Monday 11 November 2019

Appendix 4E and Annual Report for the Financial Period Ended 30 September 2019

Elders Limited (ASX:ELD) today reports its results for the financial year ended 30 September 2019.

Attached is the Appendix 4E (Results for announcement to the market), and Annual Report for the 12 month financial period ended 30 September 2019.

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 2019

Attached is the final report for the year ended 30 September 2019. The consolidated profit after tax and non-controlling interests was $68.9 million (2018: $71.6 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	4%	to	1,667,347
Profit from continuing operations after tax attributable to members	down	3%	to	75,959
Profit/(loss) from discontinued operations after tax attributable to members		n/m*		(7,024)
Profit after tax for the year attributable to members	down	4%	to	68,935

** percentage movement in result not meaningful*

Dividends	Amount per security	Franked amount per security
2019		
Final dividend	9 cents	9 cents
Interim dividend	9 cents	9 cents
2018		
Final dividend	9 cents	9 cents
Interim dividend	9 cents	9 cents

The record date for the final dividend is 19 November 2019; and payable on 13 December 2019.

Net tangible assets	2019 $	2018 $
Net tangible asset backing per ordinary security (141,650,621 ordinary shares)	1.61	0.86

180

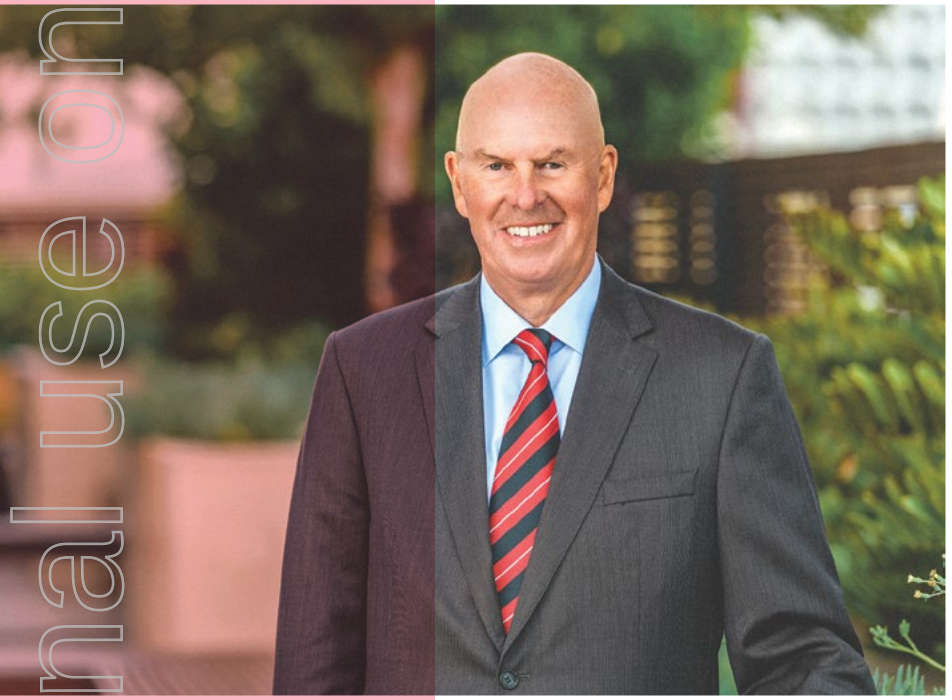
2019 Elders Annual Report

Elders Limited ABN 34 004 336 636

Cover (clock-wise):
Alison Ross (staff), Katherine NT
Peter and David Lehmann (clients), Caltowie SA
Don and Kelly White (clients), Bridge Creek Station, Adelaide River NT
Tahir Rashid (staff), Northam WA

CONTENTS

FROM YOUR CHAIR



It is an honour to have recently been appointed Chair of Elders, a company that has been proudly serving Australia's agricultural industries for 180 years.

It is an honour to have recently been appointed Chair of Elders, a company that has been proudly serving Australia's agricultural industries for 180 years.

Your company is an iconic Australian institution, having grown from humble beginnings in 1839 to today's position as the country's largest listed rural services business.

Few companies can lay claim to that heritage or longevity. Although we've faced and overcome many challenges in that 180 years, our commitment to Australia's rural communities has been constant.

There is no doubt conditions remain extremely difficult for many of our customers, with drought continuing to impact businesses across much of the country.

Despite those challenges, Elders has provided solid returns for our shareholders in the 2019 financial year, with our second Eight Point Plan underpinning continued improvements across our business.

Financial Results

Elders has delivered on its earnings guidance, recording an underlying after-tax profit of $63.6 million for the 2019 financial year.

Underlying Earnings Before Interest and Tax (EBIT) was $73.7 million, marginally below the result achieved in FY18.

The strength of those results can be attributed to our diversified business model, together with management's highly disciplined approach to managing and allocating costs and capital.

The Board has declared a final dividend of 9 cents per ordinary share, taking dividends for the year to 18 cents fully franked.

Safety performance

Your Managing Director, Mark Allison, will expand on initiatives being taken to improve Workplace Health & Safety (WHS) outcomes in his report, and I firmly believe that genuine leadership is a key factor and driver of change.

Our WHS governance remains robust and both our Board and Executive teams continue to be committed to placing the highest priority on the well-being of our people in all that we do.

Growth and Innovation

We invested significantly in growing our business in financial year 2019.

Our branch network continues to expand through a combination of organic initiatives and acquisitions, with a number of new locations added to our national footprint, and with 12 additional businesses extending our customer reach.

We expanded our product range with the introduction of our Livestock-in-Transit Delivery Warranty, providing important financial protection for our customers.

In July, we announced the proposed acquisition of Australian Independent Rural Retailers (AIRR). Once finalised, this key investment will deliver Elders enhanced scale and growth opportunities, with its well-established wholesale business, access to the pet and produce market segments and portfolio of animal health product registrations.

Our proposed investment in AIRR was endorsed by institutional investors, who strongly supported the capital raising for the acquisition. I also thank the large number of retail shareholders who chose to participate in the retail offer component of the capital raising.

Our continued investment in R&D and digital technologies will help Australian agricultural industries improve productivity and enhance their competitiveness in global markets.

Partnerships during the year included the South Australian Research and Development Institute, the Bureau of Meteorology, Western Sydney University, the Grains Research and Development Corporation, Meat and Livestock Australia, Wine Australia, AgriFutures, and Primary Industries Regions SA with our Struan Research Farm partnership.

Corporate Governance, Risk and Compliance

Our five values – integrity, accountability, customer focus, innovation and teamwork – underpin all we do at Elders. Those values are reflected in the strong corporate governance and risk and compliance practices we demonstrate every day.

Our ambition is to have governance practices, tailored to Elders' specific needs and circumstances, equal to those demonstrated by Australia's very best companies. In 2019 we entered the ASX 200 and we aspire to match the best governance and sustainability standards practised by ASX 100 and above companies. In 2020 we will pay particular regard to enhancing our competence in all aspects of sustainability to ensure we prosper well into the future, meeting the legitimate interests of our clients, employees, investors, communities and other stakeholders.

Our Board is well-structured with an appropriate depth and balance of skill, knowledge and experience. As our business grows, it is likely we will further broaden the Board's skill set through the appointment of a new Non-Executive Director.

We are committed to compliance, transparency, disclosure, and acting lawfully, ethically and responsibly. We believe that identifying risks allows us to not only manage them, but to highlight opportunities for further improvement and innovation. We believe this approach builds resilience and strengthens our business.

Looking ahead

Your Board has some clear priorities for the year ahead.

We will focus on continuing to meet our strategic targets as our second Eight Point Plan enters its final year and confirm the next strategic plan which will guide us through to 2023.

The purchase of AIRR and its successful integration will demonstrate our commitment to grow our business not just organically, but through disciplined acquisitions that meet our strict financial criteria, ensuring they create value for shareholders.

We will continue to grow our branch network to enable us to better serve our customers, with the ongoing pursuit of operational improvements and efficiencies across our business ensuring we remain competitive.

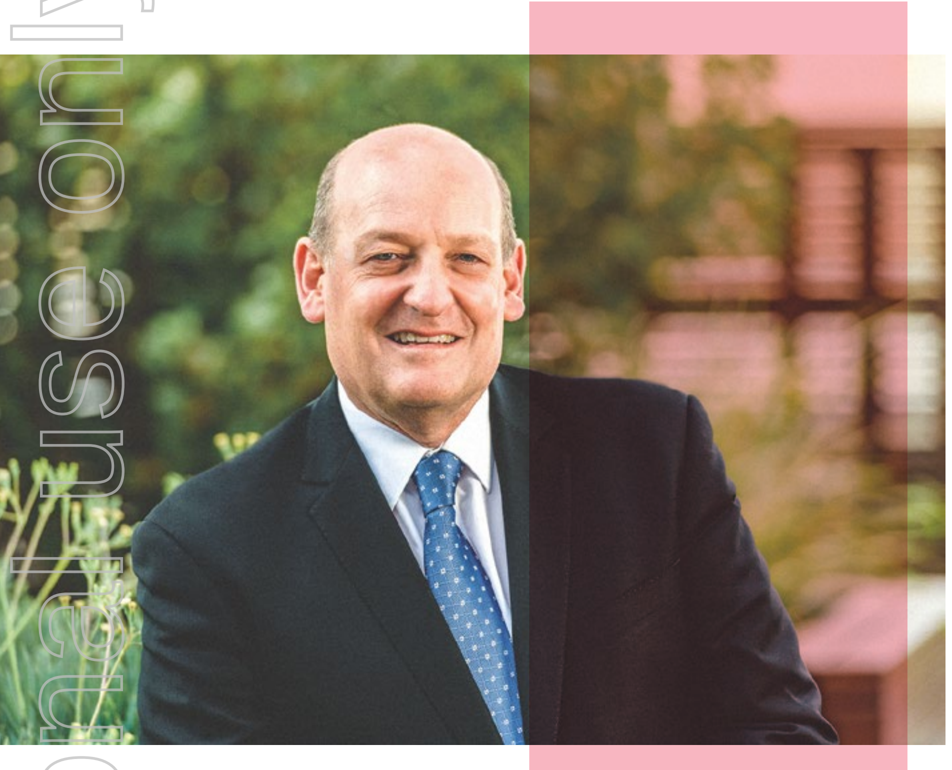
And our ongoing drive to seek innovative solutions will see us expand our technical and digital services.

In closing

Our continued success would not be possible without the dedication and commitment of our 1,900 employees, who work tirelessly to serve and support our customers and their communities. Even as we celebrate 180 years of helping build Australia's great rural industries, your Board is already looking to the future, confident that we have the people and the passion to continue creating real value for shareholders.

Ian Wilton
Chair of the Board

CEO'S REPORT



In this, our 180th year of business, Elders has continued to build on the platform of sustainable growth established in 2014 when we implemented our strategic Eight Point Plan.

In the original Eight Point Plan we set some challenging targets for the business, using our competitive advantages and strengthening our services to pursue real value for our stakeholders.

Whilst being both proud and respectful of our heritage, we aren't constrained by it. In FY19 we demonstrated that Elders' five core values of integrity, accountability, customer focus, innovation and teamwork inspire not just how we do business today, but how we're building the Elders of the future.

Operational performance

I am pleased to report that in FY19, we recorded an underlying after-tax profit of $63.6 million, in line with the previous year. Underlying Earnings Before Interest and Tax (EBIT) of $73.7 million were $0.8 million lower than FY18, a creditable performance given the challenges faced by rural businesses in many parts of Australia.

The result highlights the resilience of our business model and reaffirms that our target of seeking 5 – 10% EBIT growth through the FY17 to FY20 agricultural cycle to 2020 is both realistic and achievable.

At 18.2%, Underlying Return on Capital (ROC) approached our 20% target, with unfavourable seasonal conditions resulting in lower wool volumes and reduced summer cropping, and the increased capital associated with acquisition activity, including the TitanAg and Livestock in Transit businesses.

Recent acquisitions drove an increase in underlying profit of $10.2 million, primarily earnings from TitanAg and Livestock in Transit delivery warranty products.

Reduced summer cropping impacted our Rural Products business with a $6.0 million fall in margin, while Agency Services' margin was down by $5.2 million largely due to lower wool volumes, with the Australian wool clip down.

Safety performance

In FY19, Elders held its inaugural Safety Summit day. The purpose of the Summit was to identify and understand any barriers and distractions that might exist that could prevent the achievement of optimum Work Health and Safety outcomes, and to devise strategies to rejuvenate current practices or implement new initiatives. The outcomes of the Summit will help us drive new enhancements in the coming year. In addition, we are investing in new governance, risk and compliance systems to improve the way we report and capture information about safety and compliance.

The wellbeing of our people is a primary focus of your Board and management and we strive to provide a safe and healthy workplace. In 2019 our lost time injuries (LTIs) were 9, in comparison to 5 in the previous year, which falls short of our own high standards. Clearly, we must strengthen our efforts to ensure that employees return home in the same physical and psychological state they arrived at work.

Our workplace culture of safety has been embraced by our employees, with that positive attitude evident in the results of this year's Employee Effectiveness Pulse Survey, which achieved its best result since the survey was launched five years ago. The scope of the survey was broadened in FY19 to obtain deeper insights, with similar favourable results achieved. Respondents also said Elders fostered a culture of safety and wellbeing throughout the business.

Efficiency and Growth

The last year has seen consolidation, and growing interest from offshore investors in our industry sector. Rather than be distracted by those events, Elders has reaffirmed our commitment to growing our business and exceeding the expectations of our customers.

We continue to expand our footprint in regional Australia, through key strategic acquisitions including Ace Ohlson, Kerr & Co Livestock and TitanAg. Soon we expect to finalise the purchase of Australian Independent Rural Retailers, providing us with an entry into the wholesale rural services market.

These acquisitions provide us with a strong pathway to growth and the ability to better meet the increasingly diverse needs of our customers.

The growth of our specialist independent consulting arm, Thomas Elder Consulting (TEC), is being driven by our ability to apply our skills and expertise in whole farm management advice across all areas of our clients' operations.

Thomas Elder Institute (TEI) is Elders' flagship research and development arm, involved in key partnerships with public and private research organisations, industry bodies and education institutions. Our partnerships with the South Australian government's Department of Primary Industries and Regions South Australia will help ensure the benefits of research and development reach the farm gate.

In March 2019 Elders and Rural Bank, a wholly owned subsidiary of Bendigo and Adelaide Bank (ASX:BEN), successfully transitioned to a new exclusive relationship agreement. Under the new arrangement, around 90 Elders' staff commenced employment with Rural Bank. These employees will continue to operate from Elders branches, ensuring continuity of service to our mutual customers. The new arrangements allow Elders to reduce its employee cost base, while securing a stable income stream in excess of $10 million per annum.

Our People

Our annual Employee Effectiveness survey, conducted by consulting firm Korn Ferry, again showed pleasing results, with an increase in Employee Engagement of 1% to 76% and Employee Enablement remaining steady at 77%. 70% of our people took part in the survey.

These results place Elders well above Australian benchmarks for each measure, and higher than the High Performing benchmarks of 74% and 73% respectively.

We continued to support our people through training and development in FY19, and consistent with the previous year, 320 employees took part in a formal learning and development program, with an even balance of male and female participants. We also continued our support for the Australian Rural Leadership Foundation, with two participants in the Agribusiness Leadership Program and 18 people engaged in our Senior Leadership Development Program.

Internally, we launched the Ignite Sales Program across our zone network. The program focuses on the agriculture industry, how we deliver value for our clients, and introduces Elders Sales Skills.

We continued to support the future of Australian agriculture with eight new trainees enrolled in our Livestock Trainee Program, bolstering the 10 employees who are continuing in the program. A further 19 are enrolled in the Certificate IV in Agriculture.

Elders employed eight university agronomy graduates this year; three within the national program, two zone-based and three branch-based graduates. Three staff from the 2018 graduate program have now moved to full-time agronomy positions.

We are tracking towards our gender diversity goals, with attracting and retaining key female talent a particular focus. While an increase of 16 women in management positions will be required to meet our 2021 target, the pipeline of female team leaders already stands at 31% against a goal of 25%. Additionally, representation of women as Non-Executive Directors on our Board already meets the target of 40%.

Our communities

Our community giving program, Elders Give It, continues to partner with the Royal Flying Doctor Service Central Operations. Our Big BBQ month in February raising over $60,000, with branches across the Elders network supporting local events to help raise funds for this valuable service.

Our partnership with Beyond Blue helps ensure Australians have access to mental health support which is critically needed in regional areas, particularly when times are tough on the land.

At the grass roots level, a review of our local sponsorship arrangements highlighted the involvement of our local branches in their communities, with donations, support and contributions reaching $1.3 million in FY19. Our branch network initiatives are a small but important component of the support we've provided in rural and regional Australian for the last 180 years.

Looking ahead, we will continue to seek agriculture-focused partnerships and events, looking to sponsor those focusing on innovation and sustainable farming practices.

In 2020 Elders will support evokeAG as a platinum partner for the second year. EvokeAG is the Asia-Pacific's largest agri-food tech event, bringing together delegates from across our region with a focus on technical innovation and collaboration.

Our continued partnership with AgSafe strengthens our commitment to safety and provides access to training and accreditation for the safe handling of chemicals across the supply chain.

We're proud of our history. As we celebrate our 180th year, we acknowledge the support of our customers and stakeholders who have made that longevity possible. As we look to the future, we're confident that Elders' growing success will ensure we remain an integral part of Australia' rural landscape.

M C Allison
Managing Director

YEAR IN BRIEF

Year ended 30 September		FY19	FY18
Continuing sales revenue	$m	**1,667.3**	1,599.4
Underlying EBITDA	$m	**78.8**	78.9
Underlying EBIT	$m	**73.7**	74.5
Underlying finance costs	$m	**7.7**	6.9
Reported profit after tax	$m	**68.9**	71.6
Underlying profit after tax	$m	**63.6**	63.6
Net debt	$m	**94.3**	173.4
Shareholders' equity	$m	**492.9**	308.5
Operating cash flow	$m	**11.2**	(12.1)
Reported earnings per share (basic)	cents	**57.0**	62.0
Reported earnings per share (diluted)	cents	**56.1**	60.7
Underlying earnings per share (basic)	cents	**52.6**	55.0
Underlying earnings per share (diluted)	cents	**51.8**	53.9
Final dividend declared (fully franked)	cents	**9.0**	9.0
Interim dividend (fully franked)	cents	**9.0**	9.0
Key ratios			
EBIT margin (EBIT to sales)	%	**4.4**	4.7
Return on capital	%	**18.2**	24.2
Leverage (average net debt to underlying EBITDA)	times	**2.4**	2.0
Interest cover (EBITDA to net interest)	times	**11.6**	11.5
Gearing (average net debt to closing equity)	%	**38.9**	52.3
Key share data			
ELD share price (30 September)	$	**6.32**	7.09
Market capitalisation	$m	**895.2**	821.2
Number of ordinary shareholders		**12,325**	12,598
Ordinary shares on issue		**141,650,621**	115,818,637

A YEAR OF PROGRESS

Safety Performance	Lost time injuries increased to 9 from 5, target is zero LTIs
	134 days lost, compared to 51 last year
	Continued emphasis on employee and community safety health and well-being
Operational Performance	$73.7m underlying EBIT, down $0.8m on last year
	Underlying ROC at 18.2%, down from 24.2% at September 2018
	Leverage ratio increased to 2.4 from 2.0
	Interest cover ratio remained consistent at 11.6
	Fully franked interim dividend of 9.0c per share
	Fully franked final dividend of 9.0c per share declared
Key Relationships	New and extended relationship agreement with Rural Bank to provide our clients access to quality banking services
	Strengthened the "Elders Give It" program through continued Royal Flying Doctor Service partnership and further community involvement
	Formal engagement with all Rural Research Centres and government and university institutions to enhance our agricultural research development and extension initiatives through the Thomas Elder Institute
	Achieving greater productivity for clients and the industry through the Thomas Elder Institute and our expanded digital offerings
Efficiency and Growth	Acquisition of Australian Independent Rural Retailers (AIRR) to provide EBIT growth and strategic presence in key geographical areas
	Major business restructure to drive performance and focus heading into the final year of the second Eight Point Plan
	Launch of new Livestock and Wool in Transit (LIT/WIT) delivery warranty associated with Elders' Agency services
	Continued footprint expansion through acquisitions of Rural Products and Agency businesses
	Divestment of Indonesian retail business

ALWAYS IN YOUR CORNER

Clock-wise:
John Howard (client), Biloela QLD
Nathan Stevens (client), Yeppoon QLD
Tahir Rashid (staff), Northam WA
Yeppoon QLD

180 YEARS OF SERVICE

The story of Elders doesn't begin in Australia's farms and fields.

Instead, we need to travel halfway around the world to Kirkcaldy, a trading port on the east coast of Scotland, where in 1839 the Elder family was weighing up the opportunities to be had in the newly-established colony of South Australia.

George Elder, the family patriarch, was a savvy trader and ship owner. Enticed by the unlimited prospects of the young colony, he commissioned an 89-tonne schooner Minerva, and provisioned the vessel with rum, whisky and a full complement of the trading goods and merchandise likely to be in demand in a new settlement.

Alexander, one of George's sons, was appointed to fly the family flag in Australia and Minerva sailed from the Kirkcaldy docks on July 16, 1839.

On arrival, Alexander wasted no time going into business. Erecting a sign, 'AL Elder, General and Commission Agent', he set about selling his cargo and putting Minerva to work as a trading vessel.

It didn't take long for news of Alexander's success to reach Scotland, and elder brother William decided to join him in South Australia.

The family continued to prosper with investments in transport, shipping wheat and wool, and the rest, as they say, is history.

A lot has changed since Alexander Elder bought his first business premises in Hindley Street, Adelaide, in 1840.

The company that bears his name is now Australia's largest ASX-listed agribusiness, serving customers from hundreds of outlets across every state of Australia.

Our specialist knowledge is helping our customers achieve success and business growth in an increasingly complex global marketplace.

Our investment in innovation, research and technology is delivering better outcomes for our farming partners.

What hasn't changed over the course of our history is our commitment to standing alongside our customers in rural Australia, through good times and bad.

There have been tough times, for both Elders and Australian agriculture. Since the early days of settlement, our harsh climate has driven a boom and bust cycle that has tested the resilience of our rural communities.

The depression of the 1890s saw a near-collapse in the banking system, spiralling land prices and a drought which persisted for years in parts of the country. Elders survived.

After recovering from the impact of the First World War, Australia's rural industries were hit by the Great Depression which coincided with another drought. Elders struggled for a decade, but endured.

Then in the 1980s, a frenzy of corporate action saw Elders merge with Henry Jones IXL, take over Carlton United Breweries and make a bid for BHP. The company lost more than half its value in the 1987 share market crash, declaring a loss of nearly $1 billion five years later.

Following years of restructuring and asset sales, a decision was made to go back to basics – to return Elders to its roots by concentrating on services to our rural communities.

The modern Elders – your Elders – is respectful of our long history, while looking to the future.

In 2014, we set some challenging goals for our business through our Eight Point Plan, knowing our strengths lie in our commitment to helping rural communities make the best of their opportunities.

That's not a commitment we take lightly, either. The men and women who wear the pink shirt with pride do so knowing that they represent 180 years of history, but more importantly, a tradition of service unmatched in our industry.

As Australia's leading agribusiness, we're looking forward to the future where we'll continue to proudly stand with our clients, backing communities in rural and regional Australia.

