

Our clients and
their needs are our
central focus –
all day, every day.



2012
ANNUAL
REPORT

Elders



Elders is an Australian company with leading businesses in Rural Services and Automotive components supply.

Elders' rural services operations provide Australian and New Zealand primary producers with the physical, financial and service inputs to achieve the most successful production and sales from their efforts.

International Trading operations in cattle, beef and wool provide opportunities to match demand in world markets with local supply.

Automotive operations are conducted through Futuris, Australia's leading automotive components supplier and an emerging tier one supplier to the Asia Pacific automotive industry.

List of photographers

Front cover: Pam Gill, Richmond, QLD

Top row left: Mick Sonneman, Sinclair, WA

Top row right: Reinhard Von Samorzewski, Grindelwald, TAS

Third row left: Sam Chisholm, Alice Springs, NT

Bottom row middle: Meg Kennett, Harden, NSW

Bottom row right: Sue Streit, Brighton, TAS



Elders' Four Strategic Cornerstones

Elders is building its business on four strategic cornerstones identified as being essential for the achievement of the excellence that our shareholders and clients desire.

Generating improved returns for our clients and shareholders by being the best at understanding and serving clients needs.

Procuring and moving the right product at the right time most efficiently.

High performance sales capability

Supply chain excellence

Cost and service-effective technology

Superior capital management

Developing and applying technology to improve outcomes while meeting cost and service quality standards.

Managing the Company's financial resources to advantage efficient operation and improve shareholder value.

Our Business

Elders Rural Services



MAKES MORE POSSIBLE

Network Operations

Sales Revenue: \$1,356 million

Employees: 2,134*

Network Operations

Supply of product and services to rural and regional clients including:

- Farm inputs – supply of agricultural chemicals, fertilisers, animal health and general rural merchandise
- Marketing and sale of farm outputs
- Real estate and property services
- Financial services distribution

Australia

213 rural branches
99 real estate and insurance stores
145 real estate franchises

New Zealand

13 rural branches
2 insurance stores



International Trading

Sales Revenue: \$447 million

Employees: 262*

International Trading

International trading platforms link offshore markets with primary producers, delivering a range of livestock, food and fibre solutions.

Feedlots

Australian (2)
Indonesia (1)

Live Export

Long-haul breeding stock
Short-haul feeder cattle

Wool

China

Elders Fine Foods importation to Chinese markets

Automotive



Sales Revenue: \$345 million

Employees: 2,052*

Futuris

Design and manufacture solutions, principally for the automotive sector:

- Seating – full seating systems and seat hardware
- Interiors – door trim, headliner, floor carpet and NVH systems
- Controls – steering, pedals and ILVS assemblies
- Aftermarket and vehicle personalisation
- Manufacturing solutions – focusing on cleantech
- Infrastructure – transport and communications

Australia

Supplier to Australian OEM passenger vehicle producers

International

Local manufacture and supply contracts with vehicle producers in:

- China
- Thailand
- North America
- South Africa

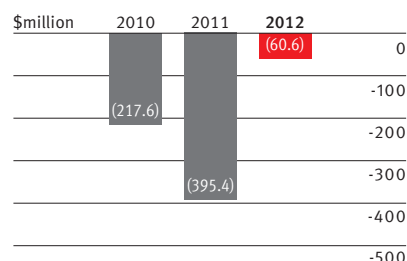
* Full time equivalent employees at 30 September 2012
Forestry and Corporate activities employed a further 48 and 8 FTE respectively at year end.

2012 The Year in Brief

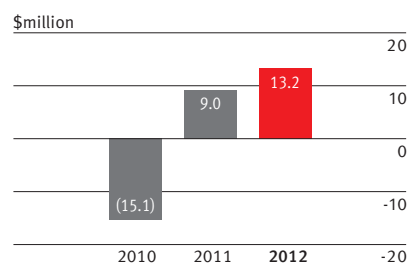
Key Financial Results

Year ended 30 September	2012	2011
<i>\$ million unless indicated otherwise</i>		
Sales revenue from continuing operations	2,157.9	2,263.1
Underlying EBIT	38.8	32.4
Net underlying interest	(20.7)	(18.5)
Underlying profit before tax	18.1	13.9
Tax on underlying profit	(1.7)	(1.6)
Non-controlling interests	(3.2)	(3.3)
Underlying profit to shareholders	13.2	9.0
Non-recurring items after tax	(73.8)	(404.4)
Statutory (Reported) profit to shareholders	(60.6)	(395.4)
Cash flow from operating activities	2.5	(23.8)
Borrowings	385.8	427.0
Net debt	295.3	345.4
Net assets	551.8	604.7
Earnings per share (cents) – underlying basic	2.9	2.0
Earnings per share (cents) – underlying diluted	1.2	1.0
Earnings per share (cents) – statutory basic	(13.5)	(88.1)
Earnings per share (cents) – statutory diluted	(13.5)	(88.1)
Gearing	53.5%	57.1%

