised in the consolidated statement of financial position and note 5.<br><br>• Recalculated deferred tax asset balances which comprise a combination of timing differences between tax and accounting values and tax losses.<br><br>• Evaluated the adequacy of the disclosures made in light of the requirements of Australian Accounting Standards. |

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| ***Accounting for rebates***<br>*(Refer to notes 2(i) and 3)*<br><br>Elders receives rebates in connection with the purchase of retail goods for resale from suppliers. These rebates are varied in nature and include price and volume rebates.<br><br>Elders recognises the rebates as a reduction to the cost of inventory purchased and a reduction in cost of sales when the inventory is sold.<br><br>In accordance with Australian Accounting Standards, rebates should only be recognised as a reduction in cost of sales when the associated performance conditions have been met. This requires a detailed understanding by the Group of the various contractual arrangements.<br><br>We considered rebates to be a key audit matter because:<br><br>• Supplier arrangements are complex in nature and vary between suppliers.<br><br>• This is a largely manual process.<br><br>• Judgement is involved by the Group to determine the amount of rebates that should be recognised in the consolidated statement of comprehensive income and the amounts that should be deferred to inventory. | We performed the following procedures, amongst others:<br><br>• For a sample of rebates recognised as a reduction in cost of sales, we:<br><br>– agreed terms and conditions back to individual supplier agreements and recalculated the amount of the rebate; and<br><br>– considered if the rebate amount was only recognised as a reduction in cost of sales when a sale of relevant product had occurred.<br><br>• We assessed the completeness of rebates being recorded against inventory on hand at balance date by obtaining a listing of stock on hand at balance date. For a sample of stock items, we traced the rebate percentage back to supplier agreements and recalculated the rebate amount offset against inventory.<br><br>• For a sample of rebates receivable at balance date, we confirmed these directly with suppliers.<br><br>• Evaluated the adequacy of the disclosures made in light of the requirements of Australian Accounting Standards. |

## *Other information*

The directors are responsible for the other information. The other information comprises the Chairman's Remarks, CEO's Report, Year in Brief, A Year of Progress, Elders Gives Back, Operating and Financial Review, Material Business Risks, Review of Operations, Outlook, Digital and Technical Services Snapshot, Elders Expands National Footprint, Board of Directors, Executive Management Remarks, Women in Pink, Directors' Report, Shareholder Information and Company Directory included in the Group's annual report for the year ended 30 September 2017 but does not include the financial report and our auditor's report thereon.

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

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

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

## *Responsibilities of the directors for the financial report*

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

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

## *Auditor's responsibilities for the audit of the financial report*

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

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

pwc

# *Report on the remuneration report*

## *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 61 to 77 of the directors' report for the year ended 30 September 2017.

In our opinion, the remuneration report of Elders Limited for the year ended 30 September 2017 complies with section 300A of the *Corporations Act 2001*.

## *Responsibilities*

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

PricewaterhouseCoopers

PricewaterhouseCoopers

A G Forman
Partner

Adelaide
13 November 2017

# ASX Additional Information

## (a) Distribution of Ordinary Shares as at 31 October 2017

| | No. of Ordinary Shares | No. of Ordinary Holders |
|---|---|---|
| 1 – 1,000 | 3,132,472 | 7,487 |
| 1,001 – 5,000 | 10,695,404 | 4,560 |
| 5,001 – 10,000 | 6,359,251 | 867 |
| 10,001 – 100,000 | 17,548,809 | 728 |
| 100,001 – maximum | 76,123,504 | 52 |
| **Total** | **113,859,440** | **13,694** |
| The number of holders holding less than a marketable parcel | | 1,210 |

## (b) Voting rights

All ordinary shares carry one vote per share without restriction.

## (c) Stock Exchange quotation

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

## (d) Twenty Largest Shareholders as at 31 October 2017

| The twenty largest holders of Elders Ordinary Shares were as follows: | No. of Shares | % of Shares |
|---|---|---|
| J P MORGAN NOMINEES AUSTRALIA LIMITED | 18,175,334 | 15.963% |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 16,336,138 | 14.348% |
| CITICORP NOMINEES PTY LIMITED | 13,456,831 | 11.819% |
| BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 5,574,818 | 4.896% |
| BELL SECURITIES PTY LIMITED | 2,993,344 | 2.629% |
| NATIONAL NOMINEES LIMITED | 2,707,406 | 2.378% |
| BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C> | 2,037,878 | 1.790% |
| BRAZIL FARMING PTY LTD | 2,000,000 | 1.757% |
| BNP PARIBAS NOMS PTY LTD <DRP> | 1,574,406 | 1.383% |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2 | 1,155,861 | 1.015% |
| VENN MILNER SUPERANNUATION PTY LTD | 1,000,000 | 0.878% |
| NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT> | 584,899 | 0.514% |
| BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C> | 577,624 | 0.507% |
| NATIONAL NOMINEES LIMITED <DB A/C> | 511,764 | 0.449% |
| MR JAMES GARDINER | 450,000 | 0.395% |
| 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% |
| CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C> | 387,183 | 0.340% |
| MR AUSTIN SYDNEY EVAN MILLER | 344,809 | 0.303% |
| PACIFIC AGRIFOODS INVESTMENTS PTY LTD | 335,456 | 0.295% |
| **Total** | **71,048,661** | **62.400%** |

## (e) The number of shares held by the substantial shareholder listed on the Company's register of substantial shareholders as at 31 October 2017 is:

| Shareholder | No. of Shares | % of Shares |
|---|---|---|
| Schroder Investment Management Australia Limited | 7,089,982 | 6.23% |

# Shareholder Information

| | |
|---|---|
| **Share Registry** | Boardroom Pty Limited<br>Level 12, 225 George Street, Sydney, NSW, 2001<br><br>Telephone: 1300 737 760<br>Facsimile: +61 (0)2 9279 0664<br>Email: enquiries@boardroomlimited.com.au<br>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.<br><br>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.<br><br>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.<br><br>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:<br><br>Website: elders.com.au<br><br>Subscribe: Shareholders can nominate to receive company information electronically via the Investor Centre on the Company's website.<br><br>This service is also hosted by Boardroom and holders can register through InvestorServe on Boardroom's website.<br><br>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.<br><br>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 — B Com, FAICD |
| | Mr Ian Wilton — FCCA, FCPA, FAICD, CA |
| | Ms Robyn Clubb — BEc, CA, F Fin, MAICD |
| **Secretaries** | Mr Peter G Hastings — BA, LLB, GDLP, FGIA |
| | Ms Sanjeeta Singh — BEd (Primary), FGIA |
| **Registered Office** | Level 10, 80 Grenfell Street<br>Adelaide, South Australia, 5000<br><br>Telephone: (08) 8425 4000<br>Facsimile: (08) 8410 1597<br>Email: information@elders.com.au<br>Website: elders.com.au |
| **Share Registry** | Boardroom Pty Limited<br>Level 12, 225 George Street<br>Sydney, NSW, 2001<br><br>Telephone: 1300 737 760<br>Facsimile: +61 (0)2 9279 0664<br>Website: boardroomlimited.com.au |
| **Auditor** | PricewaterhouseCoopers |
| **Bankers** | Australia & New Zealand Banking Group |
| | National Australia Bank |
| | Coöperative Centrale Raiffeisen – Boerenleenbank (Rabobank Australia) |
| **Stock Exchange Listing** | Elders Limited ordinary shares are listed on the Australian Securities Exchange under the ticker code “ELD” |


Elders