From left to right:
Lee Eaton, Cameron Smith, Jason Clarke (staff), Northam WA

OPERATING AND FINANCIAL REVIEW

John Howard (client), Biloela QLD

OPERATING AND FINANCIAL REVIEW

Elders is focused on creating value for all its stakeholders in Australia and internationally. We achieve this through approximately 1,900 employees across Australia and in China.

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

Profit and Loss

Profit: Reported and Underlying

$ million	FY19	FY18	Change
Sales	**1,667.3**	1,599.4	**67.9**
Australian Network	108.8	114.3	(5.5)
Feed and Processing Services	7.6	6.7	0.9
Corporate Services and Other Costs	(42.8)	(46.5)	3.8
Underlying EBIT	**73.7**	74.5	**(0.8)**
Finance Costs	(6.8)	(6.9)	0.1
Fair Value Adjustments on Interest Rate Swaps	(0.9)	-	(0.9)
Underlying profit before tax	**65.9**	67.7	**(1.8)**
Tax	(0.5)	(1.7)	1.2
Non-controlling Interests	(1.8)	(2.4)	0.6
Underlying profit to shareholders	**63.6**	63.6	**-**
Items excluded from underlying profit	**5.3**	8.0	**(2.6)**
Reported profit after tax to shareholders	**68.9**	71.6	**(2.6)**
Underlying EBITDA	78.8	78.9	(0.1)

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	FY19	Commentary
Acquisition costs	(2.6)	Costs relating to acquisition activity, mainly Australian Independent Rural Retailers (AIRR)
Divestment and planned exit of discontinued operations	(5.9)	Operating losses, impairment of investment and associated exit costs
Restructure and redundancy costs	(2.3)	Costs associated with major business restructure
One-off asset recovery/cost	2.4	Insurance recovery and final cost of FY18 infrastructure program
Unwinding discount expenses and tax asset adjustments	13.7	Unwinding discount expenses on liabilities ($3.0 million) and $16.7 million recognition of tax losses
Items excluded from underlying profit	**5.3**	

Key movements in profit by product are:

- Acquisitions predominantly include earnings from TitanAg and Livestock in Transit (LIT) delivery warranty products
- Rural Products margin mainly down due to reduced summer cropping
- Agency margin impacted by lower wool bales sold across all geographies in line with the overall fall in the market
- Financial Services consistent year on year, with margin downside ($6 million) offset by cost savings of $6 million, with new Rural Bank distribution agreement, which became effective on 4 March 2019
- Feed and Processing Services upside mostly from increased Feedlot utilisation and throughput
- Costs down due to new Rural Bank distribution agreement and lower short-term incentives, offset by geographical footprint growth and increased investment in technology, digital and technical areas

Chart 1 — Underlying performance by product ($ million)

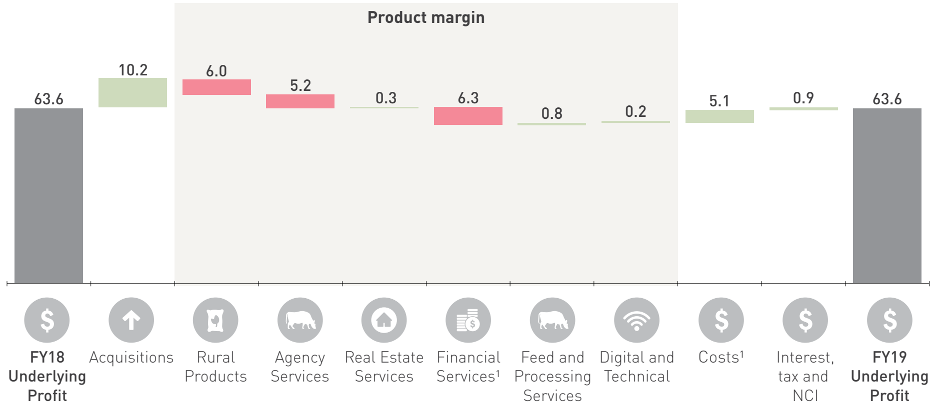
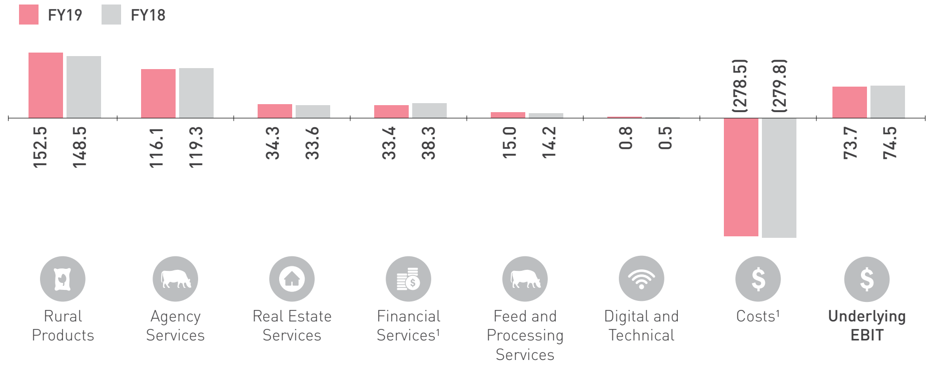


Chart 2 – Underlying EBIT by product ($million), including acquisitions



1 As a result of a change to the Rural Bank distribution agreement effective 4 March 2019, the impact on Elders' financial results is a reduction in Financial Services gross margin, offset by lower costs

Key movements in profit by geography are:

- Acquisitions predominantly include earnings from TitanAg and Livestock in Transit (LIT) delivery warranty products
- Northern Australia impacted by dry conditions with reduced activity across mainly Wool and Rural Products
- Southern Australia down on prior year mainly due to lower Wool volumes and higher costs
- Western Australia upside resulting mostly in Livestock and Real Estate margin, offset by lower Rural Products
- Corporate and other costs savings primarily from lower short term incentives, offset by increased investment in technology, digital and technical areas

Chart 3 – Underlying performance by geography ($ million)

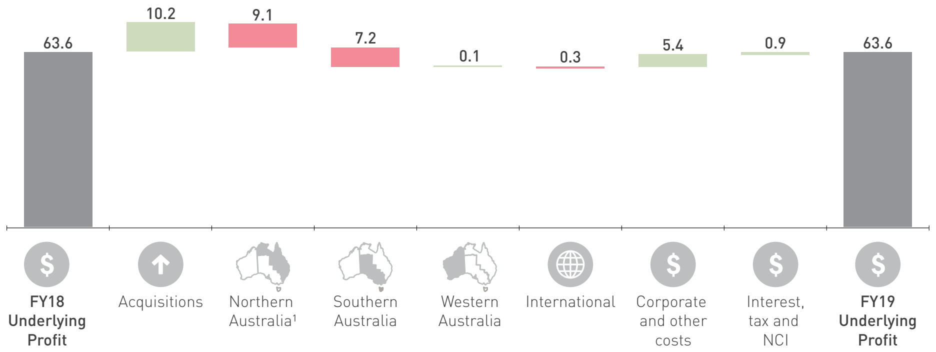
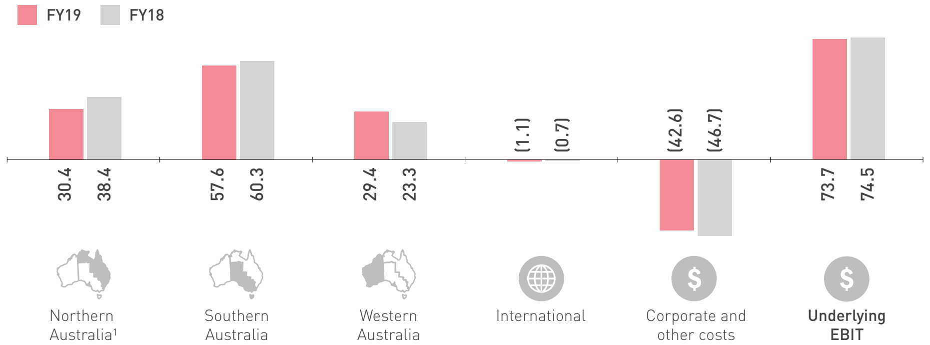


Chart 4 – Underlying EBIT by geography ($million), including acquisitions



1 Northern Australia includes Killara feedlot

Balance Sheet

$ million as at end	FY19	FY18	Change
Inventory	146.1	147.8	(1.6)
Livestock	35.3	32.5	2.8
Trade and other receivables	481.1	444.8	36.3
Trade and other payables	(375.5)	(384.6)	9.1
Working Capital	**287.1**	240.5	**46.5**
Property, plant and equipment	27.4	27.3	0.1
Investments, including assets held for sale	55.0	59.2	(4.2)
Intangibles	166.9	129.0	37.9
Provisions	(46.8)	(50.9)	4.1
Capital (net operating assets)	**489.6**	405.1	**84.4**
Borrowings: working capital and other facilities	(101.6)	(185.1)	83.5
Cash and cash equivalents	7.3	11.6	(4.3)
Net debt	**(94.3)**	(173.4)	**79.2**
Tax assets	**97.6**	76.8	**20.7**
Shareholders' equity	**492.9**	308.5	**184.3**
Underlying return on capital	18.2%	24.2%	(6.0%)
Average capital (excluding brand name)	407.3	317.8	89.4

Working capital

$ million	FY19	FY18	Change
Rural Products	191.8	185.2	6.6
Agency Services	48.3	31.0	17.3
Real Estate Services	0.9	1.9	(1.0)
Financial Services	30.5	15.8	14.7
Feed and Processing Services	48.8	43.5	5.3
Other	(33.3)	(36.9)	3.6
Working capital (balance date)	**287.1**	240.5	**46.5**
Working capital (average)	288.6	236.9	51.7

Working capital

Working capital as at September 2019 was $287.1 million, 19% higher than last year. This largely relates to higher trade and other receivables due to:

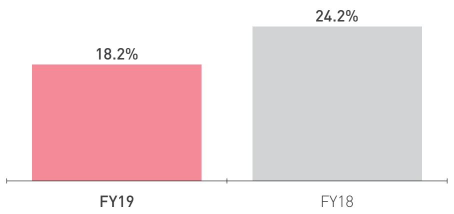
- Higher Livestock debtors with early timing of spring sales
- Additional StockCo advances (livestock funding investment) through provision of short term funding

Average working capital increased by $51.7 million to $288.6 million for the year. This increase reflects seasonal conditions with:

- Additional stock net of creditors from the backward integration investment TitanAg
- Increased Rural Products balances due to lower stockturns and higher debtor days
- Higher Livestock debtors with debtor days up in the first six months

Return on capital

Chart 5 – Underlying return on capital

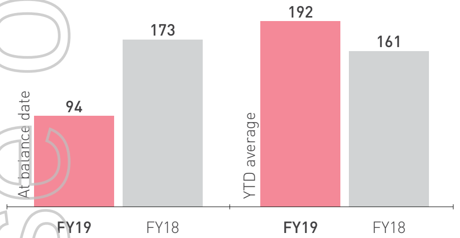


Elders' underlying return on capital was 18.2% as a result of:

- Lower earnings due to reduced wool volumes and poor summer cropping season
- Increase in Rural Products and Livestock capital balances
- Capital deployed in acquisitions, including TitanAg and Livestock in Transit (LIT)

Net debt

Chart 6 – Net debt



Key ratios	FY19	FY18	Change
Leverage (average net debt to EBITDA)	2.4	2.0	0.4
Interest cover (EBITDA to net interest)	11.6	11.5	0.1
Gearing (average net debt to closing equity)	38.9%	52.3	(13.4%)

Net debt at balance date was $79 million lower than the prior year. This was mainly due to net proceeds received from equity raised, net of capital raise and transaction costs, for the Australian Independent Rural Retailers (AIRR) acquisition of $130 million, offset by:

- Increased capital associated with acquisition activity, mainly in TitanAg and the Livestock in Transit product
- Higher Livestock debtors with early timing of spring sales
- Increased StockCo advances (livestock funding investment) through provision of short term funding

Average net debt was $31 million higher than prior year due to:

- Additional stock net of creditors from the backward integration investment in TitanAg
- Increased Rural Products balances due to lower stockturns and higher debtor days
- Higher Livestock debtors with debtor days up in the first six months

Provisions

Provisions decreased by $4.1 million on last year due to lower employee entitlements partially offset by the recognition of an unwinding discount expense on long service leave provisions.

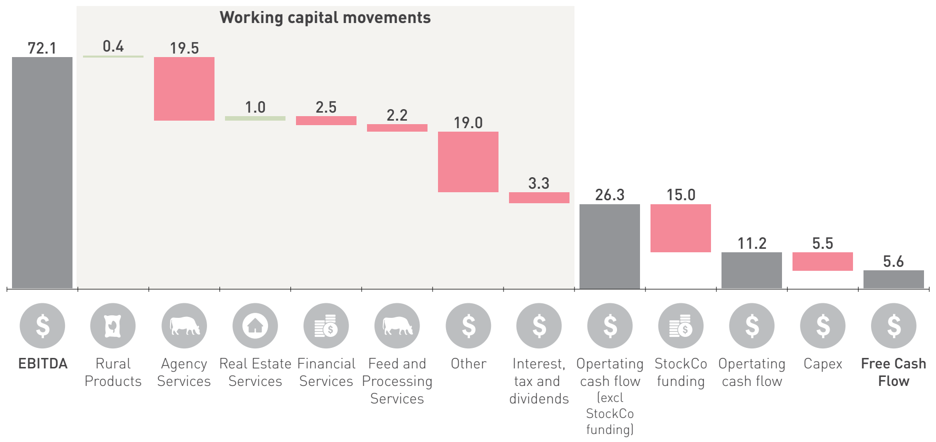
Shareholders' equity

Shareholders' equity increased by $184.3 million to $492.9 million at September, contributed mostly by gross proceeds received from equity raised for the Australian Independent Rural Retailers (AIRR) acquisition of $137 million and FY19 profit of $68.9 million. This is offset by $21.0 million of dividend distributions to shareholders.

Cash Flow

$ million	FY19	FY18	Change
Operating cash flow	11.2	(12.1)	23.4
Investing cash flow	(42.5)	(38.4)	(4.1)
Financing cash flow	26.9	27.0	(0.1)
Total cash flow	**(4.3)**	(23.5)	**19.2**

Chart 7 – Cash flow ($ million)



$ million	Rural Products	Agency Services	Real Estate	Financial Services	Feed and Process	Other	Total
EBITDA	55.9	24.5	13.9	10.5	6.2	(38.9)	72.1
Movements in assets and liabilities	(0.4)	(19.5)	1.0	(2.5)	(2.2)	(19.0)	(42.6)
Related party advances	-	-	-	(15.0)	-	-	(15.0)
Interest, tax and dividends	-	-	-	-	-	(3.3)	(3.3)
Operating cash flow	**55.5**	**4.9**	**14.9**	**(6.9)**	**4.0**	**(61.2)**	**11.2**

Operating cash inflow of $26.3 million (excluding StockCo funding of $15.0 million) reflected an EBITDA of $72.1 million, offset by increased working capital relating to:

- Higher Livestock debtors with early timing of spring sales
- Other, which relates to payment of provisions including leave and incentives
- Short term related party advances (StockCo)

Investing outflow of $42.5 million represents the purchase of the Livestock and Wool in Transit delivery warranty product, and other bolt on acquisitions completed in the period.

Financing inflow of $26.9 million includes net proceeds received from equity raised for the Australian Independent Rural Retailers (AIRR) acquisition of $130 million, offset by repayment of borrowings and dividends distributed to shareholders.

MATERIAL BUSINESS RISKS

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

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

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

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

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

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, business disruption 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, Rural Products 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 weather events	
Adverse weather events and other natural events may reduce the output of relevant agricultural products and affect the operation of Elders' business. Natural events, caused or affected by weather, such as frost, drought, flood and fire can have an impact. Such conditions can influence the supply of and demand for rural products and services provided by Elders, resulting in varied revenue levels.	To limit the impact of natural weather events, Elders maintains both a geographical spread of operations and a diverse product and service range. Maintain robust incident response and business continuity systems. In addition, Elders maintains a conservative balance sheet and diverse funding lines supported by an appropriate level of covenant headroom, to manage this potential volatility.

Material Business Risk	Our strategy
Climate change	
Climate change has the potential to impact on Elders' business. Impacts such as increased temperatures and varied rainfall patterns may have significant implications for the environment and conditions in which Elders conducts business.	In 2020 we will continue to develop: – our strategy in relation to measuring ESG risks and investigating opportunities; and – our reporting framework for climate change impacts and opportunities, with the establishment of dedicated sustainability resourcing within the group to ensure our stakeholders have 'decision useful' information, as it relates to our performance, prospects and longer-term strategic objectives.
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 to respond to and recover from the risk of disruption.
Food safety	
Elders handles livestock and red meat in its Feed and Processing operations which are destined for human consumption. The risk of contamination to these food products exists.	This risk is managed through HACCP accreditation in meat processing plants and strict animal health controls in the feedlot.
Fraud and corruption	
Elders is exposed to fraud, bribery and corruption risks, including in foreign markets in which it operates.	Elders has several controls to counter these risks, including appropriate segregation of duties, the terms of its Code of Conduct, compliance policies, fraud policy, anti-bribery and corruption policy, training throughout the business, financial reconciliation processes, whistle-blower policy and reporting hot-line, leave management protocols and an Internal Audit program which is complemented by periodic reviews conducted by the external auditor.
Counterparty and credit	
Elders deals with numerous counterparties of different types. We provide credit to approved counterparties, both domestically and internationally, and may be exposed to losses associated with a client's inability to repay debt.	This risk is managed by individual counterparty credit risk assessments, maintaining credit policies and procedures, oversight by the Credit Committee, debtor monitoring and reporting, trade credit insurance (major livestock processors debtor) and high-level reviews of significant credit issues by the CEO and CFO, and if sufficiently material, the Board. To address counterparty risk through its foreign operations, Elders performs counterparty risk assessments, undertakes due diligence processes and seeks to establish long-term strategic relationships with key customers.
Political	
Elders operates in domestic and foreign jurisdictions where the business may be affected by changes implemented by governments. In addition, subsidies given to foreign rural producers may adversely affect the competitive position of Australian rural outputs.	Elders controls consequential exposure to this risk through contractual means wherever practicable and seeks to cultivate a diverse range of international markets to reduce concentration risk. The Board maintains control and oversight over ventures in new jurisdictions.
Cyber threats	
Elders operations rely on information technology solutions which expose us to the threat of cyber disruption and loss of data.	Elders maintains a strong focus on our information technology capabilities and we continue to implement and embed stronger security for our IT infrastructure on a continuous improvement basis.
Logistics	
Due to the nature of our operations, we operate with complex supply chain challenges and work with numerous logistics suppliers in a dynamic operational and regulatory environment.	This operational risk continues to be a strong focus in 2020 and work with government regulators and other parties will continue to improve our processes across our supply chain as well as educate and inform the logistics providers we operate with.

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

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

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

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

IT'S MORE THAN A BUSINESS IT'S PERSONAL TOO

The Lehmann family have been farming in the Caltowie district, in South Australia's mid north, since the region was opened up for settlement in 1871. Today, Campbell View is a 900 hectare mixed cropping property, run by fourth-generation farmer Peter Lehmann and his son David.

A jovial pair, the Lehmanns have faced their fair share of challenges, with David's mother passing in early 2000 and Peter facing a second round of chemotherapy this year. But you wouldn't know it from their dispositions – their smiles are as bright as the canola crops blooming behind them as they talk of how they enjoy working together, and how embracing change is part of their job description.

Modern farming has been transformed by machinery – Peter speaks of how the pioneer settlers spread grain by hand – but it was still a tough job when he started farming more than 50 years ago. "We controlled our weeds by cultivation, we didn't have cabins on tractors, the work was physically very hard," he says.

In 2002, David turned his back on city life and teamed up with his father.

"The thing that probably convinced me to come home was Dad's approach to farming and his willingness to change things that perhaps weren't working, that could be machinery or agronomy," he says. "Dad's always been very open to new ideas, so it was an obvious choice in the end."

And the pair are facing a new set of challenges as they look to the future. "Scale is very important now in agriculture to remain competitive," David says. "Trying to do things as efficiently as possible is really important so that we can try to expand."

"Weather and environment are probably our greatest challenge, we're finding the seasons very hard to predict," David says. "To be able to successfully grow the crops we have in the past requires a lot more attention and focus."

"Technology's helping us a lot there," he says. "Cropping in this area hasn't massively changed in a long time, but we've got a lot of technology to help us do things better".

David says working alongside their agronomist, Darren Pech, and the Elders Jamestown team has helped drive their success.

"When I came home in 2002 we were dealing with Elders in agronomy and we're still with Elders now," he says. "We liked what they've done – we've had good agronomists and people that we've been able to build a really good relationship with."

"It's more than business, its personal too. It's a pleasure to have these guys on the farm," David says.

"We like what Elders are doing with agronomy, they have so many links to not only other properties within the district, but also interstate."

"We can get a really good perspective of what's happening season to season and how we can tackle issues, and capitalise on higher yields with cropping."

Peter says the association with Elders has endured for generations. "When I entered farming in 1966 we sold all of our stock and wool through Elders, and we still do," he says.

"One thing we particularly like about Elders is their people will go that extra mile for you, and give you support when you really need it," he says.

Top right:
Peter Lehmann (client), Caltowie SA
Top and bottom left:
David Lehmann (client), Caltowie SA

REVIEW OF OPERATIONS

Bridge Creek Station, Adelaide River NT

REVIEW OF OPERATIONS

Key Statistics

Rural Products	
Farm Supplies	$1.2 billion retail sales
Fertiliser	695k tonnes fertiliser
Agency Services	
Livestock	9.5 million head sheep 1.7 million head cattle
Wool	289k wool bales
Real Estate Services	
Farmland	$1.0 billion farmland sales
Residential	$0.7 billion residential sales
Property Management	9,300 properties under management
Franchise	126 franchisees
Financial Services	
Agri Finance	$3.0 billion loan book $1.7 billion deposit book $60.7 million StockCo book
Elders Insurance (20%)	$737.3 million gross written premium
Digital and Technical Services	
Fee for Service	159 agronomists
Auctions Plus (50%)	694k head sheep 78k head cattle
Elders Weather	190 million hits
Clear Grain Exchange (30%)	71k grain tonnes
Feed and Processing Services	
Killara Feedlot	63k head cattle
Elders Fine Foods	$13.7 million sales

Rural 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 159 agronomists nationwide, including 7 specialists operating through Thomas Elder Consulting. Elders also holds over 190 Australian Pesticides and Veterinary Medicines Authority (APVMA) registrations, which supports our backward integration strategy.

Performance

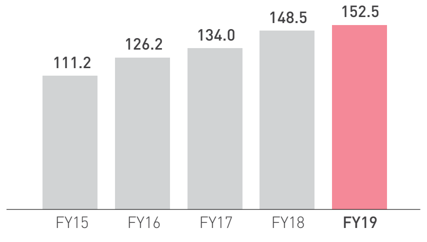
Rural Products margin improved $4.0 million (3%) on last year, mostly from the acquisition of TitanAg. Dry conditions in key areas has continued to subdue demand for crop protection and fertiliser, with northern New South Wales most affected.

Strategy

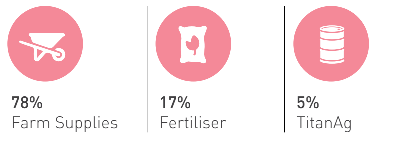
To deliver capital light, profitable growth of our Rural Products businesses by offering innovative products and superior customer experience, combined with targeted upstream investment.