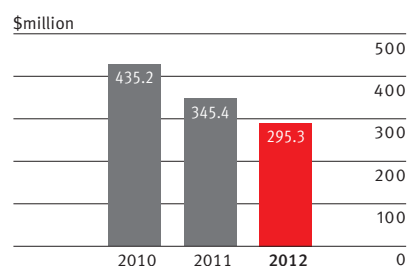
Statutory profit/(loss) to shareholders



Underlying profit/(loss) to shareholders



Net Debt



Reporting Period, Terms and Abbreviations

Abbreviations and terms

This Report uses terms and abbreviations relevant to the Company and its accounts. The terms “the Company”, “Elders Limited”, “Elders” and “the Group” are used in this report to refer to Elders Limited and/or its subsidiaries.

The terms “2012” or “2012 financial year” refer to the 12 months ended 30 September 2012 unless otherwise stated. References to “2011” or other years refer to the 12 months ended 30 September of that year.

Annual Report

This document has been prepared to provide shareholders with an overview of Elders Limited’s performance for the 2012 financial year and its outlook.

The Annual Report is mailed to shareholders who elect to receive a copy and is available free of charge on request (see Shareholder Information printed in this Report).

The Annual Report can be accessed via the Company’s website at www.elderslimited.com.

Notice of Meeting

The 2012 Annual General Meeting of Elders Limited will be held on Thursday, 20 December 2012, commencing at 10.00am in Hall A, Adelaide Convention Centre, North Terrace, Adelaide, South Australia. A formal Notice of Meeting has been mailed to shareholders. Additional copies can be obtained from the Company’s registered office or downloaded from its website at www.elderslimited.com.

Elders Limited ABN 34 004 336 636

Safety

Lost Time Injury Frequency Rate reduced from 7.1 to 6.4

Medical Treatment Injury Frequency Rate reduced from 19.4 to 14.7

Profit and loss

Statutory loss after tax of \$(60.6) million compared with loss of \$(395.4) million in 2011

Items excluded from underlying profit totalling \$(73.8) million after tax:

- Tax items of \$34.5 million
- Forestry related items totalling \$(75.3) million
- Rural Services items totalling \$(10.9) million
- Automotive items totalling \$(14.1) million
- Corporate items totalling \$(8.0) million

Underlying profit after tax of \$13.2 million compared with \$9.0 million in 2011

Balance sheet and finance

Net debt of \$295.3 million

Borrowings reduced from \$427.0 million to \$385.8 million

Gearing reduced from 57.1% to 53.5%

Rural Services

Sales from continuing operations down 9% to \$1,813.2 million

Statutory EBIT of \$18.7 million, up from \$4.2 million

Underlying EBIT of \$29.5 million, up from \$24.9 million

Automotive

Sales up 9% to \$344.7 million due to consolidation of joint venture and increased Thailand sales

Statutory EBIT of \$4.4 million, down from \$16.8 million

Underlying EBIT of \$18.5 million, up from \$16.8 million

2012
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Elders

Chairman's Review

John Ballard



Dear Shareholder,

This report's primary focus is, as required, to formally advise on your Company's position at 30 September 2012 and its financial statements and performance for the preceding 12 months.

However, initiatives taken by your directors since balance date have set the Company on a new path, which we believe will accelerate value realisation for its stakeholders from the rising corporate interest in Elders' Rural Services operations and the Australian agriculture sector generally.

As announced to the ASX on October 29, Elders has commenced a sales process for its rural services business. The rationale for this decision is simple and compelling: that, in the current climate, the value generated by a competitive sales process is forecast to be superior to that than can be delivered by other options.