Strategy	Achievement	Plan
Capital light, return on capital driven business model	– Enhanced retail capability and exposure to a higher value crop segment in the first year of the backward integration strategy (TitanAg model) – Implementation of rebate deal software to develop and improve processes – Further development in supplier trading agreements, including improvement in terms and performance-based target rebates – Continued focus on margin improvement through price book management	– Focus on business improvement to drive margin growth and inventory management – Establish 'best practice' procurement initiatives through a comprehensive review of the supply chain – Deliver synergies associated with Australian Independent Rural Retailers (AIRR) acquisition and the backward integration model
Customer and product focus	– Increased customer loyalty through the growth in agronomy services – Expansion into selected geographical gap areas through acquisition activity	– Establish a new wholesale channel through the acquisition of Australian Independent Rural Retailers (AIRR) – Better capture of customer metrics to improve product ranging initiatives
People	– Continued selective recruitment of high performing staff in key agricultural areas – Implemented various branch efficiency programs	– Roll out a new incentive model to drive organic growth and financial targets – Launch new reporting and dashboard tools to assist business performance – Establish a structured training program for managers in our branch network

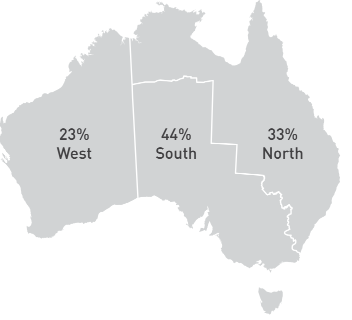
Rural Products margin ($m)



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

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

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

Performance

Agency margin declined $3.2 million (3%) on last year. This is mainly attributable to lower Wool activity, with fewer bales sold across all geographies in line with the overall fall in the market.

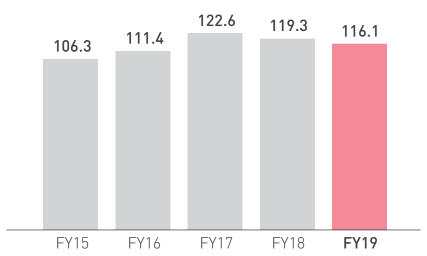
Cattle margin benefitted from increased volumes due to dry conditions and lack of feed, partially offset by easing prices. Sheep margin was boosted by strong prices, despite a decline in volumes, mainly in Southern Australia.

Strategy

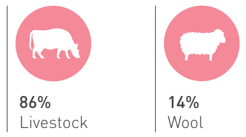
To deliver profitable growth of the Agency Services portfolio through business improvement, recruitment and acquisition for our Livestock and Wool businesses and through focussed growth of our Grain business.

Strategy	Achievement	Plan
Operating model	– Acquisition of wool specialists BN Proud in south western New South Wales – Livestock agency footprint expansion through acquisition of Livestock Consulting Tasmania – Restructure of Grain model including additional 10% investment in Clear Grain Exchange (CGX)	– Invest in Livestock, Wool and Grain product development to improve and expand offering – Continue footprint expansion through targeted acquisitions
People	– Progress transition to variabilised remuneration structures, with appropriate systems, which reward outperformance – High retention of trainees in Livestock program – Selective recruitment of Livestock and Wool personnel	– Geographical expansion through recruitment of key operatives with aligned values – Relaunch Elders Trainee program to build long term capability – Leverage 30% shareholding in CGX to improve grain value proposition and grow revenue

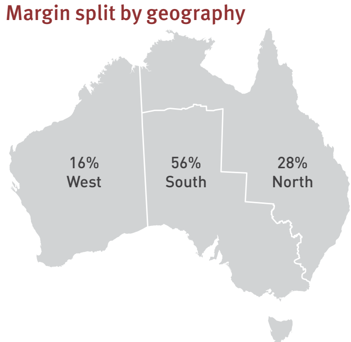
Agency Services margin ($m)[1]



Margin by product



Margin split by geography



1 Includes equity earnings from investments

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

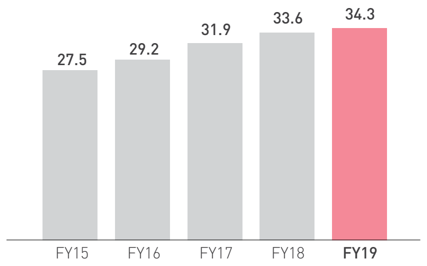
Real Estate margin improved by $0.7 million (2%) on last year, with the Southern and Western geographies driving the uplift. Broadacre turnover increased on last year, despite easing cattle prices and drought conditions continuing to affect Northern Australia. Additionally, property management and turnover for water broking services has contributed to the upside for the year.

Strategy

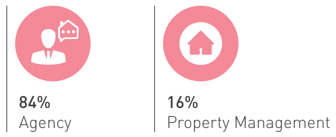
To deliver profitable growth of the Real Estate Services portfolio through driving business improvement, recruitment and acquisition for all real estate services.

Strategy	Achievement	Plan
Operating model	– Implementation of numerous business improvement initiatives, primarily focussed at brand enhancement, digital strategy and people development – Established a capital light water markets business and achieved significant market share growth – Established a significant rent roll asset through organic and acquisitive growth	– Continue to grow company owned farmland agency, residential agency and property management presence in major regional centres – Continue to grow market share in water broking – Enhance productivity and efficiency initiatives in our property management business – Continued enhancement of digital marketing and lead generation activity – Potential laddered branding strategy into additional markets
People	– Established a strong attraction and retention proposition through continued business improvement initiatives – Excellent retention rates for high performing sales agents – Strong participation levels in a modern training program	– Ongoing recruitment of high performing real estate sales representatives and water brokers – Recruitment of home loan brokers and real estate franchisees – Increased productivity through technology initiatives and training

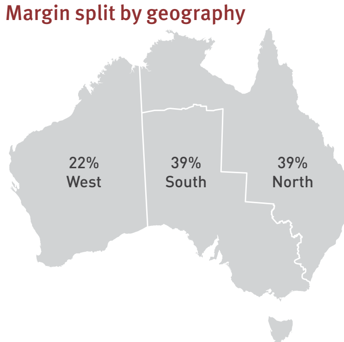
Real Estate Services margin ($m)



Margin by product



Margin split by geography



Financial Services

Elders distributes a wide range of banking and insurance products and services through its Australian network. We work together with a number of partners to deliver these offerings; Rural Bank and StockCo for banking and livestock funding products and Elders Insurance (a QBE subsidiary) for general insurance. Collectively, these relationships enable us to offer a broad spectrum of products designed to help our customers grow their business and manage cash flow and risk.

Performance

Financial Services margin was down $4.9 million (13%) on last year. This is mainly due to the new relationship agreement with Rural Bank resulting in margin decline ($6 million), which is offset by cost savings of $6 million post enactment.

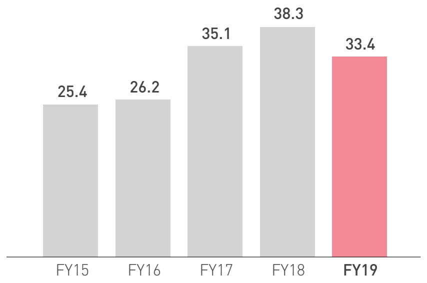
An additional $1.4 million margin was earned through the new Livestock in Transit delivery warranty launched on 12 June 2019.

Strategy

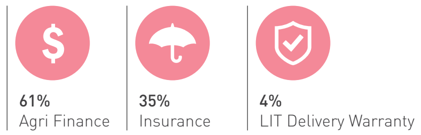
To deliver profitable growth of the Financial Services portfolio through business improvement, product development and upstream investment in our services business.

Strategy	Achievement	Plan
Deeper, more productive partnerships	– Increased digital presence through direct email and social media campaigns – New and extended relationship agreement with Rural Bank to provide our clients access to quality banking services	– Embed new Rural Bank distribution agreement and operating model and support growth in loan and deposit facilities through cross-promotion and referral – Collaborate with StockCo to expand and improve product offering – Engage in joint marketing and referral campaigns with Elders Insurance to grow gross written premiums
Expand Elders issued product offerings	– Launch of new Livestock and Wool in Transit delivery warranty associated with Elders' Agency Services	– Develop and enhance new and existing on balance sheet finance products to help growers fund inputs and manage cashflow – Grow Livestock and Wool in Transit revenue through increased uptake – Expand Elders finance footprint and capability through recruitment and training

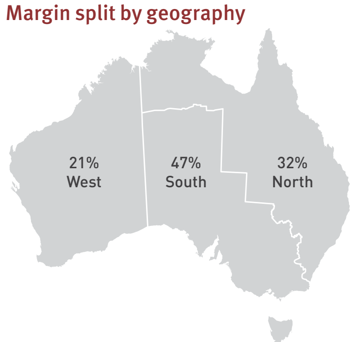
Financial Services margin ($m)[1]



Margin by product



Margin split by geography



1 *Includes equity earnings from investments*

Feed and Processing Services

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

Performance

Killara gross margin was up by $1.4 million (10%) on the prior year, which resulted mainly from higher utilisation and throughput.

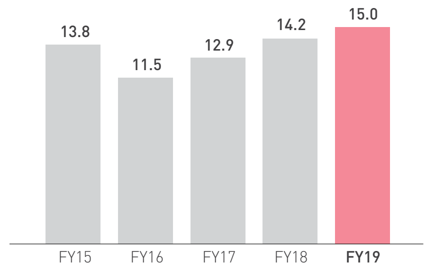
The China business was back $0.6 million on last year (50%) on last year due to lower margins, partially offset by cost savings.

Strategy

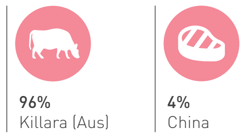
To deliver continuous improvement in EBIT and ROC for all businesses with active portfolio composition management.

Strategy	Achievement	Plan
Robust systems	– Improved sales channel for online and supermarkets in China to increase customer portfolio	– Further develop management systems and operational competencies in China
Return on capital focus	– Capital improvement at Killara has allowed high utilisation and efficiencies – Sustainable supply chain at Killara through use of backgrounding and external facilities	– Continued focus on procurement strategies and expansion opportunities at Killara – Allocation of capital based on approved business case discipline

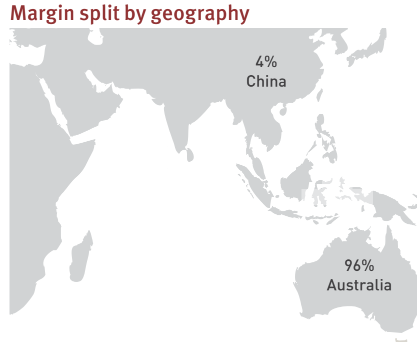
Feed and Processing Services margin ($m)



Margin by product



Margin split by geography



OUTLOOK

In line with the Eight Point Plan and the three-year goal to FY20, we are targeting 5-10% p.a. quality growth through the agricultural cycle, while maintaining a return on capital between 15-18%. This EBIT improvement is anticipated to be derived from organic and acquisition growth and continued focus on controlling base costs to offset inflationary increases.

The future financial performance of Elders will, as always, be subject to the influence of seasonal, market and international trade relation factors that affect the Australian farm sector. At the date of this report, the following conditions are forecast for FY20:

Rural Products

- Reduced summer cropping as dry conditions persist across north eastern and southern Australia, whilst winter cropping will increase but remain below long term average
- TitanAg earnings to grow into second full year of strategy
- Completion of Australian Independent Rural Retailers (AIRR) acquisition to provide entry to wholesale market and increased product diversification

Agency Services

- Wool margin increase with significant wool bales held in store in September
- Australian beef production and export volumes are projected to decrease due to reduced slaughter rates and a rebuild of the national herd, while low cattle supply and strong demand in China will increase prices
- Uplift in Australian sheep flock to be supported by strong sheep prices, which are forecasted to rise to historical highs due to strong saleyard competition and increased demand from China

Real Estate Services

- Demand for farmland property to remain strong
- Gains expected from residential and property management

Financial Services

- Financial Services to benefit from a full year of earn from Livestock in Transit (LIT) and Wool in Transit (WIT) delivery warranty products
- Full year impact of the new Rural Bank distribution agreement is anticipated to be a marginal increase in EBIT on last year
- Additional investment through shareholder advances to StockCo will generate greater earnings

Feed and Processing Services

- Killara feedlot earnings continue to be maintained at strong levels through high utilisation, easing feed costs and improved efficiencies

Costs and Capital

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

BOARD OF DIRECTORS

Mr Ian Wilton

MSc, FCCA, FCPA, FAICD, CA

Appointed Chair on 11 September 2019 and Non-Executive Director since April 2014. He is also Chair (appointed 11 September 2019) of the Work Health and Safety Committee and the Nomination and Prudential Committee and a member of the Audit, Risk and Compliance Committee (former Chair) and the Remuneration and Human Resources Committee.

Mr Wilton is an experienced Non-Executive Director and former Senior Executive with extensive knowledge of the agricultural sector. He has held Chief Financial Officer positions with Ridley Corporation Limited, CSR Sugar and GrainCorp Limited and was President and Chief Executive Officer of GrainCorp Malt. Ian is a Non-Executive Director and Chair of the Sheep CRC Limited (ceasing 31 January 2020) and a Non-Executive Director of Tivoli Investments Pty Ltd. He is also Chair of the advisory board of MacKay's Banana Marketing. Ian is a resident of New South Wales.

Mr Mark Charles Allison

BAgrSc, BEcon, GDM, FAICD, AMP (HBS)

Mr Allison joined Elders Limited as a Non-Executive Director in December 2009 and was appointed Managing Director and Chief Executive Officer in May 2014. Between July 2013 and May 2014 he served as Elders' Executive Chairman then Chairman. Mark's 35-year agribusiness career spans manufacturing, supply and distribution businesses.

Former senior roles include the positions of Managing Director with Farmoz Pty Ltd, Wesfarmers Landmark Limited, Wesfarmers CSBP Limited and CropCare Australia. He is currently Chair of both Agribusiness Australia and AuctionsPlus, and a Non-Executive Director of Graingrowers Limited.

Mark oversaw the development and implementation of Elders' Eight Point Plan in 2014 which returned the company to pure play agribusiness and resulted in the first shareholder distribution in nearly a decade. The current strategic Eight Point Plan runs to 2020, with the aim of achieving earnings growth of 5-10% with a sustainable return on capital over the full agricultural cycle.

Ms Robyn Clubb

BEc, CA, F Fin, MAICD
Non-Executive Director since September 2015. She is Chair of the Audit, Risk and Compliance Committee (appointed on 11 September 2019) and a member of the Remuneration and Human Resources Committee (former Chair), the Work Health and Safety Committee and the Nomination and Prudential Committee.

Ms Clubb 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 Holdings Pty Limited, Essential Energy, Chair of V&V Walsh Limited, Chair of the Australian Wool Exchange Limited, Chair of ProTen Limited and Member of the Rice Marketing Board for the State of NSW. 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. Robyn is a resident of New South Wales.

Ms Diana Eilert

BSc (Syd), MCom (UNSW), GAICD, member of Chief Executive Women
Non-Executive Director since November 2017. She was appointed Chair of the Remuneration and Human Resources Committee on 11 September 2019. She is also a member of the Audit, Risk and Compliance Committee, the Work Health and Safety Committee and the Nomination and Prudential Committee.

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

Diana's career includes roles as Group Executive for Suncorp's entire insurance business and subsequently Group Executive for Technology, People and Marketing. In her 10 years with Citibank, Diana's roles included Head of Credit Risk Policy, running the Mortgage business, and Lending Operations for Australia and New Zealand. She was also a Partner with IBM. In her final executive role as Head of Strategy and Corporate Development for News Limited, Diana developed a deep understanding of digital trends, disruption and alternate strategies for a large traditional business.

Diana is currently a Non-Executive Director of ASX listed companies Domain Holdings Australia Limited and Super Retail Group Limited, and has previously been a director of Navitas Limited, realestate.com.au (REA Group), Veda (data and analytics) and digital start-ups "onthehouse" and "OurDeal". Diana is a resident of New South Wales, sharing her time between Sydney and the family cattle farm on the NSW South Coast.

Mr Michael Carroll

B.Ag.Sc., MBA, FAICD
Non-Executive Director since September 2018 and former Chair (having stepped down from the latter role on 11 September 2019). He is also a member of the Nomination and Prudential Committee, the Work Health and Safety Committee, the Audit, Risk and Compliance Committee and the Remuneration and Human Resources Committee, having stepped down as Chair of the first two Committees on 11 September 2019.

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

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

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

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

Company Secretaries

Mr Peter Gordon Hastings

BA, LLB, GDLP, FGIA, Grad Dip Applied Corporate Governance, GAICD
Mr Hastings was appointed Company Secretary in February 2010. He held the position of Group Solicitor with the Elders Group between 1995 and 1999 and again between 2003 and 2010. He has also held the position of General Counsel since February 2010.

Ms Sanjeeta Singh

BEd (Primary), FGIA, Grad Dip Applied Corporate Governance
Ms Singh was appointed Joint Company Secretary in March 2016, after having been Assistant Company Secretary for the previous 6 years. Sanjeeta has extensive experience in all governance activities having served with Elders for over 10 years.

EXECUTIVE MANAGEMENT

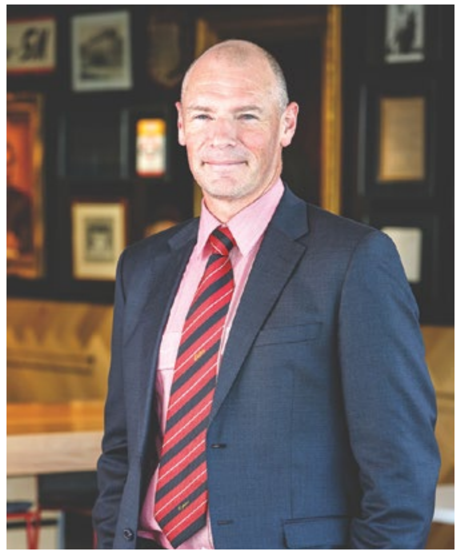
Mark Charles Allison

Managing Director & Chief Executive Officer

BAgrSc, BEcon, GDM, FAICD, AMP (HBS)
Mark joined Elders Limited as a Non-Executive Director in December 2009 and was appointed Managing Director and Chief Executive Officer in May 2014. Between July 2013 and May 2014 he served as Elders' Executive Chairman then Chairman. Mark's 35-year agribusiness career spans manufacturing, supply and distribution businesses.

Former senior roles include the positions of Managing Director with Farmoz Pty Ltd, Wesfarmers Landmark Limited, Wesfarmers CSBP Limited and CropCare Australia. He is currently Chair of both Agribusiness Australia and AuctionsPlus, and a Non-Executive Director of Graingrowers Limited.

Mark oversaw the development and implementation of Elders' Eight Point Plan in 2014 which returned the company to pure play agribusiness and resulted in the first shareholder distribution in nearly a decade. The current strategic Eight Point Plan runs to 2020, with the aim of achieving earnings growth of 5-10% with a sustainable return on capital over the full agricultural cycle.



Richard Davey

Chief Financial Officer

B.Ec Acc, FCA, AMP (HBS)
Richard has more than 17 years with Elders, 7 years as Chief Financial Officer. In addition to be being responsible for finance, tax and treasury, Richard is also accountable for a significant part of the back office including information technology, indirect procurement accounts payable, credit and property. These areas consist a significant part of Elders' head office costs, which the team has been successful in reducing by almost 25% since the commencement of the Eight Point Plan. Richard sits on a number of the Company's joint venture boards, as well as quarterly boards for operational units, including the overseas entities. Until recently he also had operational responsibility for the feed and processing area of the business.

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

Peter Hastings

Company Secretary & General Counsel

BA, LLB, GDLP, FGIA, Grad Dip Applied Corporate Governance, GAICD
Peter is a highly experienced corporate lawyer with over 28 years' experience, commencing as Elders Company Secretary & General Counsel in 2010. Peter is an integral member of the team that worked hard to protect shareholder interests through many years of financial distress and, subsequently, that has positioned Elders for growth, and implemented strategies to achieve this.

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

James Cornish

General Manager Network & Northern

DipBusM, AMP (HBS)
Since 2011 James has overseen the West Zone branch network as Zone General Manager West. He was appointed General Manager Network & Northern in October 2019, this role will see James lead the national branch network and take on the Zone General Manager role for the North zone.

With more than 24 years' experience in agribusiness, James has worked across a range of locations and products throughout Elders. Over the past 12 months, James has successfully integrated numerous acquisitions, has achieved significant growth and excellent EBIT performance in the West.

Malcolm Hunt

Zone General Manager South

GCM, SMDP (AGSM), Wool Classer, Licensed RE Agent VIC, NSW, TAS, ACT
With close to 40 years under his belt as a wool broker, stock & station agent and network manager, Malcolm has operated as Elders' Zone General Manager for the South Zone since 2012.

Malcolm has led a key business unit that has played a significant role in Elders' resurgence and has continued to expand the Elders footprint, whilst assisting producers increase the productivity and profitability of their businesses.

Olivia Richardson

General Manager People & Culture

BMgmt (Hons)
Olivia was appointed General Manager People and Culture in January 2018. Having been with Elders for 13 years, she is well acquainted with Elders people, appreciating that they are loyal and committed to doing the best for their communities. Olivia's priorities include maintaining an engaged and enabled workforce, investment in learning and development programs, creating a diverse and inclusive workforce, and building on the pride in the pink shirt. Notable achievements include refreshing the learning and development framework to ensure people are equipped with the relevant skills and technical expertise to do their job; and the refresh of our Employee Value Proposition aimed at promoting Elders as a great place to work to drive retention and attraction of high calibre staff.

Prior to Elders, Olivia has worked across Human Resources in FMCG, Financial Services and Telecommunications throughout Australia, the UK and Europe.

David Adamson

General Manager Agency & Financial Services

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

General Manager Agency since 2014, David was appointed General Manager Agency & Financial Services in October 2019 and is responsible for product strategy and implementation across the livestock, wool, grain and financial services product suite.

David's background in agricultural production, agri-finance and operations mean he is well positioned to lead product development across all parts of the agency and financial services businesses. David sits on the boards of our joint venture partners StockCo, Elders Insurance and Clear Grain Exchange.

Liz Ryan

General Manager Strategy, Customer & Digital

BCom/DipArts, MBA (Cambridge), GAICD

Liz was appointed General Manager Strategy, Customer & Digital in October this year, which will provide us clear focus on the Elders strategy beyond the Eight Point Plan in 2020. With dedicated attention to the customer experience across all channels integrated with digital solutions, marketing and strategy, Liz is excited for the challenge.

Liz joined Elders in 2016 as General Manager Financial Services, and during her tenure in this role she led the Rural Bank contract renegotiation, StockCo and Elders Insurance equity acquisitions and the new Livestock in Transit delivery warranty launch. Financial Services contribution to Elders earnings has grown significantly during this period. Prior to Elders, Liz worked in the management consulting sector and across strategy and business development roles at General Electric.

Kiim Lim

General Manager Business Development

BCom, CPA

Kiim commenced with Elders in March 2006 in various roles within the finance team prior to leading the Business Development function as General Manager Business Development in 2018.

This year, Kiim has successfully led the completion of many acquisitions including Australian Independent Rural Retailers (AIRR), Livestock and Wool in Transit delivery warranty, various retail, agency and real estate bolt-ons and the wind down of the Indonesian beef retail business. Prior to Elders, Kiim's career included working with PricewaterhouseCoopers for 5 years in Penang, Malaysia and Adelaide.

Tom Russo

General Manager Real Estate

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

Tom has previously been the Chief Executive of a specialist international law firm and practiced as a corporate lawyer with a focus on mergers and acquisitions, corporate finance, complex contractual projects, corporate governance and intellectual property.

Tom played a pivotal part in devising and implementing the turnaround strategy for Elders, including executing a number of large and complex divestment initiatives. Since assuming responsibility for the real estate product in 2016, Tom's focus has been firmly on building the capability of the product team to deliver outstanding support to the real estate business to establish a foundation upon which to grow it. Tom has vastly improved the marketing, digital strategy and training capability in order to support the existing network and drive brand presence in all key markets.

Richard Norton

General Manager Rural Supplies

GradDip Business, MBA, GAICD International, Licensed Real Estate, Stock & Station and Business Agent NSW

Richard joined Elders as General Manager Network in January 2019 and has been appointed to General Manager Rural Supplies from October 2019 to maximise synergies across warehousing and distribution, management of patents, leverage supplier relationships and lead our advisor network, Thomas Elder Institute and Thomas Elder Consulting. Richard comes from a fifth generation beef and sheep farming family from Monaro, NSW and has over 20 years industry experience as a stock agent and auctioneer.

Richard has held the position of Managing Director Meat & Livestock Australia and has held executive positions in retail, manufacturing, logistics and warehousing with Woolworths, Coca-Cola, Wesfarmers and Toll Holdings. Richard was a Non-Executive Director of Agrium Asia Pacific, the Australian Wheat Board, RD1 New Zealand, and Australian Wool Handlers. He was head of Live Export and International Trade and subsequently Managing Director of Landmark Operations Australia as well as holding the position of Chairman of Integrated Traceability Solutions (Global) and AuctionsPlus. Richard is a Non-Executive Director of Rifa Salutary and Rifa Investments, a privately owned Australian pastoral company.

Nick Fazekas

Zone General Manager West

BAppSc – Ag

Nick has more than 28 years of experience in agricultural services. Since 2014 he has lead the Retail function as General Manger Retail. Having focussed on overseeing the strategy and procurement functions for the wider Elders retail business he is well placed to lead the West Zone to support the delivery of greater revenue and margin recently appointed in October 2019 as Zone General Manager West.

Nick is excited about the opportunity to provide further direction to the West and is particularly focussed on increasing the Elders footprint through additional acquisitions across all product groups.

Nick's initial focus will be spending time in the field with staff and clients to gain valuable feedback on increasing our service offering and building on our existing client base.

Nick Clark

General Manager Business Improvement

BCom, CA, GAICD

Nick was appointed General Manager Business Improvement in October 2019. He joined Elders in 2010, becoming Group Financial Controller in 2013. In that role, Nick showed an affinity for driving continuous improvement across both the finance function and the general business. His achievements include leading the successful implementation of enhanced retail rebate software, and an upgraded sales performance measurement tool. Nick's current priorities relate to the successful design, implementation and execution of efficiency gains and improvements across Elders' systems, processes, employee capabilities, and customer experience.

Bernard Seal

Zone General Manager Central

BBus, Registered Land Agent (SA)

Bernard joined the executive team as General Manager Central Zone in October 2019. Hailing from a wheat and sheep farm on the Eyre Peninsula, Bernard's career began in the wool industry, before working as an Agribusiness Manager with the NAB in regional Victoria and Regional Manager for the Eastern Zone with Viterra.

Bernard's career with Elders spans 14 years, the last 7 as Operations Manager for the South Zone. With experience across multiple products and geographies, he is now responsible for leading the continued growth of the Central Zone.

From left to right:
Sarah, Audrey, Kate and Nick Wadlow (clients), Old Ashrose, Hallett SA

THE WADLOWS' STORY

The Wadlows are intrinsically tied to the land, and to Elders.

Nick Wadlow's ancestral family includes Sir Thomas Elder, youngest of the Elder brothers, and the man largely responsible for building Elders into one of the world's largest wool-selling firms by the middle of the 19th Century. Sir Thomas also drove the extension of pastoral land into untouched parts of South Australia, including the mid north, where Nick and his family breed some of the best merino in the country.

Kate, Nick's wife also has a long association with the land. Originally an Ashby, her family came to Australia and settled in the area in 1910, with her great-grandfather founding the Ashrose stud.

Having just taken out Supreme Merino Exhibit at the Royal Adelaide Show for the first time since 1994, the Wadlows are quick to recognise the contribution of their local Elders team to the success of their business, and to the local community.

"I can't remember when we didn't have Elders in our household," Kate says. "They've always been part of the furniture as agronomists and livestock agents. It's been fantastic, and not just in work, but across the community in the local area. Elders has been part of everything we do," she says.

Nick says that despite the environmental challenges of farming and a shrinking population in rural areas, he's confident of Elders' support well into the future.

"Elders being a South Australian company means a lot to us. We value that, and the fact it's Australian".

"The Elders staff we deal with – our kids have grown up with them – they know them all personally. They're part of the family really," he says.

"Our biggest achievement is growing our business," Nick says.

"The stud's been a big part of that, having the clients we have and the relationships we've built, particularly with Elders".

DIRECTORS' REPORT

Don White (client), Bridge Creek Station, Adelaide River NT

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

- Ian Wilton, Chair
- Robyn Clubb
- Diana Eilert
- Michael Carroll

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 33 to 40 of this annual report.

Ceased Director

James Hutchison Ranck, was appointed as Non-Executive Director in June 2008 and as Chairman in April 2014. Mr Ranck retired from the Elders Board of Directors at the conclusion of the 2018 Annual General meeting on 13 December 2018.

Principal Activities

The principal activities of Elders during the year were:

- the provision of retail products (farm supplies and fertilisers) and associated services to the rural sector;
- the provision of livestock and wool agency services;
- the provision of real estate sales agency services (both company owned and franchised) and property management services;
- the provision of, or arrangement for the provision of, financial services to rural and regional customers;
- the provision of digital and technical services and investments in the Auctions Plus and Clear Grain online trading platforms;
- feedlotting of cattle; and
- red meat supply chains in China.

Results and Review of Operations

The consolidated entity recorded a profit for the year, after tax and non-controlling interests, of $68.9 million (2018: profit of $71.6 million). A review of the operations and results of the consolidated entity and its principal businesses during the year is contained in pages 26 to 31 of this report.

Significant Changes in the State of Affairs

In August 2019, Elders successfully completed a capital raise. In total, 24,684,685 new shares were issued under an entitlement offer and placement to raise approximately $137 million. The capital was raised to part fund the purchase of AIRR Holdings Limited (AIRR).

On 13 November 2019, 13,050,001 shares will be issued to the vendors of shares in AIRR.

Events Subsequent to Balance Date

Subsequent to 30 September 2019, AIRR Holdings Limited's shareholders approved the necessary resolutions to give effect to the scheme of arrangement for Elders to acquire 100% of the fully paid ordinary shares in AIRR. On 29 October 2019 this scheme of arrangement was approved by the Federal Court of Australia. The acquisition is expected to be effective on 13 November 2019.

There are no other matters or circumstances that have arisen since 30 September 2019 which are not otherwise dealt with in this report or in the consolidated financial statements that have 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 other likely developments in the operations of the consolidated entity and the expected results for those operations in future financial years is included on page 32 of this report.

Share and Other Equity Issues During the Year

The following ordinary shares were issued during the year:

Relevant date	No. of ordinary shares issued	Reason for issue
12 November 2018	857,200	Shares issued upon vesting of performance rights in accordance with Elders Limited Long-term Incentive Plan
14 December 2018	61,609	Shares issued in accordance with Elders Dividend Reinvestment Plan for dividends paid on 14 December 2018
21 June 2019	228,490	Shares issued in accordance with Elders Dividend Reinvestment Plan for dividend paid on 21 June 2019
24 July 2019	7,234,079	Shares issued under Institutional Placement
24 July 2019	10,710,995	Shares issued under the Institutional component of Elders' Entitlement Offer
12 August 2019	6,739,611	Shares issued under Retail Component of Elders' Entitlement Offer

The total number of ordinary shares on issue at the date of this report is 141,650,621.

Dividends and Other Equity Distributions

On 8 November 2019 the Directors resolved to pay a final dividend of $0.09 per ordinary share, fully franked, bringing dividends for 2019 to $0.18 per share. In accordance with a determination made by the Directors, Elders Dividend Reinvestment Plan remains in operation.

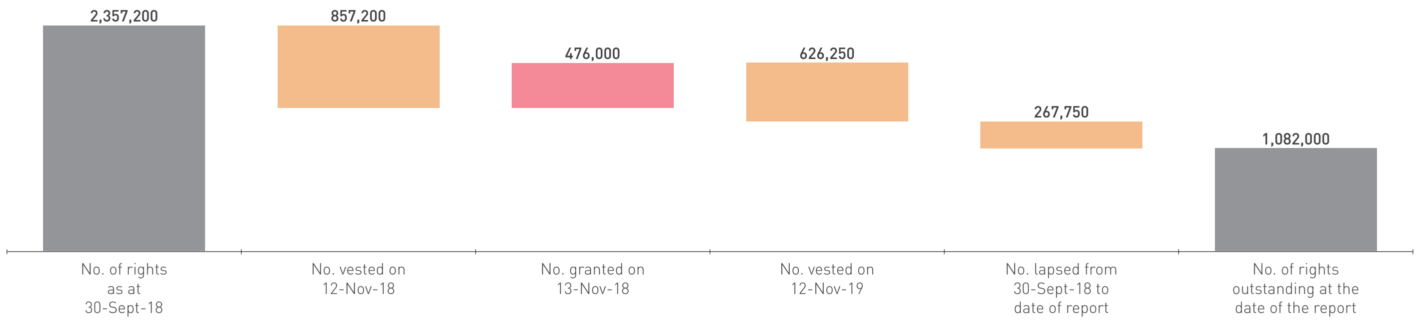
Dividends paid during the year were as follows:

Dividend	Date resolved	Date paid	Dividend per share	Franking rate %	Total Dividend
Final Dividend for Year Ended 30 September 2018	9 November 2018	14 December 2018	$0.09	100	$10,063,126.17
Interim Dividend for Year Ended 30 September 2019	17 May 2019	21 June 2019	$0.09	100	$9,203,672.16

Share Options and Performance Rights

Share options and rights may be granted to company executives under a long-term incentive plan forming part of Elders' remuneration structure. Information on this element of the remuneration structure is provided in the Remuneration Report commencing on page 48 of this annual report, and summarised below.

The total quantity of performance rights disclosed in table 5 on page 55 of the Remuneration Report on issue at 30 September 2019, if vested, would represent 0.76% of the Company's issued ordinary shares.



No other options are on issue at the date of this 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 on page 64 of the Remuneration Report.

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

Attendance at Meetings by Directors

Details of Director attendance at meetings in the 12 months to 30 September 2019 are set out below.

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

	Board of Directors		Work Health and Safety Committee		Audit, Risk and Compliance Committee	
	Attended	No. of meetings held during relevant period	Attended	No. of meetings held during relevant period	Attended	No. of meetings held during relevant period
M C Allison	20	20	-	-	-	-
M Carroll	20	20	2	2	6	6
R Clubb	20	20	2	2	6	6
D Eilert	20	20	2	2	6	6
J H Ranck	5	5	-	-	2	2
I Wilton	20	20	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
M C Allison	-	-	5	5
M Carroll	6	6	5	5
R Clubb	6	6	5	5
D Eilert	6	6	5	5
J H Ranck	3	3	2	2
I Wilton	6	6	5	5

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 of the holding company 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 48. 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. In August 2019, Killara received an official caution and two penalty notices for drawing water from wells in excess of its licensed allocation. Otherwise, no breaches of environmental regulations affecting Killara were reported during the year ended 30 September 2019 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 2019 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. Elders has an internal branch audit program to help ensure that it complies with these regulations. In addition, many of Elders' branches and personnel participate in an accreditation, training and audit program operated by Agsafe.

In August 2018, the Environmental Protection Agency attended the Barmera (SA) branch and determined that wastewater had been discharged onto neighbouring land. The EPA subsequently conducted a full investigation, directed that certain remediation works be carried out, and issued expiation notices (totaling $1,420) to Elders. The remediation works have been completed and the expiation notices paid.

Elders is not aware of any other breaches of environmental regulations affecting Elders' retail operations that were reported during the year ended 30 September 2019 or to 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 $8,000
- Other non-audit services $29,566

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 114.

This report, including the Remuneration Report commencing on page 48 is made in accordance with a resolution of Directors.

Ian Wilton
Chair

M C Allison
Managing Director

Adelaide
11 November 2019

REMUNERATION REPORT

Nick and Kate Wadlow (clients), Old Ashrose, Hallett SA

REMUNERATION REPORT

The Directors of Elders Limited present the Remuneration Report for the consolidated entity for the year ended 30 September 2019. 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

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.

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), GM Network and those Executives 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.

A summary of key remuneration outcomes for the 2019 financial year is set out in table 1.

Changes to KMP

The following changes in KMP occurred in the year ended 30 September 2019:

Senior Executives

- Richard Norton appointed to the position of GM Network and commenced from 7 January 2019.

Non-Executive Directors

- Hutch Ranck resigned as Chair effective 13 December 2018
- Michael Carroll appointed as Chair for the period 13 December 2018 to 11 September 2019
- Ian Wilton appointed as Chair effective from 11 September 2019.

FY19 Performance

Our strategic Eight Point Plan targets sustainable earnings growth over the agricultural cycle.

Lower wool volumes and reduced summer cropping during the reporting period impacted the 2019 result, with a ROC of 18.2% recorded, 6% lower than that achieved over the prior year at a higher point in the cycle.

KMP remuneration outcomes for 2019 financial year reflect those factors.

Fixed Remuneration

At the start of 2019 financial year, as part of the annual review of fixed remuneration across the organisation, the MD & CEO and Senior Executive KMP had their fixed remuneration reviewed. As a result, effective from 1 January 2019, each Senior Executive KMP received a fixed remuneration increase ranging from 1.0% to 1.5%, being in line with market movements and the MD & CEO received a fixed remuneration increase of 5%. The Board reviewed market data for CEO comparator companies and relevant peers and determined it appropriate to award Mr Allison the TFR adjustment in recognition of his achievements in performance outcomes.

Variable Remuneration

Short-term Incentive Plan

Elders STI pool is generated based on achievement of budgeted EBIT and Return on Capital, having regard to acceptable safety and compliance measures, aligning STI outcomes with Company performance.

As Elders did not achieve threshold EBIT performance there is no 2019 short-term incentive payments for the MD & CEO and Senior Executives.

Long-term incentive (LTI) grant in the year

The rights granted in 2019 financial year to the CEO & MD were approved by shareholders at Elders' AGM held on 13 December 2018. Following this, the Board approved a grant of performance rights to selected senior management.

The performance measures of this grant are in accordance with the 2017 and 2018 grant with key metrics of Absolute Total Shareholder Return (TSR), Earnings per Share growth (EPS) and Return on Capital (ROC) over a 3-year performance period ending 30 September 2021.

These measures are designed to focus executives on continuing to drive sustainable growth and shareholder return aligned to our strategic plan. Details of this grant are outlined in table 5.

Long-term incentives vesting in the year

The performance rights granted in 2017 financial year (grant date 16-Dec-16) under the Long-term Incentive Plan had a three-year performance period which concluded 30 September 2019. Testing against the three performance conditions, being Elders' Absolute Total Shareholder Return, Earnings per Share growth and Return on Capital resulted in 75% vesting.

Further details on the vesting are outlined in table 8.

Summary of Remuneration outcomes for 2019

Table 1 below presents the remuneration paid or payable, or vested for, the MD & CEO and Senior Executive KMP in respect of the 2019 financial year. The information in Table 1 is unaudited and is different from and additional to that required by Accounting Standards and statutory requirements which is provided in Table 9 on page 60.

Table 1 — Remuneration outcomes for 2019 (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*	896,447	-	2,277,600	20,649			-	3,194,696
R I Davey	*CFO*	511,109	-	657,000	20,649			-	1,188,758
R L Norton[5]	*GM Network*	367,636	-	-	15,516	50,000	4,730	-	437,882
J H Cornish	*GM Zone West*	357,387	-	481,800	20,649		1,200	-	861,036
M L Hunt	*GM Zone South*	387,912	-	525,600	20,649		33,474	-	967,635

1 STI that will be paid for performance in the 2019 financial year.
2 Value of any performance rights that vested during the 2019 financial year based on the closing share price on the date of vesting. This figure does not represent the value of rights granted during the 2019 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)
5 Figures relate to part-service for R L Norton who commenced 7 January 2019. Other Monetary relates to sign-on bonus payable as part of Mr Norton's recruitment.

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 (Executive KMP) during the financial year:

Table 2 — Key Management Personnel

Name	Position/s held	Period held in 2019 (if not full year)	
Non-Executive Directors (NED)		**Commenced**	**Ceased**
J H Ranck	*Chair*		13 December 2018
R Clubb	*Director*		
I Wilton[1]	*Chair*	11 September 2019	
D Eilert	*Director*		
M Carroll[1]	*Director*		
MD & CEO and Senior Executives (Executive KMP)			
M C Allison	*Managing Director and CEO*		
R I Davey	*Chief Financial Officer*		
R L Norton	*General Manager Network*	7 January 2019	
J H Cornish	*Zone General Manager West*		
M L Hunt	*Zone General Manager South*		

1 I Wilton served as a Director for the period in 2019 prior to being appointed Chair and M Carroll held the role of Chair from 13 December 2018 to 11 September 2019.

Section 2 — Remuneration Governance

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

The Remuneration and Human Resources Committee (Committee) is responsible for reviewing and making recommendations to the Board in relation to people management and remuneration strategies and policies aligned with Elders' overall objectives and to ensure that remuneration outcomes for KMP are appropriate and aligned to company performance and shareholder expectations. The Committee operates in accordance with the guidance set out in the ASX Corporate Governance Council Principles and Recommendations.

Further information on 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 independent Non-Executive Directors.

B. 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 2019, the Committee engaged remuneration advisors Guerdon Associates and received remuneration and market practice advice and information relating to remuneration of MD & CEO and remuneration of Non-Executive Directors.

No remuneration recommendations, as defined by the *Corporations Act 2001 (Cth)*, were made by remuneration advisors.

Section 3 — Remuneration Framework & Policy

A. Remuneration structure

The remuneration for Executive KMP 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 described in Table 3.

B. Remuneration mix

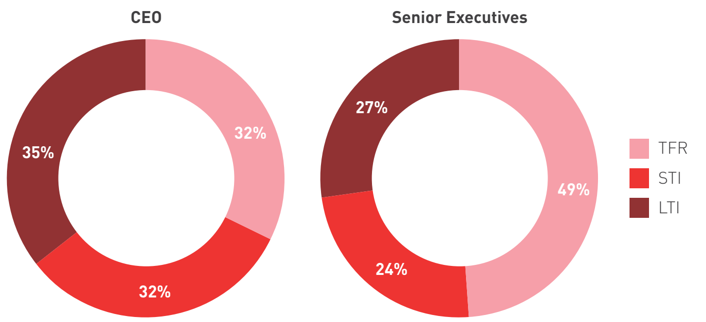
Remuneration packages are structured to ensure a portion of an executive's reward depends on meeting individual, business unit and Elders' targets and objectives, including maximising returns for shareholders.

Chart 1 assumes the at-risk remuneration components are at their maximum, and represents Elders' intended policy in respect of remuneration structure.

Table 3 — Remuneration Structure

Remuneration Component	Total fixed remuneration (TFR)	Short-term incentive (STI)	Long-term incentive (LTI)
Purpose	TFR is set with reference to external market for like positions and takes into account: – size and complexity of role; – individual responsibilities; and – capabilities, skills and experience.	STI rewards for in-year performance for Elders' overall and business unit level results.	LTI supports alignment to long-term overall company performance rewarding for delivery of longer term strategy and creating shareholder value.
Delivery	Base salary, superannuation and any other benefits (including Fringe Benefits Tax on those benefits) the Executive KMP has nominated to receive as part of their package. These benefits may include motor vehicle leases, car parking and any additional superannuation contributions beyond the statutory maximum.	Payments are made in cash or elected to be paid as shares; Executive KMP, excluding the MD & CEO may elect to salary sacrifice to acquire Elders' shares via the Deferred Employee Share Plan.	Performance rights (vesting after three years, subject to performance).
Approach	Reviewed annually and adjusted according to market relativity, Elders' overall performance and the Executive KMP performance over the previous year. The Board monitors the CEO's performance on an ongoing basis throughout the year through regular management reporting and reporting of the various Board Committees.	Assessment of Executive KMP performance against the relevant KPIs is determined by the MD & CEO (except for himself which is determined by the Committee) with recommendations referred to the Board for approval. Table 4 summarises the key components of the STI plan.	LTI grants are made 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. Table 5 summarises the current LTI grants.

Chart 1 — Remuneration structure at maximum



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)	The MD & CEO and Senior Executives are eligible for an STI if Elders achieves threshold financial performance hurdles including Underlying EBIT and ROC. For the MD & CEO the metrics below are based on Elders' overall performance and the Senior Executives STI is based on Elders' overall performance, business unit and individual performance against KPIs.	
Exercise of discretion	The MD & CEO may recommend discretionary incentive payments to Executive KMP (except himself) for approval by the Committee.	
Service condition	Any STI payable to Senior 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.	
Clawback	Elders may recover amounts made, where the STI was calculated on financial results due to: – a material non-compliance with any financial reporting requirement; or – misconduct of any employees, contractors or advisers; and as a result of which the actual metrics and outcomes used to determine the STI were incorrect, and as such a lower payment would have been made based on the restated results.	

Performance measures (MD & CEO):

		Weighting
Safety	Driving significant progress in achieving an injury free workplace.	10%
Financial and Operational Performance	Achievement of financial outcomes including Underlying Earnings Before Interest and Tax (EBIT) and Return on Capital (ROC) targets.	40%
People and Key Relationships	Achievement of targets relating to employee effectiveness, diversity and customer satisfaction.	15%
Efficiency and Growth	Achievement of targets relating to creating value through the delivery of key milestones of the Eight Point Plan.	35%

D. Long-term incentive

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

Table 5 — Summary of current Long-Term Incentive grants (excludes grant vesting in Table 8)

Maximum LTI opportunity as % of TFR: 110% MD & CEO
55% Senior Executives

	FY18		FY19	
Grant date	14-Dec-17 16-Feb-18	MD & CEO other participants	13-Dec-18 15-Feb-19	MD & CEO other participants
As at 30 September 2019 No. of rights outstanding and no. of participants	200,000 Rights 430,000 Rights	MD & CEO 12 other participants	146,000 Rights 306,000 Rights	MD & CEO 11 other participants
Performance period (3 years)	1 October 2017 to 30 September 2020		1 October 2018 to 30 September 2021	
Performance conditions	The performance rights will be split into three tranches, each carrying a different performance condition and weighting.			

Tranche 1	Absolute Total Shareholder Return (TSR)	50% weighting
Tranche 2	Earnings per Share (EPS) growth	25% weighting
Tranche 3	Return on Capital (ROC)	25% weighting

Performance measures and vesting

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

	Absolute TSR over performance period		% of rights in tranche that vest
	FY18	FY19	
Target	12%	10%	50%
Stretch	15%	14%	100%

– *Less than Target no rights vest*
– *If greater than Target but less than Stretch is achieved, 50-100% of rights vest on a straight line sliding scale.*

Absolute TSR will be measured using opening and closing share prices determined as follows:
– the opening share price value, being the 5 trading day VWAP up to and including 30 September the day prior to the first day of the performance period; 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.