These options include retention of the business as an agriculture pure play, which would not enable crystallisation of the value that is believed to be available through a competitive sales process in current markets. Moreover, Directors anticipate that keeping the rural services business embedded within the current listed entity and capital structure is unlikely to generate a share price that reflects the inherent value of the rural services business due to the Company's debt levels, and the associated service requirements, which remain too high.

The global interest in, and enthusiasm for, agriculture businesses has been evidenced by a number of recent transactions and proposals. Your directors, guided by their advisors, are planning to maximise security-holder exposure to this interest through a formal competitive sales process, which is likely to result in a more valuable outcome than exclusive dealings with a single party.

The decision to realise value from the Rural Services business followed an earlier decision announced to the ASX to proceed with sale of the Company's automotive business, Futuris.

The divestment of Futuris was proposed originally with the initiation of the Agenda for Change transition strategy in 2008, but had been deferred indefinitely, for a number of reasons, including the global financial crisis and the expectation that superior sales outcomes would result from a sale timed to capture the value of expansion contracts won in Thailand, China and North America and scheduled to begin from 2012.

By August 2012, Futuris had successfully commenced supply of the Asian and American contracts and secured additional work that filled its order books for the medium term.

This position, together with the renewed market appreciation of the value of agricultural assets, presented a clear case for moving to effect the sale and reducing debt further.

The merits of realising value from the automotive interests are unaffected by the subsequent decision to divest rural services operations.

Futuris is now well advanced in its strategy of transforming from a local supplier to the Australian vehicle industry to being an established international automotive systems supplier. As such, the sale of the business to a natural owner in this sector is expected to yield greater value for the Company's stakeholders than retention.

Of course, while these sale initiatives will provide an avenue for accelerated realisation of value, they also raise questions of when completion of the transactions can be expected and, most fundamentally, what these initiatives mean for the Company's security-holders.

It is not possible to answer either question with certainty at this stage. In regards to timing, it is directors' expectation that the transactions should be completed within the current financial year. The priority on achieving the best result for shareholders is being addressed through a structured sales process that balances the diverse considerations involved; such as engagement with the worldwide pool of potential acquirers, minimal disruption to the business, the encouragement of competition and completion within reasonable time.

Directors will be in a position to advise security-holders of the implications for the Company from the sale of the Rural Services business once an appropriate transaction has been determined for proposal.

Due to the significance of the Rural Services business to the Company, your directors wish to present any proposed transaction for approval by shareholders. At that juncture, Directors will be in a position to advise on the implications of the transaction for the future of the Company, and its security-holders, prior to a shareholders' vote on the proposed transaction.

2012 performance and position

The statutory loss of \$(60.6) million for 2012 compares with the previous year's statutory loss of \$(395.4) million. The major factor in the year-on-year movement in statutory profit was the impact of significant items on the 2011 result, most particularly those arising from the decision to withdraw from Forestry.

The 2012 statutory result comprises an increased underlying profit of \$13.2 million and non-recurring items totalling \$(73.8) million.

Profit from operations has increased, with both Rural Services and Automotive lifting their underlying earnings contribution.

The completion of a rigorous 'right-sizing' of head count and expenses in August 2012 has substantially reconfigured overhead costs to that more appropriate for the business going forward.

This is the third successive rise in underlying profit since the company began its recovery process in 2009, and significantly, this latest increase has been registered against the backdrop of less supportive seasonal and market conditions. Clearly, improvements are being made in the business and opportunity exists for further, and substantial, improvement. But notwithstanding this, the results are unsatisfactory. Furthermore, the realisation of shareholder value from ongoing improvement is most likely to be realised within a lower debt capital structure.

Net borrowing costs absorbed more than half of the earnings before interest and tax generated by the Company in 2012. Debt levels and the associated interest expense remains the most significant factor in the Company's unsatisfactory underlying returns.

Balance sheet and finance

Debt levels were reduced for the fourth successive year, with net debt at 30 September of \$295.3 million being \$50.1 million lower than at the 2011 year-end.

Assessment of Elders' indebtedness requires acknowledgement of the distinction between Elders' core debt and other self-liquidating interest bearing liabilities.

Core debt accounts for less than half of Elders' total gross debt at 30 September. The balance is accounted for by securitised debtor finance facilities, which, in turn, are backed by farm supplies and automotive receivables.

Superior capital management

Throughout 2012 Elders continued its focus on capital management initiatives in order to create a capital structure that is appropriate for the market in which it operates.