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 Target for the performance period. The % of EPS rights that will vest is determined as follows:

	EPS CAGR over performance period		% of rights in tranche that vest
	FY18	FY19	
Target	n/a	7%	50%
Stretch	10%	10%	100%

– *Less than Target no rights vest*
– *If greater than Target but less than Stretch is achieved, 50-100% of rights vest on a straight line sliding scale.*

	FY18	FY19
Performance measures and vesting	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 on the last day of performance period. Additional vesting condition 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 being a day prior to the start of the performance period. Upon vesting of performance rights one fully paid share in Elders will be allocated for each performance right.	
Performance testing	Testing of the performance conditions will occur once the results for the relevant performance period have been audited and approved by the Board. There will be no re-testing of performance.	
Other		
Clawback	The Board may determine that any unvested rights will lapse or be forfeited, and/or the participant must pay or repay as a debt, proceeds from shares allocated in certain circumstances such as in the case of fraud, gross misconduct, breach of duties or obligations.	
Dividends	For each fully paid ordinary share allocated on vesting, participants will receive additional ordinary shares equivalent to the value of the dividends paid (but not received) over the performance period. No dividend equivalent shares are provided on rights which do not vest.	
Treatment of unvested rights on cessation of employment	The Board has overriding discretion over the treatment of unvested performance rights when an Executive KMP ceases employment. On cessation of employment the Board may at its discretion allow the Executive KMP to retain a pro-rated number of rights based on the portion of the performance period the participant has worked and the rights to remain "on foot" until the end of the performance period. All other performance rights will lapse on cessation.	
Dealing in Securities	KMP are not permitted to deal in Elders' securities without prior permission from Elders and are only permitted to trade during open periods and are required to disclose all dealings. The measures are designed principally to manage insider trading risk and align the interests of KMP with Elders' security holders.	
Corporate actions/ reconstructions	Subject to the ASX Listing Rules, in conformity with the Rules the Board has discretion to make adjustments to one or more of: – the exercise price of the options; – the number of options/rights; – the number of shares received upon exercise of options/vesting of rights; and – the performance conditions, in the event of a corporate restructuring, major transaction or capital event or to prevent any unintended consequences.	

Impact of AIRR acquisition and leasing standard on performance measures

During FY20 the Board will review the performance targets for the 2018, 2019 and 2020 LTI grants with reference to the AIRR acquisition and changes to leasing standards to determine if the current performance conditions remain fair and reasonable. If the Board determines any adjustments are required the Board will ensure the participants are not materially prejudiced or advantaged relative to the position reasonably anticipated at the time of the original grant.

Other equity schemes in which one or more KMP participate

Mr Allison previously held shares of 1,685 under Elders Deferred Employee Share Plan (DESP). The DESP enabled participants to salary sacrifice up to $5,000 of salary to acquire restricted shares and the income tax on the acquisition of the plan shares could be deferred for up to 7 years. Elders makes no contribution to this plan other than funding the cost of administration. As at 30 September 2019 no KMP have holdings under the DESP.

Section 4 — Link Between Elders' Financial Performance and remuneration

A. Elders performance

Our remuneration strategy is aligned to our strategic and business objectives, designed to create shareholder wealth and linking our executive remuneration outcomes to performance.

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

The performance conditions of our current LTI grants, outlined in Tables 5 and 8 include absolute Total Shareholder Return (TSR), Earnings Per Share (EPS) and Return on Capital (ROC).

Table 6 shows Elders' performance in relation to a number of financial and operational performance measures over a five-year period.

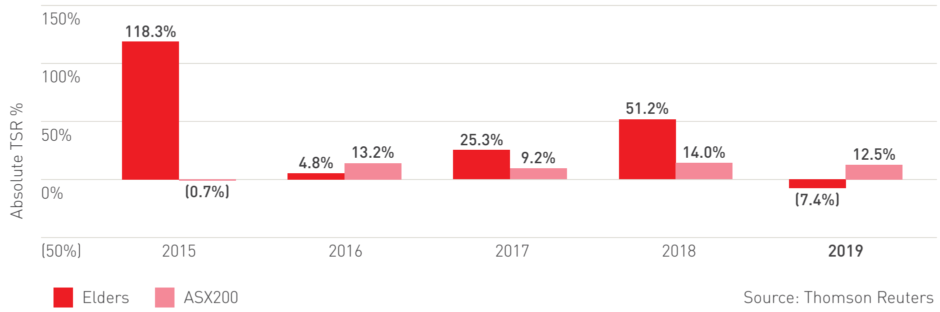
Table 6 — Elders' performance and Remuneration Outcomes

Performance measure ($ millions)	2015	2016	2017	2018	2019
Sales revenue	1,502.0	1,519.3	1,582.5	1,599.4	1,667.3
Underlying EBIT	40.5	56.1	71.0	74.5	73.7
Statutory profit	38.3	51.6	116.0	71.6	68.9
Return on Capital based on underlying earnings	21.9%	28.1%	28.6%	24.2%	18.2%
Cashflow from operating activities	(5.3)	48.7	81.6	(12.1)	11.2
STI Outcomes – average % received of maximum opportunity	55%	54%	88%	81%	0%
LTI Outcomes – vesting %	70%[1]	n/a[2]	100%	100%	75%

1 This represents the vesting of Tranche 3 of the 2011 Grant with Tranche 1 and Tranche 2 lapsing in full.
2 No Long-term incentive grants were due to vest in the 2016 financial year hence the reason of nil vesting in 2016.
Note: The 2018 figures in the table above are restated to reflect continuing operations as at 30 September 2019. 2018 Cashflow from operating activities is affected by higher retail debtors, due to the late season and timing of receipts, and agency services have returned to normalised year end balances.

Chart 2 — Absolute TSR %

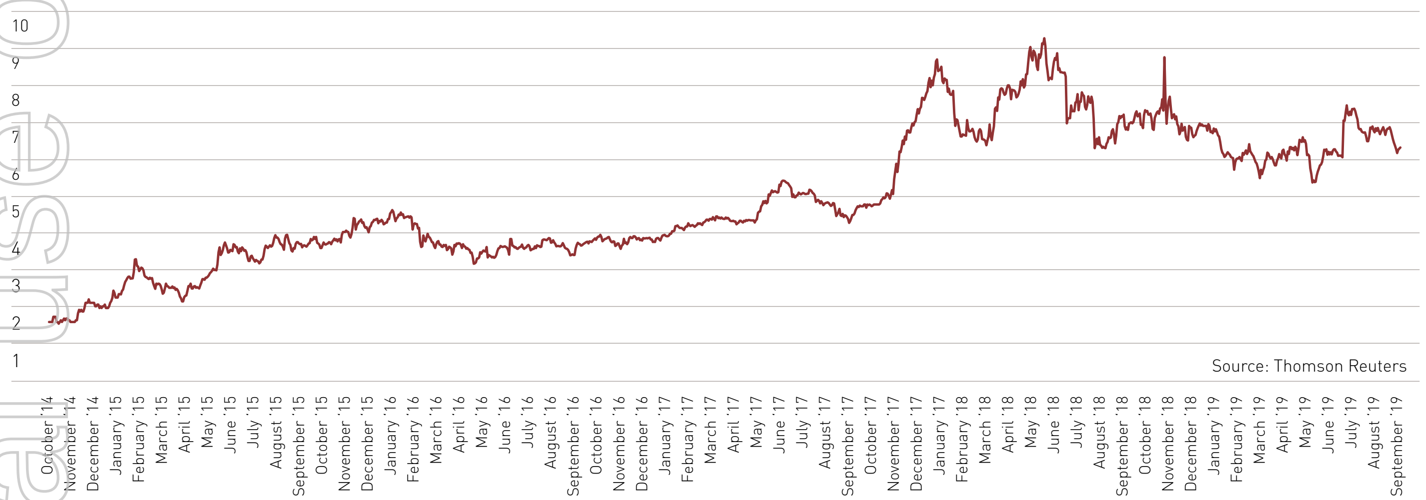
The following chart shows Elders' TSR performance over the last five years against the ASX/S&P 200 Accumulation Index.



Source: Thomson Reuters

Chart 3 — Elders five year share price history

No dividends were declared or paid (interim or final) in the 2015 or 2016 financial years. A final dividend and special dividend of 7.5 cents each (15 cents total) were paid for 2017. An interim and final dividend of 9 cents each (18 cents total) were declared for each of the 2018 and 2019 years.



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.

B. Executive KMP 2019 STI Outcomes

All STI outcomes for 2019 performance were determined according to plan performance measures. As threshold financial performance hurdles weren't achieved, no STI payments were awarded for 2019. The following table provides a summary of the KMP performance targets and outcomes for 2019:

Table 7 — STI outcomes and performance against targets for 2019

KMP	Safety		Financial and Operational Performance		People and Key relationships		Efficiency and Growth	Maximum STI Opportunity $	Awarded STI %	Forfeited STI %
Name Position Title	Company	Business Unit	Company	Business Unit	Company	Business Unit				
M C Allison *MD & CEO*	● Threshold/Minimum achieved	-	● Threshold/Minimum not met	-	● Maximum	● Maximum	● Maximum	928,145	0	100%
R I Davey *CFO*	● Threshold/Minimum achieved	● Maximum	● Threshold/Minimum not met	● Maximum	● Maximum	● Threshold/Minimum achieved	-	266,539	0	100%
R L Norton *GM Network*	● Threshold/Minimum achieved	● Threshold/Minimum achieved	● Threshold/Minimum not met	● Threshold/Minimum achieved	● Maximum	● Maximum	● Threshold/Minimum achieved	195,199[1]	0	100%
J H Cornish *Zone GM West*	● Threshold/Minimum achieved	● Maximum	● Threshold/Minimum not met	● Threshold/Minimum not met	● Maximum	● Maximum	● Threshold/Minimum achieved	189,719	0	100%
M L Hunt *Zone GM South*	● Threshold/Minimum achieved	● Threshold/Minimum achieved	● Threshold/Minimum not met	● Threshold/Minimum achieved	● Maximum	● Threshold/Minimum achieved	● Threshold/Minimum achieved	205,038	0	100%

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

1 R L Norton Maximum STI Opportunity pro-rated for period of service completed in FY20.

C. Executive KMP 2019 LTI Outcomes

The 3 year performance period of the 2017 financial year performance rights granted under the Long-term Incentive Plan concluded on 30 September 2019.

The rights were split into three tranches, each carrying a different performance condition. The testing resulted in 75% vesting of total rights with the outcomes as follows:

Table 8 — Finalised long-term incentive – 2017 grant

% of total grant	Performance measures	Outcome of testing
Tranche 1 – Total Shareholder Return (TSR)		
50%	Based on Elders' average annual compound TSR over the three year performance period 1 October 2016 ending on 30 September 2019. TSR rights were subject to a target goal and a stretch goal. The % of TSR performance rights that vest were determined as follows: **Absolute TSR over the performance period** – **% of Rights that vest** Less than 12% – Nil Equals 12% – 50% Greater than 12% but less than 20% – 50-100%, on a straight-line sliding scale Equal to or greater than 20% – 100% Absolute TSR was measured using opening and closing share prices determined as follows: – the opening share price value of $3.8426; – the closing share price value based on the 5 trading day Volume Weighted Average Price (VWAP) up to and including the last day of the performance period; and – dividends paid.	Elders' TSR Compound Average Growth Rate over the performance period was 20.6% being higher than the stretch hurdle of 20%. **Resulting in 100% vesting of this tranche.** __Notes regarding calculation:__ The starting price to calculate the Compound Average Growth Rate was VWAP $3.8426 and the closing share price was VWAP $6.2658. Dividends paid over the performance period were $0.42.
Tranche 2 – Earnings per Share Growth (EPS)		
25%	EPS rights vest in full if the EPS Compound Annual Growth Rate (CAGR) over the performance period was greater than or equal to 15%.	Elders' EPS Compound Annual Growth Rate over the performance period was 15% based on a starting EPS of 36.2 (as at 30 September 2016) and 55.0 at the end of the performance period. **Resulting in 100% vesting of this tranche.** The number of shares used to calculate EPS CAGR is the actual number of shares for each performance period based on the audited accounts adjusted to exclude shares issued associated with non-growth i.e. hybrid buyback.
Tranche 3 – Return on Capital (ROC)		
25%	ROC rights vest in full if ROC was greater than or equal to 20% for the financial year ending 30 September 2019.	Elders' return on capital as at 30 September 2019 was 18.18% being less than the 20% performance condition. **Resulting in 0% vesting of this tranche.**

The total number of vested performance rights under the 2017 grant is 626,250. In addition, 41,942 additional shares will be allocated at time of vesting for the value of dividends forgone on the vested rights during the performance period. Individual vesting outcomes are outlined in Table 13.

Section 5 — Executive KMP Remuneration

Table 9 — Details of MD & CEO and Senior Executive remuneration for the 2018 and 2019 financial years

		Short-term payments			Post-employment	Share-based payments		Long-term payments	Termination benefits[2]	Total	% performance-related[3]
		Base salary	STI	Other[1]	Super-annuation	Options	Share Rights	Long Service Leave			
M C Allison	2019	896,447	-	-	20,649	-	708,037	41,896	-	1,667,029	42%
	2018	858,810	835,541	-	20,169	-	1,018,533	24,740	-	2,757,793	67%
R I Davey	2019	511,109	-	-	20,649	-	169,553	40,919	-	742,230	23%
	2018	505,681	184,800	-	20,169	-	273,225	11,797	-	995,672	46%
R L Norton	2019	367,636	-	54,730	15,516	-	37,800	-	-	475,682	8%
	2018	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
J H Cornish	2019	357,387	-	1,200	20,649	-	126,715	26,952	-	532,903	24%
	2018	351,829	130,900	1,200	20,169	-	207,625	5,655	-	717,378	47%
M L Hunt	2019	387,912	-	33,474	20,649	-	126,715	28,250	-	597,000	21%
	2018	380,905	202,100	33,770	20,169	-	212,425	17,328	-	866,697	48%
G J Dunne[4]	2019	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2018	378,393	140,600	4,654	20,169	-	212,425	8,394	538,465	1,303,100	27%
Total	2019	2,520,491	-	89,404	98,112	-	1,168,820	138,017	-	4,014,844	
	2018	2,475,618	1,493,941	39,624	100,845	-	1,924,233	67,914	538,465	6,640,640	

1 Comprising the provision of leased car parking (Cornish, Hunt, Norton, Dunne), company leased vehicle (Hunt) and once-off sign on bonus of $50,000 (Norton).
2 These benefits, which comprise redundancy payments under Elders' redundancy policy and payments in lieu of notice, comply with Part 2D.2 of the Corporations Act 2001 (Cth).
3 Performance related remuneration consists of STI and share rights and options as a percentage of total remuneration. Share rights includes performance rights disclosed in Table 13.
4 G J Dunne ceased employment 30 September 2018.

Section 6 — Executive KMP Contract Terms, Loans and Transactions

A. Contractual arrangements with Executive KMP

In 2019 Elders had employment contracts with Executive KMP. Details of the employment contracts are set out in Table 10.

Table 10 — Contractual arrangements

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

B. Other transactions with KMP

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

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

Section 7 — Non-Executive Director Remuneration

A. Remuneration Framework & Policy

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

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

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

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

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

The Board believes Elders' Non-Executive Directors should own securities in Elders to further align their interests with the interests of other shareholders. Details of Non-Executive Directors' shareholdings in Elders can be found in Table 14 of this Report.

B. Non-Executive Director fees in 2019

Total fees for the financial year ended 30 September 2019 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.

During the financial year ended 30 September 2019 the following fees applied:

Table 11 — Non-Executive Director fee details

Board and Committee Fees ($)	FY19 Fee Excl. Super	
	Chair	Member
Board	$240,000[1]	$100,000
Audit, Risk and Compliance Committee	$30,000	$16,000
Work Health and Safety Committee	$10,000	$10,000
Remuneration and Human Resources Committee	$15,000	$10,000
Nomination and Prudential Committee	Nil	Nil

1 *The Chair of the Board does not receive additional committee fees.*

Actual Committee fees paid are provided as "Board Committee Fees" in Table 12 below. The base Board fee has remained unchanged since 2014.

C. Non-Executive Director remuneration in 2019

The table below sets out the remuneration for the Chair and Non-Executive Directors for the financial years 2018 and 2019.

Table 12 — Non-Executive Director remuneration details

		Short-term payments		Post-employment	Total
		Base Board Fee	Board Committee Fees	Superannuation	
J H Ranck[2]	2019	48,571	-	4,614	53,185
	2018	240,000	-	20,169	260,169
R Clubb[1]	2019	100,000	41,464	13,439	154,903
	2018	100,000	39,988	13,299	153,287
J A Jackson[2]	2019	n/a	n/a	n/a	n/a
	2018	20,635	8,460	2,764	31,859
I Wilton[5]	2019	107,222	47,421	14,691	169,334
	2018	100,000	50,000	14,250	164,250
D Eilert[3]	2019	100,000	36,258	12,945	149,203
	2018	88,258	28,714	11,112	128,084
M Carroll[4]	2019	205,000	9,000	18,686	232,686
	2018	8,333	3,000	1,077	12,410
Total	2019	560,793	134,143	64,375	759,311
	2018	557,226	130,162	62,671	750,059

1 *R Clubb ceased as Chair of Remuneration and Human Resources Committee effective 11 September 2019 and appointed as Chair of Audit, Risk and Compliance Committee with an increase in her Committee fees from this date to reflect this appointment.*

2 *J A Jackson and J H Ranck ceased as Non-Executive Director on 14 December 2017 and 13 December 2018 respectively.*

3 *D Eilert commenced as a Non-Executive Director 14 November 2017 and was appointed Chair of the Remuneration and Human Resources Committee effective 11 September 2019.*

4. *M Carroll appointed as Chair for the period 13 December 2018 up to and including 11 September 2019.*

5 *I Wilton appointed as Chair from 11 September 2019.*

Section 8 — Additional Statutory Information

Table 13 — Details of MD & CEO and Senior Executive current long-term incentive grants

KMP Grant Date	Balance at Start of Period	Granted	Vesting date	Vested		Lapsed		Balance at End of Period	Expensed at End of Period	Fair Value at grant date[1]	Rights maximum value yet to vest[2]
	No.	No.		No.	%	No.	%	No.	$	$	$
M C Allison											
16-Dec-16	280,000	-	Nov-19	210,000	75	70,000	25	-	(16,800)	785,400	-
14-Dec-17	200,000		Nov-20	-	-	-	-	200,000	460,333	1,381,000	460,333
13-Dec-18	-	146,000	Nov-21	-	-	-	-	146,000	264,503	793,510	529,007
	480,000	**146,000**		**210,000**	**-**	**70,000**	**-**	**346,000**	**708,037**	**2,959,910**	**989,340**
R I Davey											
17-Feb-17	75,000	-	Nov-19	56,250	75	18,750	25	-	(2,687)	234,375	-
16-Feb-18	60,000		Nov-20	-	-	-	-	60,000	123,100	369,300	123,100
15-Feb-19	-	39,000	Nov-21	-	-	-	-	39,000	49,140	147,420	98,280
	135,000	**39,000**		**56,250**	**-**	**18,750**	**-**	**99,000**	**169,553**	**751,095**	**221,380**
R L Norton											
15-Feb-19	-	30,000	Nov-21	-	-	-	-	30,000	37,800	113,400	75,600
	-	**30,000**		**-**	**-**	**-**	**-**	**30,000**	**37,800**	**113,400**	**75,600**
J H Cornish											
17-Feb-17	60,000	-	Nov-19	45,000	75	15,000	25	-	(2,150)	187,500	-
16-Feb-18	45,000	-	Nov-20	-	-	-	-	45,000	92,325	276,975	92,325
15-Feb-19	-	29,000	Nov-21	-	-	-	-	29,000	36,540	109,620	73,080
	105,000	**29,000**		**45,000**	**-**	**15,000**	**-**	**74,000**	**126,715**	**574,095**	**165,405**
M L Hunt											
17-Feb-17	60,000	-	Nov-19	45,000	75	15,000	25	-	(2,150)	187,500	-
16-Feb-18	45,000		Nov-20	-	-	-	-	45,000	92,325	276,975	92,325
15-Feb-19	-	29,000	Nov-21	-	-	-	-	29,000	36,540	109,620	73,080
	105,000	**29,000**		**45,000**	**-**	**15,000**	**-**	**74,000**	**126,715**	**574,095**	**165,405**
G J Dunne[3]											
17-Feb-17	40,000	-	Nov-19	30,000	75	10,000	25	-	(43,100)	187,500	-
16-Feb-18	15,000	-	Nov-20	-	-	-	-	15,000	-	276,975	-
	55,000	**-**		**30,000**	**-**	**10,000**	**-**	**15,000**	**(43,100)**	**464,475**	**-**

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

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

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

Note: The grant dates are aligned to the requirements under the Accounting Standards. For the LTI grants that vested Nov-19, additional shares of 23,861 will be allocated to the Executive KMP in this table at the time of vesting for the value of dividends forgone on the vested rights during the performance period.

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

	MD & CEO Grant		Senior Executive Grant	
Performance Rights 16 December 2016	Tranche 1	$ 1.63	Tranche 1	$ 1.94
	Tranche 2 & 3	$ 3.98	Tranche 2 & 3	$ 4.31
Performance Rights 14 December 2017	Tranche 1	$ 6.64	Tranche 1	$ 5.81
	Tranche 2 & 3	$ 7.17	Tranche 2 & 3	$ 6.50
Performance Rights 13 December 2018	Tranche 1	$ 4.92	Tranche 1	$ 3.23
	Tranche 2 & 3	$ 5.95	Tranche 2 & 3	$ 4.33

Table 14 — Non-Executive Directors shareholdings

		Shares held at start of year	Shares acquired during the year as part of remuneration	Other shares acquired (disposed of) during the year	Balance of shares held at end of financial period
M Carroll	2019	-	-	25,027	25,027
	2018	-	-	-	-
R Clubb	2019	3,400	-	7,000	10,400
	2018	3,400	-	-	3,400
I Wilton	2019	108,486	-	19,768	128,254
	2018	105,000	-	3,486	108,486
D Eilert	2019	-	-	9,769	9,769
	2018	-	-	-	-
J H Ranck[1]	2019	134,317	-	-	134,317
	2018	130,000	-	4,317	134,317
J A Jackson[2]	2019	n/a	n/a	n/a	n/a
	2018	10,000	-	-	10,000
Total	2019	246,203	-	61,564	307,767
	2018	248,400	-	7,803	256,203

1 J H Ranck ceased as a Director on 13 December 2018, balance at end of financial period is at date of cessation.
2 J A Jackson ceased as a Director on 14 December 2017.