Net debt was reduced by \$50.1 million in 2012, following the \$89.8 million reduction in the previous year. Gearing was also reduced to 53.5% at 30 September 2012.

Core net debt at Elders now accounts for 33% of net debt. Term debt was reduced by \$92.8 million to \$88.1 million, down from 42% to 23% of gross borrowings.

This debt reduction has largely been achieved due to the redirection of capital following proceeds of forestry assets that had been divested and tax proceeds following the successfully contested tax assessment.

Operationally, there has been a focus on our staff proactively following up overdue debtors as well as an emphasis on a reduction in farm supplies inventories.

Capital management will continue to be a focus for the Company in 2013 as it works to accelerate the return of value to its stakeholders.

Forestry divestment program

The forestry divestment program announced in October 2011 has been advanced substantially, with sale of the large majority of the Company's freehold land having been completed.

The remaining assets and operations largely comprise immature pulpwood, eucalyptus plantations located in Esperance and Sandalwood and Teak plantations. These residual assets and operations will require more time to divest and exit due to the deterioration of the Australian hardwood woodchip export market, timber immaturity, location or the specialised nature of some varieties. The Company has reviewed, and where appropriate increased, provisions it has made for the anticipated balance sheet impact of completing withdrawal from forestry operations.

Board

Director numbers were reduced during the year, with the board comprising six members at 30 September, compared with nine members after last year's Annual General Meeting. Two non-executive Directors, Ms Anna Buduls and Mr Ray Grigg, elected to retire as part of the response by the board to support the very substantial reduction in head count made by management to the head office structure.

Subsequently, Mr Robert Wylie, a non-executive Director and Chair of the Audit, Risk and Compliance Committee also elected to retire. Mr Wylie has been succeeded as Chair of the Audit, Risk and Compliance Committee by Ms Josephine Rozman, who was appointed to the board in November 2011.

On behalf of shareholders, I would like to express our thanks and appreciation for the contributions made to the Company by Ms Buduls, Mr Grigg and Mr Wylie.

The current size of the Board is considered to be suitable for the Company at present.

Corporate governance

Your Company is committed to an unequivocal and full discharge of its corporate governance and continuous disclosure obligations. Elders' corporate governance framework and practices are detailed in the Corporate Governance Statement commencing on page 22 of this report and include a revised diversity policy which was adopted and promulgated during the year.

The establishment of appropriate diversity at every level of the Company is regarded as a prerequisite to Elders being able to avail itself of the optimal blend of talent and skill from its board and workforce. The Corporate Governance Statement of this report details the measureable objectives set by the board for improved diversity, which will be reported upon in future annual reports.

In closing, I would like to express the appreciation of the directors for the efforts of employees during the year. Thank you for your contribution.



John Ballard
Chairman

Report by the Chief Executive

Malcolm Jackman



In 2012 Elders recorded increased underlying profit, improved contribution from both its operating businesses, stronger cash flow, further strengthened its balance sheet, and re-set its cost structure.

However, Elders' statutory result was a loss of (\$60.6) million due to significant non-recurring items chiefly arising from the forestry divestment program. This compares to the previous year's statutory loss of \$(395.4) million. Full details of the non-recurring items are provided in the Discussion and Analysis of the Financial Results on page 56 of this report.

Underlying profit after tax was \$13.2 million, 47% higher than the corresponding result of \$9.0 million in 2011.

Underlying earnings before interest and tax (EBIT) of \$38.8 million, was up 20% on the previous year's \$32.4 million as both Rural Services and Automotive operations lifted their contribution.

Total borrowing costs were lower than in the previous year, reflecting the reductions in indebtedness and non-recurring interest income arising from the successful objection to an amended taxation assessment. However, once non-recurring income and interest attributable to the forestry related finance is recognised, net underlying borrowing costs in 2012 of \$20.7 million were higher than the previous year's comparative of \$18.5 million.

Review of operations

Detailed discussion of the performance of the Company's operating businesses, and their statutory results is provided in the Review of Operations that commences on page 15.

Rural Services

Contribution from Rural Services operations rose, despite unsupportive seasonal and market conditions, due to a strong improvement from Trading operations and a favourable balance date mark-to-market adjustment.