Table 15 — Executive 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
M C Allison	2019	654,344	-	260,000	136,470	1,050,814
	2018	54,344	-	600,000	-	654,344
R I Davey	2019	51,750	-	75,000	(16,982)	109,768
	2018	1,750	-	150,000	(100,000)	51,750
R L Norton	2019	-	-	-	-	-
	2018	n/a	n/a	n/a	n/a	n/a
J H Cornish	2019	-		55,000	8,209	63,209
	2018	29,190	-	120,000	(149,190)	-
M L Hunt	2019	-	-	60,000	8,956	68,956
	2018	-	-	130,000	(130,000)	-
G J Dunne[1]	2019	n/a	n/a	n/a	n/a	n/a
	2018	43,459	-	130,000	(148,953)	24,506
Total	2019	706,094	-	450,000	136,653	1,292,747
	2018	128,743	-	1,130,000	(528,143)	730,600

1 G J Dunne ceased employment on 30 September 2018, no balances provided for FY19.
Note: No other changes occurred during the year. None of the shares in tables 14 and 15 are held nominally by the Non-Executive Directors or MD & CEO and Senior Executives. Elders takes its obligations to prevent insider trading very seriously. In conformity with that approach, Directors take a conservative view of when they can deal in Elders shares (even when trading windows are open), seeking to avoid both real and perceived trading on inside information. This approach has, in recent times, limited the opportunities for Non-Executive Directors to acquire Elders' shares.

ELDERS LTD ANNUAL FINANCIAL REPORT

Randall Spann (staff), Biloela QLD

ELDERS LIMITED ANNUAL FINANCIAL REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2019

	Note	2019 $000	2018 $000
Continuing operations			
Sales revenue	3	1,667,347	1,599,430
Cost of sales		(1,321,557)	(1,252,111)
Gross profit from continuing operations		**345,790**	**347,319**
Equity accounted profits	12	6,313	7,016
Distribution expenses		(235,468)	(232,741)
Administrative expenses		(42,981)	(47,056)
Finance costs	3	(10,771)	(6,854)
Other items of income/(expense)	3	(2,468)	(6,093)
Profit from continuing operations before income tax benefit		**60,415**	**61,591**
Income tax benefit	4	17,336	19,342
Profit from continuing operations after income tax benefit		**77,751**	**80,933**
Net loss of discontinued operations, net of tax	2	(7,024)	(7,006)
Net profit for the period		**70,727**	**73,927**
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		1,151	(328)
Other comprehensive profit/(loss) for the period, net of tax		**1,151**	**(328)**
Total comprehensive income for the period		**71,878**	**73,599**
Profit for the period is attributable to:			
Non-controlling interest		1,792	2,359
Owners of the parent	19	68,935	71,568
		70,727	**73,927**
Total comprehensive income for the period is attributable to:			
Non-controlling interest		1,792	2,359
Owners of the parent		70,086	71,240
		71,878	**73,599**
Reported operations			
Basic earnings per share (cents per share)	5	57.0¢	62.0¢
Diluted earnings per share (cents per share)	5	56.1¢	60.7¢
Continuing operations			
Basic earnings per share (cents per share)	5	62.8¢	68.0¢
Diluted earnings per share (cents per share)	5	61.9¢	66.7¢
Discontinued operations			
Basic earnings per share (cents per share)	5	(5.8)¢	(6.1)¢
Diluted earnings per share (cents per share)	5	(5.8)¢	(6.1)¢

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Note	2019 $000	2018 $000
Current assets			
Cash and cash equivalents	14(b)	7,313	11,641
Trade and other receivables	6	481,131	444,796
Livestock	7	35,309	32,528
Inventory	8	146,121	147,757
Assets classified as held for sale	2(a)	-	3,568
Current tax receivable	4	398	-
Total current assets		**670,272**	640,290
Non current assets			
Other financial assets		1,269	1,269
Equity accounted investments	12	53,746	54,337
Property, plant and equipment	10	27,405	27,318
Intangibles	11	166,854	128,991
Deferred tax assets	4	97,184	78,014
Total non current assets		**346,458**	289,929
Total assets		**1,016,730**	930,219
Current liabilities			
Trade and other payables	9	359,224	371,907
Interest bearing loans and borrowings	15	100,695	184,001
Current tax payable	4	-	1,166
Provisions	13	44,228	45,856
Total current liabilities		**504,147**	602,930
Non current liabilities			
Other payables	9	16,287	12,668
Interest bearing loans and borrowings	15	870	1,074
Provisions	13	2,543	4,998
Total non current liabilities		**19,700**	18,740
Total liabilities		**523,847**	621,670
Net assets		**492,883**	308,549
Equity			
Contributed equity	17	1,562,377	1,426,835
Reserves	18	(27,230)	(26,034)
Retained earnings	19	(1,043,490)	(1,094,027)
Total parent entity equity interest		**491,657**	306,774
Non-controlling interests		1,226	1,775
Total equity		**492,883**	308,549

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 2019

	Note	2019 $000	2018 $000
Cash flow from operating activities			
Receipts from customers		7,325,677	7,122,234
Payments to suppliers and employees		(7,310,945)	(7,133,344)
Dividends received		6,725	7,338
Interest and other costs of finance paid		(6,791)	(5,513)
Income taxes paid		(3,430)	(2,847)
Net operating cash flows	14(a)	**11,236**	(12,132)
Cash flow from investing activities			
Payments for property, plant and equipment		(3,718)	(4,099)
Payments for equity accounted investments		(400)	(650)
Payments for intangibles		(26,667)	(1,605)
Payments for acquisition through business combinations		(13,727)	(32,329)
Proceeds from sale of property, plant and equipment		275	292
Payments associated with sale of controlled entity		(951)	-
Proceeds from sale of feedlot assets		2,700	-
Net investing cash flows		**(42,488)**	(38,391)
Cash flow from financing activities			
Proceeds from issue of shares, net of costs		132,476	2,651
Proceeds/(repayment) of borrowings		(83,944)	52,867
Dividends paid		(19,267)	(25,819)
Partnership profits		(2,341)	(2,721)
Net financing cash flows		**26,924**	26,978
Net (decrease)/increase in cash held		**(4,328)**	(23,545)
Cash at the beginning of the financial year		11,641	35,186
Cash at the end of the financial year	14(b)	**7,313**	11,641

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 2019

$000	Issued capital	Reserves	Retained earnings	Non-controlling interest	Total equity
As at 1 October 2018	**1,426,835**	**(26,034)**	**(1,094,027)**	**1,775**	**308,549**
Profit for the period	-	-	68,935	1,792	70,727
Other comprehensive income/(loss):					
Exchange differences on translation of foreign operations	-	1,151	-	-	1,151
Total comprehensive income/(loss) for the period	**-**	**1,151**	**68,935**	**1,792**	**71,878**
Transactions with owners in their capacity as owners:					
Issued capital	137,000	-	-	-	137,000
Transaction costs incurred on share issue, net of tax	(3,198)	-	-	-	(3,198)
Dividends paid	-	-	(19,267)	-	(19,267)
Dividend reinvestment plan	1,740	-	(1,740)	-	-
Partnership profit distributions/dividends paid	-	-	-	(2,341)	(2,341)
Cost of share based payments	-	1,812	-	-	1,812
Recognition of put options	-	(1,550)	-	-	(1,550)
Reallocation of equity	-	(2,609)	2,609	-	-
As at 30 September 2019	**1,562,377**	**(27,230)**	**(1,043,490)**	**1,226**	**492,883**
As at 1 October 2017	**1,422,255**	**(27,596)**	**(1,139,118)**	**2,137**	**257,678**
Profit for the period	-	-	71,568	2,359	73,927
Other comprehensive income/(loss):					
Exchange differences on translation of foreign operations	-	(328)	-	-	(328)
Total comprehensive income/(loss) for the period	**-**	**(328)**	**71,568**	**2,359**	**73,599**
Transactions with owners in their capacity as owners:					
Issued capital	2,651	-	-	-	2,651
Dividends paid	-	-	(25,819)	-	(25,819)
Dividend reinvestment plan	1,929	-	(1,929)	-	-
Partnership profit distributions/dividends paid	-	-	-	(2,721)	(2,721)
Cost of share based payments	-	3,161	-	-	3,161
Reallocation of equity	-	(1,271)	1,271	-	-
As at 30 September 2018	**1,426,835**	**(26,034)**	**(1,094,027)**	**1,775**	**308,549**

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 2019

ABOUT THIS REPORT

Corporate information

The consolidated financial report of Elders Limited for the year ended 30 September 2019 was authorised for issue in accordance with a resolution of the Directors on 11 November 2019. Elders Limited (the Parent) is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

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

Basis of preparation

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

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

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

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

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

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

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Elders Limited and its subsidiaries as at 30 September 2019. Control is achieved when Elders is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When Elders has less than a majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee.

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

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

Significant accounting judgements, estimates and assumptions

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

ABOUT THIS REPORT

New accounting standards and interpretations

(i) New and Revised Accounting Standards

The following new amendments to standards and interpretations became operative for the financial year ended 30 September 2019 and have been applied in preparing these consolidated financial statements:

– AASB 9 Financial Instruments
– AASB 15 Revenue from Contracts with Customers

As a result of adopting AASB 9 Financial Instruments, Elders has changed the accounting policy for trade receivables, specifically the provisioning for trade debtors where Elders now utilises the expected credit loss model to calculate the provision for doubtful debts. The new policy for provisioning of trade debtors has had no significant impact to the balance calculated under the previous accounting policy.

The adoption of AASB 15 Revenue from Contracts with Customers has changed Elders' revenue accounting policy through application of the control principle, with revenue now recognised at the point at which control passes to the customer. The adoption has not had any significant impact on the timing of revenue recognition or financial position and performance of Elders.

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

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

The adoption of AASB 16 Leases (effective for Elders reporting period beginning 1 October 2019) will replace all existing lease requirements.

For lessees, the distinction between operating and finance leases will no longer exist, and leases will be accounted for under a single, on-balance sheet model. At the commencement of the lease, a lessee will recognise a liability representing its obligation to make future lease payments and an asset representing its right to use the underlying asset for the lease term. Lessees will be required to separately recognise interest expense on the lease liability and depreciation expense on the asset.

Elders will apply AASB 16 using the modified retrospective approach to retrospectively measure the right-of-use asset as equal to the lease liability. Elders will elect to implement the following transition practical expedients:

– leases for which the underlying asset is of low value (less than USD5,000) are excluded;
– the exclusion of any initial direct costs incurred;
– discount rate applied to a portfolio of leases with similar characteristics; and
– the use of hindsight with regards to determination of the lease term.

The most material impact identified is that Elders will recognise new assets and liabilities for its operating leases related to property and vehicles. Based on current information as at 30 September 2019, Elders estimates the impact on the consolidated statement of financial position to be a right-of-use asset of $116.4 million and a lease liability of $116.4 million. Elders will monitor any developments and interpretations on an ongoing basis which may impact the amounts currently estimated.

Key metrics such as gearing and finance ratios, debt covenants and earnings before interest, taxes, depreciation and amortisation will be impacted. The impact on earnings before interest and taxes will also be material to Elders. Additionally, the statement of cash flow will be impacted as payments for the principal portion of the lease liability will be presented within financing activities.

The notes to the financial statements

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

The notes are organised into the following sections:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

GROUP PERFORMANCE — NOTE 1: SEGMENT INFORMATION

Identification of reportable segments

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

Type of product and service

– Network includes the provision of a range of products and services through a common distribution channel, including agricultural retail products, agency services and financial services.
– Feed and Processing includes Killara feedlot, a beef cattle feedlot near Tamworth in New South Wales. In China, Elders imports, processes and distributes premium Australian meat. During the period, Elders has sold the Indonesian Feedlot and Abattoir assets and decided to close the remaining Retail business.
– The Other segment includes the general investment activities not associated with the other business segments and the administrative corporate office activities, including centrally held costs not allocated to the other segments.

Accounting policies and intersegment transactions

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

	Network	Feed and Processing	Other	Total
2019	$000	$000	$000	$000
Sale of goods and biological assets	1,189,182	199,700	772	1,389,654
Debtor interest associated with sales	6,343	-	-	6,343
Interest revenue from related party advances	2,763	-	-	2,763
Commission revenue	276,958	-	-	276,958
Sales revenue	**1,475,246**	**199,700**	**772**	**1,675,718**
Equity accounted profits	6,313	-	-	6,313
Earnings before interest, tax, depreciation and amortisation	108,160	7,707	(45,448)	70,419
Depreciation and amortisation	(3,098)	(1,024)	(1,008)	(5,130)
Segment result	**105,062**	**6,683**	**(46,456)**	**65,289**
Interest expense				(6,791)
Fair value adjustments of financial instruments				(934)
Unwinding discount expense in regards to liabilities				(3,046)
Finance costs				**(10,771)**
Profit from ordinary activities before tax				**54,518**
Segment result	105,062	6,683	(46,456)	65,289
Discontinued operations results	1,479	4,418	-	5,897
Continuing profit/(loss) before net borrowing costs and tax expense	**106,541**	**11,101**	**(46,456)**	**71,186**
Interest expense				(6,791)
Fair value adjustments of financial instruments				(934)
Unwinding discount expense in regards to liabilities				(3,046)
Finance costs				**(10,771)**
Continuing profit before tax expense				**60,415**
Segment assets	772,423	69,646	174,661	1,016,730
Segment liabilities	327,379	9,214	187,254	523,847
Net assets	**445,044**	**60,432**	**(12,593)**	**492,883**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

GROUP PERFORMANCE — NOTE 1: SEGMENT INFORMATION

2019	Network $000	Feed and Processing $000	Other $000	Total $000
Carrying value of equity accounted investments	53,746	-	-	53,746
Acquisition of non current assets (cash outflow)	40,587	2,197	1,728	44,512
Non cash income/(expense) other than depreciation and amortisation	(4,862)	(80)	5,421	479
Profit/(loss) on sale of non current assets	166	-	-	166
2018				
Sale of goods and biological assets	1,141,674	189,438	530	1,331,642
Debtor interest associated with sales	5,655	-	-	5,655
Interest revenue from related party advances	2,015	-	-	2,015
Commission revenue	284,007	-	-	284,007
Sales revenue	**1,433,351**	**189,438**	**530**	**1,623,319**
Equity accounted profits	7,016	-	-	7,016
Earnings before interest, tax, depreciation and amortisation	117,240	3,292	(51,981)	68,551
Depreciation and amortisation	(2,914)	(1,282)	(638)	(4,834)
Segment result	**114,326**	**2,010**	**(52,619)**	**63,717**
Interest expense				(5,918)
Fair value adjustments of financial instruments				(60)
Unwinding discount expense in regards to liabilities				(876)
Finance costs				**(6,854)**
Profit from ordinary activities before tax				**56,863**
Segment result	114,326	2,010	(52,619)	63,717
Discontinued operations results	-	4,728	-	4,728
Continuing profit/(loss) before net borrowing costs and tax expense	**114,326**	**6,738**	**(52,619)**	**68,445**
Interest expense				(5,918)
Fair value adjustments of financial instruments				(60)
Unwinding discount expense in regards to liabilities				(876)
Finance costs				**(6,854)**
Continuing profit before tax expense				**61,591**
Segment assets	705,166	66,933	158,120	930,219
Segment liabilities	333,753	8,282	279,635	621,670
Net assets	**371,413**	**58,651**	**(121,515)**	**308,549**
Carrying value of equity accounted investments	54,337	-	-	54,337
Acquisition of non current assets (cash outflow)	35,546	1,619	1,518	38,683
Non cash income/(expense) other than depreciation and amortisation	(1,868)	(779)	1,471	(1,176)
Profit/(loss) on sale of non current assets	(122)	-	-	(122)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

GROUP PERFORMANCE — NOTE 2: DISCONTINUED OPERATIONS

Financial period 30 September 2019

During the period, Elders has sold the Indonesian Feedlot and Abattoir assets and decided to close the remaining Retail business. Additionally, Elders has planned to exit the Elders Financial Planning network and impaired its investment in the business. As required by AASB 5 Non-current Assets Held for Sale and Discontinued Operations, the 2018 comparative discontinued operations disclosed below has been represented to show the effects of this classification.

Financial period 30 September 2018

Elders' investment in the Indonesian Feedlot and Abattoir operations was held for sale during the period and classified as a discontinued operation.

	Cont 2019 $000	Disc 2019 $000	Total 2019 $000	Cont 2018 $000	Disc 2018 $000	Total 2018 $000
Sales revenue	1,667,347	8,371	1,675,718	1,599,430	23,889	1,623,319
Cost of sales	(1,321,557)	(8,756)	(1,330,313)	(1,252,111)	(23,378)	(1,275,489)
Gross profit	**345,790**	**(385)**	**345,405**	347,319	511	347,830
Equity accounted profits	6,313	-	6,313	7,016	-	7,016
Distribution expenses	(235,468)	-	(235,468)	(232,741)	(4,489)	(237,230)
Administration expenses	(42,981)	(1,136)	(44,117)	(47,056)	-	(47,056)
Other items of income/(expense)	(2,468)	(4,376)	(6,844)	(6,093)	(750)	(6,843)
Profit/(loss) before finance costs and tax expense	**71,186**	**(5,897)**	**65,289**	68,445	(4,728)	63,717
Finance (costs)/income	(10,771)	-	(10,771)	(6,854)	36	(6,818)
Profit/(loss) before tax expense	**60,415**	**(5,897)**	**54,518**	61,591	(4,692)	56,899
Income tax benefit/(expense)	17,336	(1,127)	16,209	19,342	(2,314)	17,028
Net profit/(loss) for year	**77,751**	**(7,024)**	**70,727**	80,933	(7,006)	73,927
Net profit/(loss) attributable to non-controlling interest	(1,792)	-	(1,792)	(2,359)	-	(2,359)
Net profit/(loss) attributable to members of the parent entity	**75,959**	**(7,024)**	**68,935**	78,574	(7,006)	71,568
Revenue and expenses						
Sales revenue:						
Sale of goods and biological assets	1,381,283	8,371	1,389,654	1,307,753	23,889	1,331,642
Debtor interest associated with sales	6,343	-	6,343	5,655	-	5,655
Interest revenue from related party advances	2,763	-	2,763	2,015	-	2,015
Commission revenue	276,958	-	276,958	284,007	-	284,007
	1,667,347	**8,371**	**1,675,718**	1,599,430	23,889	1,623,319
Other income/(expense):						
IT infrastructure transition	(1,064)	-	(1,064)	(3,933)	-	(3,933)
Acquisition costs	(983)	-	(983)	(2,160)	-	(2,160)
Insurance proceeds	3,486	-	3,486	-	-	-
Restructure and redundancy costs	(2,265)	-	(2,265)	-	-	-
Additional costs associated with previously acquired businesses	(1,642)	-	(1,642)	-	-	-
Planned exit of Elders Financial Planning network	-	(1,479)	(1,479)	-	-	-
Sale and closure of Indonesian business	-	(2,897)	(2,897)	-	(750)	(750)
	(2,468)	**(4,376)**	**(6,844)**	(6,093)	(750)	(6,843)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

GROUP PERFORMANCE — NOTE 2: DISCONTINUED OPERATIONS

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

	2019	2018
	$000	$000
Operating activities	(1,983)	3,586
Investing activities	2,700	(505)
Financing activities	(1,133)	(2,916)
Net cash inflow/(outflow)	**(416)**	165

(a) Assets and liabilities – held for sale operations

Indonesian Feedlot and Abattoir assets	-	3,568

Accounting Policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

GROUP PERFORMANCE — NOTE 3: REVENUE AND EXPENSES

	Note	2019 $000	2018 $000
Sales revenue			
Sale of goods and biological assets		1,381,283	1,307,753
Debtor interest associated with sales		6,343	5,655
Interest revenue from related party advances	26	2,763	2,015
Commission revenue		276,958	284,007
		1,667,347	1,599,430
Discontinued operations	2	8,371	23,889
		1,675,718	1,623,319
Other items of income/(expense)			
IT infrastructure transition		(1,064)	(3,933)
Acquisition costs		(983)	(2,160)
Insurance proceeds		3,486	-
Restructure and redundancy costs		(2,265)	-
Additional costs associated with previously acquired businesses		(1,642)	-
		(2,468)	(6,093)
Discontinued operations	2	(4,376)	(750)
		(6,844)	(6,843)
Finance costs/(income)			
Interest expense		6,791	5,918
Fair value adjustments of financial instruments		934	60
Unwinding discount expense in regards to liabilities		3,046	876
		10,771	6,854
Discontinued operations	2	-	(36)
		10,771	6,818
Specific expenses: depreciation and amortisation			
Depreciation and amortisation		5,130	4,396
		5,130	4,396
Discontinued operations		-	438
		5,130	4,834
Specific expenses: employee benefit expense			
Salaries, wages and incentives		146,444	152,599
Superannuation and other employee costs		28,897	28,891
Share based payments		1,812	3,161
		177,153	184,651
Discontinued operations		986	2,415
		178,139	187,066
Operating lease expenditure		34,856	34,445

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

GROUP PERFORMANCE — NOTE 3: REVENUE AND EXPENSES

Accounting Policy

Elders recognises revenue as or when each performance obligation from contracts with customers are satisfied and considers whether there are separate elements of each transaction to which a portion of the transaction price needs to be allocated to. The majority of Elders' revenue is recognised at a point in time and attributable to the sale of retail products and provision of agency services, with the exception being certain financial services revenue which is recognised over a period of time. There were no significant judgements in revenue recognition. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods and biological assets

Revenue from the sale of goods predominantly relates to sales of agricultural retail products and is recognised at the point in time when control has been transferred to the customer, generally through the execution of a sales agreement at point of sale or when the delivery of goods has occurred.

(ii) Commission revenue

Commission revenue is derived from the rendering of agency services and financial services and is generally recognised at the point in time when the service is provided. In some cases, Elders will enter into contracts with customers that contain multiple performance obligations and revenue will be recognised as each of these is satisfied. The transaction price is allocated to each performance obligation accordingly.

(iii) Interest income

Interest income predominantly relates to revenue derived from trade receivables related to the sale of agricultural retail products and is recognised as it accrues using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

GROUP PERFORMANCE — NOTE 4: INCOME TAX

Significant Accounting Judgements, Estimates and Assumptions

Recovery of deferred tax assets

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

(a) Major components of income tax expense are:

	2019	2018
	$000	$000
Income statement		
Current income tax expense	(1,895)	(3,884)
Adjustments in respect of current income tax of previous years	(181)	66
Deferred income tax benefit	18,285	20,846
Income tax benefit reported in the statement of comprehensive income	**16,209**	**17,028**

(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:

	2019	2018
Accounting profit/(loss) before tax from:		
– Continuing operations	60,415	61,591
– Discontinued operations	(5,897)	(4,692)
Total accounting profit before tax	**54,518**	**56,899**
Income tax (expense) at 30% (2018: 30%)	(16,355)	(17,070)
Adjustments in respect of current income tax of previous years	(181)	66
Share of equity accounted profits	1,894	2,105
Non-assessable (losses)/profits	(955)	(2,734)
Recognition of previously unrecognised losses	35,705	38,957
Other	(3,899)	(4,296)
Income tax benefit/(expense) as reported in the statement of comprehensive income	**16,209**	**17,028**
Aggregate income tax benefit/(expense) is attributable to:		
– Continuing operations	17,336	19,342
– Discontinued operations	(1,127)	(2,314)
	16,209	**17,028**
Current tax (receivable)/payable	**(398)**	**1,166**

Tax losses not recognised as an asset

Elders has tax losses for which no deferred tax asset is recognised in the statement of financial position of $95.8 million (2018: $131.5 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 2019

GROUP PERFORMANCE — NOTE 4: INCOME TAX

(c) Major components of deferred income tax:

	Statement of Financial Position		Movement	
	2019 $000	2018 $000	2019 $000	2018 $000
Deferred income tax assets				
Losses available to offset against future taxable income	100,613	82,037	18,576	24,600
Provision for employee entitlements	13,066	14,875	(1,809)	32
Other provisions	2,947	1,657	1,290	(1,548)
Capitalised expenses	3,830	2,516	1,314	(2,315)
Other	1,233	1,152	81	89
Gross deferred income tax assets	**121,689**	102,237	**19,452**	20,858
Deferred income tax liabilities				
Inventory	(1,471)	(872)	(599)	(3)
Intangibles	(22,513)	(22,596)	83	(2,292)
Other	(521)	(755)	234	69
Gross deferred income tax liabilities	**(24,505)**	(24,223)	**(282)**	(2,226)
Movement in net deferred tax asset			**19,170**	18,632
Deferred income tax benefit recognised in the statement of comprehensive income			18,285	20,846
Deferred income tax (assets)/liabilities recognised for acquisitions and disposals of businesses			(486)	(2,214)
Deferred income tax benefit recognised in equity			1,371	-
			19,170	18,632
Net deferred tax asset	**97,184**	78,014		

Accounting Policy

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

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

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

Other taxes

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

GROUP PERFORMANCE — NOTE 5: EARNINGS PER SHARE

	2019	2018
Weighted average number of ordinary shares ('000) used in calculating basic EPS	121,006	115,523
Dilutive share options ('000)	1,785	2,357
Adjusted weighted average number of ordinary shares used in calculating dilutive EPS ('000)	**122,791**	117,880

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

	2019 $000	2018 $000
Reported operations		
Basic and dilutive		
Net profit attributable to members (after tax)	**68,935**	71,568
Reported operations:		
Basic earnings per share (cents per share)	57.0 ¢	62.0 ¢
Diluted earnings per share (cents per share)	56.1 ¢	60.7 ¢
Continuing operations		
Basic		
Net profit attributable to members (after tax)	68,935	71,568
Less: Net loss/(profit) of discontinued operations (net of tax)	7,024	7,006
Net profit of continuing operations (net of tax)	**75,959**	78,574
Continuing operations earnings per share:		
Basic earnings per share (cents per share)	62.8 ¢	68.0 ¢
Diluted earnings per share (cents per share)	61.9 ¢	66.7 ¢
Discontinued operations		
Net (loss)/profit of discontinued operations (net of tax)	**(7,024)**	(7,006)
Discontinued operations earnings per share:		
Basic earnings per share (cents per share)	(5.8) ¢	(6.1) ¢
Diluted earnings per share (cents per share)	(5.8) ¢	(6.1) ¢

Accounting Policy

Basic earnings per share amounts are calculated by dividing net profit or loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

WORKING CAPITAL — NOTE 6: RECEIVABLES

	2019	2018
	$000	$000
Current		
Trade debtors	439,480	424,094
Loss allowance	(4,641)	(3,141)
	434,839	420,953
Amounts receivable from equity accounted investments	34,341	17,216
Prepayments	2,419	1,318
Other receivables	9,532	5,309
Total current receivables	**481,131**	444,796

Included in trade debtors is $85.5 million (2018: $74.7 million) which is subject to credit insurance with various terms and conditions.

Trade debtors are generally on 30 to 90 day terms with the exception of livestock debtors which are on 10 day terms. In some instances deferred terms in excess of 90 days are offered, where Elders also receives extended creditor terms.

Previously an impairment loss was recognised when there was objective evidence that an individual trade debtor is impaired.

On application of AASB 9, trade debtors are reviewed in accordance with the simplified approach to measuring expected credit losses based on the payment profile of sales over a period of 5 years and the historical default experience within this period, which is reassessed annually. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the debtors. On that basis, the loss allowance (on adoption of AASB 9) was determined as follows for trade debtors:

	Current	1-30 days past due	31-60 days past due	61-90 days past due	+91 days past due	Total
	$000	$000	$000	$000	$000	$000
2019						
Expected loss rate	< 1%	< 1%	< 1%	< 1%	25%	
Gross carrying amount	327,005	83,887	7,937	4,028	16,623	439,480
Loss allowance	**109**	**235**	**79**	**56**	**4,162**	**4,641**
2018						
Expected loss rate	< 1%	< 1%	< 1%	< 1%	30%	
Gross carrying amount	333,243	70,016	10,753	2,510	7,572	424,094
Loss allowance	211	525	108	25	2,272	3,141

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

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

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

Accounting Policy

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less expected credit losses. To measure the expected credit losses, trade receivables have been grouped on days past due. The expected credit loss rates are based on payment profile over a historical period and the credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

WORKING CAPITAL — NOTE 7: BIOLOGICAL ASSETS

Livestock

	2019	2018
	$000	$000
Current		
Fair value at the end of the period	**35,309**	32,528

At balance date 21,273 head of cattle (2018: 20,635) are included in livestock. This represents cattle held in Australia for feedlotting purposes.

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

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

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

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

Accounting Policy

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

WORKING CAPITAL — NOTE 8: INVENTORY

Significant Accounting Judgements, Estimates and Assumptions

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

	2019 $000	2018 $000
Current		
Retail	138,323	137,102
Other	7,798	10,655
Total inventory	**146,121**	147,757

Inventory write-downs recognised as an expense totalled $1.1 million (2018: $1.6 million).

Accounting Policy

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

WORKING CAPITAL — NOTE 9: TRADE AND OTHER PAYABLES

	2019 $000	2018 $000
Current		
Trade creditors	314,605	326,405
Other creditors and accruals	42,974	43,933
Payables to associated companies	1,645	1,569
	359,224	371,907
Non current		
Other creditors and accruals	16,287	12,668
Total trade and other payables	**375,511**	384,575

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

Accounting Policy

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

CAPITAL EMPLOYED — NOTE 10: PROPERTY, PLANT AND EQUIPMENT

Significant Accounting Judgements, Estimates and Assumptions

Impairment of non-financial assets other than brand names and goodwill

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

Reconciliation of carrying amounts at beginning and end of period:

	Freehold land	Buildings	Leasehold improve-ments	Plant and equipment (owned)	Plant and equipment (leased)	Assets under construction	Total
	$000	$000	$000	$000	$000	$000	$000
2019							
Carrying amount at beginning of period	3,418	6,842	5,671	9,475	1,641	271	27,318
Additions	-	1,396	408	1,163	434	751	4,152
Additions through business combinations	-	-	-	196	-	-	196
Disposals	-	(24)	(40)	(45)	-	-	(109)
Depreciation expense	-	(578)	(832)	(1,802)	(697)	-	(3,909)
Impairment	-	-	-	(214)	-	-	(214)
Exchange fluctuations	-	-	-	7	-	-	7
Transfers from assets under construction	-	224	-	-	-	(260)	(36)
Carrying amount at end of period	**3,418**	**7,860**	**5,207**	**8,780**	**1,378**	**762**	**27,405**
Cost	3,418	15,849	12,958	26,448	2,825	762	62,260
Accumulated depreciation and impairment	-	(7,989)	(7,751)	(17,668)	(1,447)	-	(34,855)
	3,418	**7,860**	**5,207**	**8,780**	**1,378**	**762**	**27,405**
2018							
Carrying amount at beginning of period	5,164	8,296	5,652	9,851	603	319	29,885
Additions	-	466	891	2,480	1,563	262	5,662
Additions through business combinations	-	-	-	192	272	-	464
Disposals	(2)	(13)	(14)	(111)	(236)	-	(376)
Depreciation expense	-	(734)	(799)	(1,880)	(561)	-	(3,974)
Impairment	(548)	-	-	(202)	-	-	(750)
Transfer to held for sale	(1,134)	(1,336)	-	(1,078)	-	(20)	(3,568)
Exchange fluctuations	(62)	28	(59)	68	-	-	(25)
Transfers from assets under construction	-	135	-	155	-	(290)	-
Carrying amount at end of period	**3,418**	**6,842**	**5,671**	**9,475**	**1,641**	**271**	**27,318**
Cost	3,418	14,336	12,794	26,799	2,545	271	60,163
Accumulated depreciation and impairment	-	(7,494)	(7,123)	(17,324)	(904)	-	(32,845)
	3,418	**6,842**	**5,671**	**9,475**	**1,641**	**271**	**27,318**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

CAPITAL EMPLOYED — NOTE 10: PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

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

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

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

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

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

Derecognition

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

CAPITAL EMPLOYED — NOTE 11: INTANGIBLES

Significant Accounting Judgements, Estimates and Assumptions

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

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

Reconciliation of carrying amounts at beginning and end of period:

Non current	Goodwill	Rent rolls & loan books	Brand names	Distribution rights	Other	Total
	$000	$000	$000	$000	$000	$000
2019						
Carrying amount at beginning of period	47,918	7,563	71,148	-	2,362	128,991
Additions	-	-	-	23,000	1,797	24,797
Additions through business combinations	12,059	1,980	212	-	-	14,251
Transfers from assets under construction	-	-	-	-	36	36
Amortisation	-	(967)	-	-	(254)	(1,221)
Carrying amount at end of period	**59,977**	**8,576**	**71,360**	**23,000**	**3,941**	**166,854**
Cost	59,977	10,924	71,360	23,000	4,212	169,473
Accumulated amortisation and impairment	-	(2,348)	-	-	(271)	(2,619)
	59,977	**8,576**	**71,360**	**23,000**	**3,941**	**166,854**
2018						
Carrying amount at beginning of period	9,216	7,734	62,979	-	1,301	81,230
Additions	-	-	-	-	1,078	1,078
Additions through business combinations	38,702	710	8,169	-	-	47,581
Disposals	-	(38)	-	-	-	(38)
Amortisation	-	(843)	-	-	(17)	(860)
Carrying amount at end of period	**47,918**	**7,563**	**71,148**	**-**	**2,362**	**128,991**
Cost	47,918	8,945	71,148	-	2,379	130,390
Accumulated amortisation and impairment	-	(1,382)	-	-	(17)	(1,399)
	47,918	**7,563**	**71,148**	**-**	**2,362**	**128,991**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

CAPITAL EMPLOYED — NOTE 11: INTANGIBLES

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 CGU's expected to benefit from it. The recoverable amount of the cash generating units to which the Elders Brand Name has been allocated to have been determined based on a value in use calculation using cash flow projections approved by management that covers a period of 5 years. Future cash flows are based on budgets and forecasts taking into account current market conditions and known future business events that will impact cash flows. The discount rate applied to the cash flow projections is 9.7% pre-tax (2018: 10.6% pre-tax) which has been determined based on a weighted average cost of capital calculation which incorporates the specific risks relating to the cash generating units identified.

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

Gross margin
Gross margin is expected to increase in financial year 2020 levels due to:

- Increased earnings from geographical expansion through acquisitions and footprint growth
- Higher earnings from continued organic growth focus across our product and service portfolio
- Additional growth through the continued expansion of the backward integration strategy

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

Growth rate estimates
Cash flows are based on the 2020 budget. No growth rate for years 2 to 5 or perpetuity has been incorporated in the discounted cash flow.

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

Accounting Policy

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

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

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

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

(iv) Distribution rights
Amount relates to a livestock and wool delivery warranty distribution right. After initial recognition, distribution rights are measured at cost less any accumulated impairment losses. These intangible assets have been assigned an indefinite life and are subject to impairment testing on an annual basis or whenever there is an indicator of impairment.

(v) Other
Other intangibles mainly relate to software and development of IT infrastructure and are carried at cost less accumulated amortisation and impairment losses. Software and IT intangible assets have been determined to have finite useful lives and are amortised over their useful lives of 5 years and tested for impairment whenever there is an indicator of impairment. Other intangibles also include indefinite life assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

CAPITAL EMPLOYED — NOTE 12: EQUITY ACCOUNTED INVESTMENTS

	Balance Date	Ownership interest	
		2019 %	2018 %
Auctions Plus Pty Ltd	30-Jun	50	50
Elders Financial Planning Pty Ltd	30-Sep	49	49
Elders Insurance (Underwriting Agency) Pty Ltd	31-Dec	20	20
StockCo Holdings Pty Ltd	30-Jun	30	30
Clear Grain Pty Ltd	30-Jun	30	20

	Consolidated entity investment		Contribution to net profit		Dividends received	
	2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000
Auctions Plus Pty Ltd	1,297	1,362	849	979	913	1,067
Elders Financial Planning Pty Ltd	-	729	-	-	-	245
Elders Insurance (Underwriting Agency) Pty Ltd	42,361	42,134	6,038	6,575	5,812	5,804
StockCo Holdings Pty Ltd	8,866	9,481	(614)	(574)	-	-
Clear Grain Pty Ltd	1,222	631	40	36	-	55
Equity accounted investments	**53,746**	54,337	**6,313**	7,016	**6,725**	7,171

All equity accounted investments are Australian resident companies. On 30 September 2019, Elders acquired another 10% in Clear Grain Pty Ltd for $0.4 million. A fair value adjustment of $0.2 million was also applied to the original investment.

During the period, a $0.7 million impairment was recognised against the investment in Elders Financial Planning Pty Ltd. This amount is included in the expense related to the planned exit of Elders Financial Planning Pty Ltd in note 2 for discontinued operations.

In addition to the contribution to Elders' net profit from its investment in StockCo Holdings Pty Ltd, Elders also receives income from other revenue streams. Further details are provided in note 26.

Summary financial information for equity accounted investees is as follows:

	Profit/(loss) after income tax	Assets	Liabilities
	$000	$000	$000
2019			
Auctions Plus Pty Ltd	1,698	4,992	2,397
Elders Financial Planning Pty Ltd	(186)	1,991	960
Elders Insurance (Underwriting Agency) Pty Ltd	30,190	72,762	62,208
StockCo Holdings Pty Ltd	(2,050)	222,858	226,809
Clear Grain Pty Ltd	133	2,179	2,061
Total	**29,785**	**304,782**	**294,435**
2018			
Auctions Plus Pty Ltd	1,958	3,749	1,088
Elders Financial Planning Pty Ltd	(144)	3,791	470
Elders Insurance (Underwriting Agency) Pty Ltd	32,880	61,077	51,654
StockCo Holdings Pty Ltd	(1,913)	221,310	223,378
Clear Grain Pty Ltd	180	911	991
Total	32,961	290,838	277,581

Accounting Policy

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

CAPITAL EMPLOYED — NOTE 13: PROVISIONS

Reconciliation of carrying amounts at beginning and end of period:

	Employee entitlements	Restructuring provisions	Make good	Onerous contracts	Other	Total
	$000	$000	$000	$000	$000	$000
2019						
As at beginning of period	49,866	100	196	227	465	50,854
Arising during year	5,064	2,535	121	-	117	7,837
Utilised	(11,958)	(100)	(46)	(168)	(120)	(12,392)
Unused amounts reversed	-	-	-	-	(330)	(330)
Discount rate adjustment	2,083	-	-	-	-	2,083
Provisions arising from entities acquired	67	-	-	-	-	67
Disposals	(1,348)	-	-	-	-	(1,348)
	43,774	**2,535**	**271**	**59**	**132**	**46,771**
Disclosed as:						
Current	41,231	2,535	271	59	132	44,228
Non current	2,543	-	-	-	-	2,543
Total	**43,774**	**2,535**	**271**	**59**	**132**	**46,771**
2018						
As at beginning of period	49,755	1,115	265	1,005	861	53,001
Arising during year	14,570	-	20	-	254	14,844
Utilised	(15,167)	(915)	(89)	(878)	(440)	(17,489)
Unused amounts reversed	-	-	-	-	(210)	(210)
Discount rate adjustment	412	-	-	-	-	412
Provisions arising from entities acquired	296	-	-	-	-	296
Transfer between provisions	-	(100)	-	100	-	-
	49,866	100	196	227	465	50,854
Disclosed as:						
Current	44,868	100	196	227	465	45,856
Non current	4,998	-	-	-	-	4,998
Total	49,866	100	196	227	465	50,854

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

CAPITAL EMPLOYED — NOTE 13: PROVISIONS

Accounting Policy

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

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

Employee benefits

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

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

(ii) Long service leave

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

Restructuring provisions

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

Make Good (Restoration)

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

Onerous contracts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

NET DEBT — NOTE 14: CASH FLOW STATEMENT RECONCILIATION

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

	2019	2018
	$000	$000
Profit after income tax expense	70,727	73,927
Adjustments for non cash items:		
Depreciation and amortisation	5,130	4,834
Unwinding of discount in regards to payables	3,046	876
Equity accounted profits	(6,313)	(7,016)
Dividends from equity accounted investments	6,725	7,171
Fair value adjustments to equity accounted investments	(150)	-
Other fair value adjustments	(134)	29
Impairments	943	750
Doubtful debts	2,245	409
Employee entitlements	7,147	14,982
Other provisions	2,443	64
Other write downs	1,626	1,304
Net (profit)/loss on sale of non-current assets	(166)	122
Net tax movements	(21,195)	(20,554)
Other non cash items	3,138	3,161
	75,212	80,059
– (Increase)/decrease in receivables and other assets	(39,208)	(47,823)
– (Increase)/decrease in inventories	1,946	(36,893)
– Increase/(decrease) in payables and provisions	(26,714)	(7,475)
Net cash flows from operating activities	**11,236**	(12,132)

(b) Cash and cash equivalents

	2019	2018
Cash at bank and in hand	**7,313**	11,641

(c) Net debt reconciliation

	2019	2018
Cash and cash equivalents	7,313	11,641
Borrowings – repayment within one year	(100,695)	(184,001)
Borrowings – repayment after one year	(870)	(1,074)
Net debt	**(94,252)**	(173,434)
Cash and liquid investments	7,313	11,641
Gross debt – fixed interest rates	(61,416)	(121,621)
Gross debt – variable interest rates	(40,149)	(63,454)
Net debt	**(94,252)**	(173,434)

At balance date, Elders held $23.5 million (2018: $22.0 million) of client monies in trust which are off balance sheet. The funds are held on behalf of clients in the Real Estate business and Elders is bound by the relevant legislation in each state in relation to controls and governance over the funds.

Accounting Policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

NET DEBT — NOTE 15: INTEREST BEARING LOANS AND BORROWINGS

	2019	2018
	$000	$000
Current		
Trade receivables and other working capital funding	100,149	183,454
Lease liabilities	546	547
	100,695	184,001
Non current		
Lease liabilities	870	1,074
	870	1,074
Total current and non current	**101,565**	185,075

Elders also has an ancillary facility in relation to contingent funding, such as bank guarantees. As at 30 September 2019, $6.6 million had been issued (2018: $5.5 million).

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

Fair value
The carrying value of interest bearing liabilities approximates fair value.

Accounting Policy

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

RISK MANAGEMENT — NOTE 16: FINANCIAL INSTRUMENTS

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

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

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

(a) Interest rate risk

Elders' exposure to market interest rates relates primarily to short term debt obligations. The level of debt is disclosed in note 15. At September 2019 interest on $60.0 million (2018: $120.0 million) of secured loans was hedged under a floating to fixed arrangement, meaning at balance date, Elders had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk:

	2019	2018
	$000	$000
Financial assets		
Cash and cash equivalents	7,313	11,641
	7,313	11,641
Financial liabilities		
Trade receivables and other working capital funding	(40,149)	(63,454)
Net exposure	**(32,836)**	(51,813)

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

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

	Post tax profit/equity	
	Higher/(lower)	
+ 100 basis points	(328)	(518)
- 100 basis points	328	518

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

RISK MANAGEMENT — NOTE 16: FINANCIAL INSTRUMENTS

(b) Liquidity risk

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

(i) Non derivative financial liabilities

The following liquidity risk disclosures reflect all contractually fixed pay-offs, repayments and interest resulting from the recognised financial liabilities and financial guarantees as of 30 September 2019. For the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

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

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-5 years
	$000	$000	$000	$000	$000
2019					
Non derivative financial assets:					
Cash and cash equivalents	7,313	7,313	7,313	-	-
Trade and other receivables	485,772	485,772	485,772	-	-
	493,085	**493,085**	**493,085**	**-**	**-**
Non derivative financial liabilities:					
Interest bearing loans and borrowings	(101,717)	(101,717)	(100,149)	(616)	(952)
Trade and other payables	(375,511)	(375,511)	(359,201)	(849)	(16,287)
Financial guarantees	-	(6,572)	(6,572)	-	-
	(477,228)	**(483,800)**	**(465,922)**	**(1,465)**	**(17,239)**
Net inflow/(outflow)	**15,857**	**9,285**	**27,163**	**(1,465)**	**(17,239)**
2018					
Non derivative financial assets:					
Cash and cash equivalents	11,641	11,641	11,641	-	-
Trade and other receivables	447,937	447,937	447,937	-	-
	459,578	**459,578**	**459,578**	**-**	**-**
Non derivative financial liabilities:					
Interest bearing loans and borrowings	(185,290)	(185,290)	(183,454)	(631)	(1,205)
Trade and other payables	(381,710)	(381,710)	(365,049)	(6,990)	(10,497)
Financial guarantees	-	(5,528)	(5,528)	-	-
	(567,000)	(572,528)	(554,031)	(7,621)	(11,702)
Net inflow/(outflow)	(107,422)	(112,950)	(94,453)	(7,621)	(11,702)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

RISK MANAGEMENT — NOTE 16: FINANCIAL INSTRUMENTS

(ii) Derivative financial instruments

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

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-5 years
	$000	$000	$000	$000	$000
2019					
Derivative liabilities – net settled	(803)	(803)	(803)	-	-
Total outflow	**(803)**	**(803)**	**(803)**	**-**	**-**
2018					
Derivative assets – net settled	312	312	312	-	-
Total inflow	312	312	312	-	-

(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.

Trade receivables are reviewed in accordance with the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure expected losses, trade receivables have been grouped on days past due. Expected credit losses are based on the payment profile of sales over a period of 5 years and the historical default experience within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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:

	2019	2018
	$000	$000
Cash and cash equivalents	7,313	11,641
Trade and other receivables	485,772	447,625
Derivative financial assets	-	312
	493,085	**459,578**
Location of credit risk:		
Australia	486,424	452,215
Asia	6,661	7,363
Total	**493,085**	**459,578**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

RISK MANAGEMENT — NOTE 16: FINANCIAL INSTRUMENTS

(d) Foreign currency risk

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

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

Foreign exchange risk is managed within Board approved limits using forward foreign exchange and foreign currency contracts. Where possible, exposures are netted off against each other to minimise the cost of hedging. Hedge accounting is not applied, with foreign currency contracts fair valued at balance date with gains and losses recognised immediately through the statement of comprehensive income. At 30 September 2019, Elders had the following AUD exposures to foreign currencies that were not designated in cash flow hedges:

	2019	2018
	$000	$000
Financial assets		
Cash and cash equivalents – CNY	515	609
Cash and cash equivalents – IDR	885	1,301
Cash and cash equivalents – other	151	-
Receivables – CNY	3,017	2,733
Receivables – IDR	2,092	2,720
	6,660	7,363
Financial liabilities		
Payables – CNY	(1,083)	(1,224)
Payables – IDR	(1,098)	(1,599)
Interest bearing loans and borrowings – CNY	-	(3,286)
	(2,181)	(6,109)
Net exposure	**4,479**	1,254

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

	Post tax profit	
	Higher/(lower)	
CNY	(245)	117
IDR	(188)	(242)
Other	(15)	-

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

Accounting Policy

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

RISK MANAGEMENT — NOTE 16: FINANCIAL INSTRUMENTS

(e) Fair value of financial assets and liabilities

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

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

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

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

	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique – non market observable inputs (Level 3)	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique – non market observable inputs (Level 3)
	2019 $000	2019 $000	2019 $000	2018 $000	2018 $000	2018 $000
Financial assets and liabilities						
Derivatives	-	(803)	-	-	312	-
	-	**(803)**	**-**	-	312	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

EQUITY — NOTE 17: CONTRIBUTED EQUITY

	2019	2018
	$000	$000
Issued and paid up capital		
141,650,621 ordinary shares (September 2018: 115,818,637)	**1,562,377**	1,426,835

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

- $1.7 million of dividends where the shareholders have participated in the dividend reinvestment plan; and
- $137.0 million increase due to shares issued in relation to the share placement and entitlement offers, less transactions costs net of tax of $3.2 million.

The following ordinary shares were issued during the year:

- 857,200 shares issued upon vesting of performance rights in accordance with Elders long term incentive plan;
- 290,099 shares issued in accordance with Elders dividend reinvestment plan; and
- 24,684,685 shares issued under the Institutional Placement and Elders' Entitlement Offers.

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

Accounting Policy

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

EQUITY — NOTE 18: RESERVES

Reconciliation of carrying amounts at beginning and end of period:

	Business combination reserve	Employee equity benefits reserve	Foreign currency translation reserve	Total
	$000	$000	$000	$000
2019				
Carrying amount at beginning of period	(25,945)	5,806	(5,895)	(26,034)
Exchange differences on translation of foreign operations	-	-	(108)	(108)
Transfer to statement of comprehensive income from sale or closure of controlled entity	-	-	1,259	1,259
Cost of share based payments	-	1,812	-	1,812
Transfer to retained earnings	-	(2,609)	-	(2,609)
Recognition of put options	(1,550)	-	-	(1,550)
Carrying amount at end of period	**(27,495)**	**5,009**	**(4,744)**	**(27,230)**
2018				
Carrying amount at beginning of period	(25,945)	3,916	(5,567)	(27,596)
Exchange differences on translation of foreign operations	-	-	(328)	(328)
Cost of share based payments	-	3,161	-	3,161
Transfer to retained earnings	-	(1,271)	-	(1,271)
Carrying amount at end of period	(25,945)	5,806	(5,895)	(26,034)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

EQUITY — NOTE 18: RESERVES

Nature and purpose of reserves

(i) Business combination reserve

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

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

(ii) Employee equity benefits reserve

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

(iii) Foreign currency translation reserve

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

Accounting Policy

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

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

EQUITY — NOTE 19: RETAINED EARNINGS

	2019	2018
	$000	$000
Retained earnings at the beginning of the financial year	(1,094,027)	(1,139,118)
Net profit attributable to owners of the parent	68,935	71,568
Dividends paid	(19,267)	(25,819)
Transfer from employee equity benefits reserve	2,609	1,271
Reallocation of equity	(1,740)	(1,929)
Retained earnings at the end of the financial year	**(1,043,490)**	(1,094,027)

EQUITY — NOTE 20: DIVIDENDS

On 14 December 2018, Elders paid a fully franked final dividend of 9 cents per share. This distribution totalled $10.5 million (2017: $17.3 million). The cash outflow was $10.1 million, with the difference reinvested by shareholders.

On 21 June 2019, Elders paid a fully franked interim dividend of 9 cents per share. This distribution totalled $10.5 million (2018: $10.4 million). The cash outflow was $9.2 million, with the difference reinvested by shareholders.

Subsidiary equity dividends on ordinary shares:		
Dividends paid to non-controlling interests during the year	2,341	2,721
Franking credits available to the parent for subsequent financial years based on tax rate of 30% (2018: 30%)	**15,500**	20,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

GROUP STRUCTURE — NOTE 21: INVESTMENTS IN CONTROLLED ENTITIES

(a) Schedule of controlled entities

	Country of Incorporation		% Held by Group	
			2019	2018
Ace Ohlsson Pty Limited	Australia	(a)	100	100
Agsure Pty Ltd	Australia	(a)	100	100
AI Asia Pacific Operations Holding Limited	Hong Kong SAR		100	100
Air International Asia Pacific Operations Pty Ltd	Australia	(c)	100	100
Air International Vehicle Air Conditioning (Shanghai) Co Ltd	China	(e)	-	100
APO Administration Limited	Hong Kong SAR	(b)	100	100
APT Projects Pty Ltd	Australia	(c)	100	100
Aqa Oysters Pty Ltd	Australia	(c)	77	77
Argo Trust No. 2	Australia	(d)	100	100
Ashwick (Vic) No 102 Pty Ltd	Australia	(c)	100	100
B & W Rural Pty Ltd	Australia		75.5	75.5
BWK Holdings Pty Ltd	Australia	(c)	100	100
Chemseed Australia Pty Ltd	Australia	(c)	100	100
Elders Automotive Group Pty Ltd	Australia	(c)	100	100
Elders Burnett Moore WA Pty Ltd	Australia	(c)	100	100
Elders China Trading Company	China		100	100
Elders Communications Pty Ltd	Australia	(c)	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	(e)	-	100
Elders Forestry Finance Pty Ltd	Australia	(c)	100	100
Elders Forestry Management Pty Ltd	Australia	(c)	100	100
Elders Forestry Pty Ltd	Australia	(c)	100	100
Elders Global Wool Holdings Pty Ltd	Australia	(c)	100	100
Elders Home Loans Pty Ltd	Australia	(c)	100	100
Elders Management Services Pty Ltd	Australia	(c)	100	100
Elders PT Indonesia	Indonesia		100	100
Elders Real Estate (Tasmania) Pty Ltd	Australia	(c)	100	100
Elders Real Estate (WA) Pty Ltd	Australia	(c)	100	100
Elders Rural Services Australia Limited	Australia		100	100
Elders Rural Services Limited	Australia	(a)	100	100
Elders Services Company Pty Ltd	Australia	(e)	-	100
Elders Telecommunications Infrastructure Pty Ltd	Australia	(c)	100	100
Elders Victorian Feedlot Pty Ltd	Australia	(c)	100	100
Family Hospitals Pty Ltd	Australia	(c)	100	100
Fares Exports Pty Ltd	Australia	(c)	100	100
ITC Timberlands Pty Ltd	Australia	(c)	100	100
JS Brooksbank & Co Australasia Ltd	New Zealand		100	100
JSB New Zealand Limited	New Zealand		100	100
Keratin Holdings Pty Ltd	Australia	(c)	100	100
Killara Feedlot Pty Ltd	Australia	(a)	100	100
Manor Hill Pty Ltd	Australia	(c)	100	100
New Ashwick Pty Ltd	Australia	(c)	100	100
Prestige Property Holdings Pty Ltd	Australia	(c)	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

GROUP STRUCTURE — NOTE 21: INVESTMENTS IN CONTROLLED ENTITIES

	Country of Incorporation		% Held by Group	
			2019	2018
Primac Exports Pty Ltd	Australia	(c)	100	100
Primac Pty Ltd	Australia	(c)	100	100
PT Agri Integrasi Mandiri	Indonesia		100	100
Redray Enterprises Pty Ltd	Australia	(c)	100	100
SDEA Nominees Pty Ltd	Australia	(a)	100	100
Titan Ag Pty Ltd	Australia	(a)	100	100
Ultrasound Australia Pty Ltd	Australia	(a)	100	100
Victorian Producers Co-operative Company Pty Ltd	Australia	(c)	100	100

- The parties that comprise the Closed Group are denoted by (a). No parties were added or removed from the closed group this year.
- No entities were acquired or registered during the period.
- Entities exempted from audit requirements due to overseas legislation or non-corporate status are denoted by (b).
- Entities classified by the Corporations Act as small proprietary companies relieved from audit requirements are denoted by (c).
- The entity denoted by (d) is a controlled special purpose entity related to trade receivable financing program.
- Entities denoted by (e) were disposed of, deregistered or liquidated during the year.

Accounting Policy

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

(b) Deed of Cross Guarantee

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

GROUP STRUCTURE — NOTE 21: INVESTMENTS IN CONTROLLED ENTITIES

Certain members of the Closed Group, in addition to certain controlled entities, are guarantors in connection with the consolidated entity's borrowings facilities disclosed at note 15. A consolidated statement of comprehensive income and consolidated statement of financial position, comprising Elders Limited and the controlled entities which are a party to the deed, after elimination of all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 September 2019 is set out as follows:

	2019 $000	2018 $000
Statement of comprehensive income of the Closed Group		
Sales revenue	288,774	196,583
Cost of sales	(252,863)	(172,362)
Gross profit	**35,911**	**24,221**
Other revenue	25,000	25,000
Distribution expenses	(17,670)	(14,309)
Administrative expenses	(38,778)	(11,116)
Other items of income/(expense)	78,383	5,847
Finance costs	(2,275)	(999)
Profit/(loss) before income tax benefit/(expense)	**80,571**	**28,644**
Income tax benefit/(expense)	16,028	17,028
Profit/(loss) after income tax benefit/(expense)	**96,599**	**45,672**
Consolidated statement of financial position of the Closed Group		
Current assets:		
Cash and cash equivalents	6,399	6,336
Trade and other receivables	17,719	17,415
Livestock	36,320	32,528
Inventory	11,215	9,658
Total current assets	**71,653**	**65,937**
Non current assets:		
Other financial assets	318,784	164,134
Property, plant and equipment	11,360	9,710
Intangibles	1,301	1,301
Deferred tax assets	97,621	78,104
Total non current assets	**429,066**	**253,249**
Total assets	**500,719**	**319,186**
Current liabilities:		
Trade and other payables	6,354	9,404
Provisions	1,482	1,233
Total current liabilities	**7,836**	**10,637**
Total liabilities	**7,836**	**10,637**
Net assets	**492,883**	**308,549**
Equity:		
Contributed equity	1,562,377	1,426,835
Reserves	5,009	5,806
Retained earnings	(1,074,503)	(1,124,092)
Total equity	**492,883**	**308,549**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

GROUP STRUCTURE — NOTE 22: PARENT ENTITY

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

	2019 $000	2018 $000
Results:		
Net profit for the period after income tax expense	48,204	48,420
Total comprehensive income	**48,204**	**48,420**
Financial position:		
Current assets	546	305
Non current assets	493,403	308,906
Total assets	**493,949**	**309,211**
Current liabilities	1,066	662
Total liabilities	**1,066**	**662**
Net assets	**492,883**	**308,549**
Issued capital	1,562,377	1,426,835
Retained earnings	(1,115,749)	(1,161,344)
Profit reserve	41,246	37,252
Employee equity reserve	5,009	5,806
Total equity	**492,883**	**308,549**

Guarantees

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

GROUP STRUCTURE — NOTE 23: BUSINESS COMBINATIONS – CHANGES IN THE COMPOSITION OF THE ENTRY

(a) Acquisitions

Current period acquisitions
During the current period, Elders acquired a number of small retail and agency businesses for a total consideration of $14.3 million, including $6.9 million of deferred consideration. These transactions resulted in the recognition of $12.3 million of goodwill and associated brand names. These acquisitions are not material to the group.

Prior period acquisitions
In the prior period, Elders acquired Titan Ag Pty Ltd, Kerr & Co and other retail and agency businesses for a total consideration of $45.1 million, including $14.2 million of deferred consideration. These transactions resulted in the recognition of $46.7 million of goodwill and brand name.

(b) Disposals

Current period disposals
Elders disposed of the Indonesian Feedlot and Abattoir assets and the Elders Services Company. Proceeds from disposals were equal to the carrying amounts of assets held.

Prior period disposals
There were no disposals during the prior period.

Accounting Policy

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

OTHER INFORMATION — NOTE 24: EXPENDITURE COMMITMENTS

Operating lease commitments – Elders as a lessee

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

	2019	2018
	$000	$000
Operating lease commitments:		
– Within one year	27,042	26,094
– After one year but not later than five years	36,136	32,076
– After more than five years	2,443	4,024
Total minimum lease payments	**65,621**	62,194

Accounting Policy

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

OTHER INFORMATION — NOTE 25: CONTINGENT LIABILITIES

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

Quantifiable contingent liabilities

- Elders was provided professional services in respect of the acquisition of AIRR Holdings Limited prior to balance date. However, fees totalling $2.6 million for services rendered is only payable should certain conditions be met. These conditions could only be satisfied after balance date. Although quantifiable, as required by AASB 137 Provisions, Contingent Liabilities and Contingent Assets, Elders has not recognised a liability for this portion of the service fees due on the basis that there was no existing constructive obligation at balance date.

Unquantifiable contingent liabilities

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

Other guarantees

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

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

OTHER INFORMATION — NOTE 26: RELATED PARTY DISCLOSURES

The ultimate controlling entity of the Group is Elders Limited.

From time to time, Directors of Elders, or third parties of which a Director of Elders is also a Director, engage in transactions with Elders or entities in which Elders has an investment. These transactions are immaterial and generally in the nature of the acquisition of goods or services from Elders or an entity in which Elders has an investment or the supply of services to Elders or an entity in which Elders has an investment. Such transactions are on arm's length commercial terms and procedures are in place to manage any actual or potential conflicts of interest.

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 $15.0 million to StockCo Holdings Pty Ltd (2018: $4.0 million). Each advance is made out on a 12 month term rolling basis with an effective interest rate of 15% per annum. As at balance date, Elders has a total receivable from StockCo Holdings Pty Ltd of $31.9 million (2018: $15.1 million) and recognised interest revenue of $2.8 million (2018: $2.0 million) during the period. Elders also received trail and exclusivity fees of $2.5 million (2018: $2.7 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

OTHER INFORMATION — NOTE 27: SHARE BASED PAYMENT PLANS

Long Term Incentive Performance Rights

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.

Set out below are a summary of rights granted under the plan:

	Grant Date	Vesting date	Balance at start of period	Granted	Vested	Lapsed	Balance at end of period
CEO Plan	17-Dec-15	Nov-18	260,000	-	260,000	-	-
Executive Plan	25-Feb-16	Nov-18	597,200	-	597,200	-	-
CEO Plan	16-Dec-16	Nov-19	280,000	-	-	70,000	210,000
Executive Plan	17-Feb-17	Nov-19	555,000	-	-	138,750	416,250
CEO Plan	14-Dec-17	Nov-20	200,000	-	-	-	200,000
Executive Plan	16-Feb-18	Nov-20	465,000	-	-	35,000	430,000
CEO Plan	13-Dec-18	Nov-21	-	146,000	-	-	146,000
Executive Plan	15-Feb-19	Nov-21	-	330,000	-	24,000	306,000
			2,357,200	**476,000**	**857,200**	**267,750**	**1,708,250**

For long term incentive performance rights vesting in November 2019, additional shares of 41,942 will be allocated under the CEO and Executive plans at the time of vesting for the value of dividends forgone on the vested rights during the performance period.

The fair value at grant date of the long term incentive performance rights issued during the year was as follows:

	CEO Plan		Executive Plan	
	2019	2018	2019	2018
Absolute TSR	$4.92	$6.64	$3.23	$5.81
EPS Growth	$5.95	$7.17	$4.33	$6.50
Return on Capital	$5.95	$7.17	$4.33	$6.50

In calculating the fair value of the long term incentive performance rights issued the share price at valuation date was $6.99 for the CEO plan and $5.79 for the Executive plan (2018: $7.33 for the CEO plan and $6.74 for the Executive plan).

During the period, long term incentive performance rights expense of $1,811,676 (2018: $3,160,969) was recognised.

The weighted average remaining life of the long term incentive performance rights outstanding at the end of the financial year was 1.0 year. (2018: 1.0 year).

Performance rights associated with the 2016 long term incentive plan vested during the period. As a result, a total of 857,200 shares were issued to relevant participants.

OTHER INFORMATION — NOTE 28: AUDITORS' REMUNERATION

	2019	2018
	$	$
Amounts received or due and receivable by the auditor PricewaterhouseCoopers for:		
– auditing or review of financial statements	540,000	486,000
– other compliance and assurance services	8,000	-
– other non-audit services	29,566	-
	577,566	486,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

OTHER INFORMATION — NOTE 29: KEY MANAGEMENT PERSONNEL

Remuneration of Directors and other Key Management Personnel

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

	2019	2018
	$	$
Short term	3,304,831	4,766,571
Long term	138,017	67,914
Post employment	162,487	163,516
Termination benefits	-	538,465
Share based payments	1,168,820	1,924,233
	4,774,155	**7,460,699**

OTHER INFORMATION — NOTE 30: SUBSEQUENT EVENTS

Subsequent to 30 September 2019, AIRR Holdings Limited's shareholders approved the necessary resolutions to give effect to the scheme of arrangement for Elders to acquire 100% of the fully paid ordinary shares in AIRR. On 29 October 2019 this scheme of arrangement was approved by the Federal Court of Australia. The acquisition is expected to be effective on 13 November 2019.

There are no other matters or circumstances that has arisen since 30 September 2019 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 2019 are in accordance with the *Corporations Act 2001*, including:
      (i) Giving a true and fair view of its financial position as at 30 September 2019 and of its performance for the year ended on that date; and
      (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001
   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in the basis of preparation
   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 September 2019.
3. In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 21 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the deed of cross guarantee.

On behalf of the Board

Ian Wilton
Chair

M C Allison
Managing Director

Adelaide
11 November 2019

Auditor's Independence Declaration

As lead auditor for the audit of Elders Limited for the year ended 30 September 2019, 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
11 November 2019

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

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 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 2019 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 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include 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 (including Independence Standards)* (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.

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.

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

Liability limited by a scheme approved under Professional Standards Legislation.

pwc

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:

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

Elders provides feed and processing services in Australia and operates the Killara feedlot which is a beef cattle feedlot near Tamworth in New South Wales. Elders has a business in China which imports, processes and distributes premium Australian meat in China. The Group operated a meat distribution business in Indonesia until it exited this business in the current year.

Materiality

For the purpose of our audit we used overall Group materiality of $2.9 million, which represents approximately 5% of the Group's profit before tax excluding amounts associated with the planned exit of the Elders Financial Planning business, exit of the Indonesian business and acquisition related expenses and revenues.

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 Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We adjusted the Group's profit before tax for amounts associated with the planned exit of the Elders Financial Planning business, exit of the Indonesian business and acquisition related expenses and revenues, specifically the due diligence costs associated with an acquisition as these costs are unusual or infrequently occurring items which are not expected to recur from year to year or otherwise significantly affect the underlying trend of performance of the Group.

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

pwc

Audit Scope

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

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

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

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

Key audit matters

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. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit, Risk and Compliance Committee.

Key audit matter	***How our audit addressed the key audit matter***
Recoverability of deferred tax assets *(Refer to note 4)* Elders disclosed unused tax losses of $95.8 million available for use in future periods. Elders recognised net deferred tax assets of $97.2 million at 30 September 2019 in the consolidated statement of financial position, of which $100.6 million arises from tax losses carried forward. Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable on future taxable profits. This was a key audit matter due to the quantum of the accumulated losses available as well as the judgement involved by the Group in preparing forecasts to demonstrate the future utilisation of these losses.	We performed the following procedures, amongst others: • Assessed the forecast profits over the relevant utilisation period and evaluated whether the forecasts were consistent with Board approved budgets, and had been appropriately adjusted for the differences between accounting profits and taxable profits. • With assistance from PwC tax specialists, examined the ability to carry forward the tax losses for future use and considered the appropriateness of the deductions in the forecasts. • Tested the mathematical accuracy of the forecasts. • Reperformed the reconciliation of tax losses recognised and utilised in the current year, as detailed in note 4. • Recalculated deferred tax asset balances which comprise temporary differences between tax and accounting values and tax losses. • Evaluated the adequacy of the disclosures made in light of the requirements of Australian Accounting Standards.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 September 2019, 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 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

pwc

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 48 to 65 of the directors' report for the year ended 30 September 2019.

In our opinion, the remuneration report of Elders Limited for the year ended 30 September 2019 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
11 November 2019

ASX ADDITIONAL INFORMATION

a) Distribution of Ordinary Shares as at 1 November 2019

Holdings Ranges	Total Units	Holders
1-1,000	2,709,138	6,648
1,001-5,000	9,757,937	4,226
5,001-10,000	5,546,383	781
10,001-100,000	16,650,167	693
100,001-maximum	106,986,996	59
Totals	**141,650,621**	**12,407**
The number of holders holding less than a marketable parcel		1,027

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 Australia Securities Exchange.
The Home Exchange is Sydney.

d) Twenty Largest Shareholders as at 1 November 2019

The twenty largest holders of Elders Ordinary Shares were as follows:	No. of shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	45,476,271	32.105%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	18,629,015	13.151%
CITICORP NOMINEES PTY LIMITED	13,888,108	9.804%
NATIONAL NOMINEES LIMITED	9,241,862	6.524%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	3,467,963	2.448%
BNP PARIBAS NOMS PTY LTD <DRP>	1,836,109	1.296%
WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	1,442,727	1.019%
BRAZIL FARMING PTY LTD	1,378,339	0.973%
MR MARK CHARLES ALLISON	1,050,814	0.742%
VENN MILNER SUPERANNUATION PTY LTD	911,941	0.644%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	748,004	0.528%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	549,727	0.388%
MR JAMES GARDINER	440,000	0.311%
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	434,698	0.307%
JOHN DRAGUN SUPERANNUATION PTY LTD <JOHN DRAGUN S/F A/C>	363,523	0.257%
PACIFIC AGRIFOODS INVESTMENTS PTY LTD	335,456	0.237%
MR KWOK CHING CHOW & MS PIK YUN PEGGY CHAN	330,000	0.233%
SARGON CT PTY LTD <ELD DEF AC>	318,065	0.225%
V M NOMINEES PTY LTD	297,314	0.210%
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	291,233	0.206%
Total Securities of Top 20 Holdings	**101,431,169**	**71.607%**

The number of shares held by substantial shareholders in the Company, as disclosed in substantial holding notices given to the Company as at 1 November 2019.

Shareholder	No. of shares	Percentage of shares held at date of notice	Date of Notice
Yarra Funds management Limited Yarra Capital Management Holdings Pty Ltd Yarra Management Nominees Pty Ltd AA Australia Finco Pty LTd TA SP Australia Topco Pty Ltd TA Universal Investment Holdings Ltd (Collectively "Yarra")	11,942,026	8.43%	16/8/2019
Pendal Group Limited	8,241,158	6.11%	24/7/2019
H.E.S.T. Australia Limited as trustee of Health Employees Superannuation Trust Australia	5,848,969	5.01%	31/5/2019

SHAREHOLDER INFORMATION

Share Registry

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

1300 737 760

+61 (0)2 9279 0664

enquiries@boardroomlimited.com.au

boardroomlimited.com.au

Enquiries

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

Online shareholder information

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

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

Tax and dividend/interest payments

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

Change of address

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

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

Annual Report mailing list

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

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

Investor information

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

Website:

elders.com.au

Subscribe:

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

Publications:

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

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

COMPANY DIRECTORY

Directors

Mr Ian Wilton
MSc, FCCA, FCPA, FAICD, CA

Mr Mark C Allison
BAgrSc, BEcon, GDM, FAICD, AMP (HBS)

Ms Robyn Clubb
BEc, CA, F Fin, MAICD

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

Mr Michael Carroll
B.Ag.Sc., MBA, FAICD

Secretaries

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

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

Registered Office

Level 10, 80 Grenfell Street
Adelaide, South Australia, 5000

(08) 8425 4000
(08) 8410 1597
CompanySecretary@elders.com.au
elders.com.au

Share Registry

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

1300 737 760
+61 (0)2 9279 0664
boardroomlimited.com.au

Auditor

PricewaterhouseCoopers

Bankers

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

Stock Exchange Listing

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

Elders