After the promising start brought by widespread and good rains, most agricultural regions in Australia, with the exception of the far north, experienced unfavourable weather with rainfall classified as

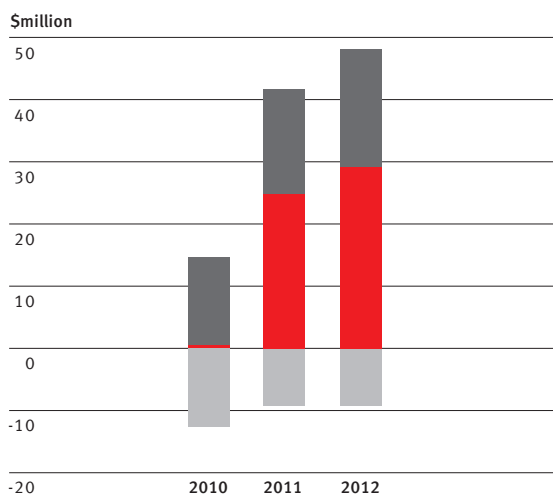
below-average to very-much-below-average for the six months to September. Western Australia was the most significantly affected, with widespread and significant rainfall shortages.

The seasonal conditions were reflected in weaker demand for cropping inputs, concern about feed availability for livestock in southern pastoral regions and subdued broadacre real estate markets. Prices for key farm supply inputs such as fertiliser and agricultural chemicals were lower, as were sheep and wool prices.

Market demand for livestock was strong in international markets, although the competitiveness of Australian exports was hindered by the high AUD exchange rates.

Underlying EBIT generated by Elders Rural Services was \$29.5 million, 18% higher than the previous year's corresponding result of \$24.9 million. The highlight of the result was the performance of Trading operations, which partially offset the lower network earnings brought by seasonal conditions, lower prices and more subdued activity levels in Elders' agency markets of livestock, wool and real estate.

Underlying EBIT by continuing operations



\$million 12 months to 30 September:			
	2010	2011	2012
■ Rural Services	0.5	24.9	29.5
■ Automotive	15.0	15.3	18.5
■ Corporate & other	(12.9)	(7.8)	(9.2)
Total	2.6	32.4	38.8

The lower agency income, principally livestock, accounted for virtually all of the movement in network earnings compared with the previous year. Farm supplies sales were increased, and contribution maintained, despite lower demand for cropping inputs and lower fertiliser prices.

The contribution from Trading operations is particularly noteworthy, as it was achieved despite the challenges presented by the high exchange rate and tight livestock markets and after the significant disruption to Australia's short-haul export trade during the previous two years.

The improved Trading earnings can be attributed to the strategy implemented to deliver better returns, and growth from global markets and from Elders' leading position in live export and livestock generally.

The business has been reoriented from an Australian-supply-centric model to a focus on global demand and customer needs under the name of Elders International Trading. Under the strategy, Elders International Trading has diversified supply and demand sources and risk, developed new markets and improved capital and cost efficiency and planning capability through a shipping alliance. The benefits of the strategy in 2012 are evident in the \$16.9 million contribution from the live export business, a significant increase over the previous year; 25% growth in volume shipped and a broader, more diversified sales base.

Automotive

Futuris completed a demanding year with increased sales and earnings and an expanded business. Underlying EBIT generated by Futuris for the 12 months to September was \$18.5 million, up 10% on the 2011 comparative of \$16.8 million.

Motor vehicle production in Australia by Futuris customers was in-line with the previous year, which represents an improvement on the decline of 10% in 2011.

In Thailand, Futuris completed its first year of production from new manufacturing facilities, from which it is supplying contracts to General Motors, Ford and Auto Alliance Thailand. Chinese operations continued to mature, winning new work under existing supplier relationships, and successfully implementing a new market development strategy which concentrates on the larger local manufacturers.

The strategy was rewarded with Futuris' first contract with a major Chinese auto manufacturer, Shanghai Automotive Industry Corporation (SAIC).

In North America, Futuris began supply of seats to Tesla, a manufacturer of premium electric vehicles.

Futuris' successful initiation of operations in Thailand and the USA, and new business won, has substantially advanced its strategy of transformation from a local supplier to Australian manufacturers to being a significant and successful niche player in the Asia Pacific automotive industry.

Forestry divestment program

The forestry asset divestment program initiated in October 2011 generated proceeds of \$101.4 million during the 2012 financial year through the sale of land, timber and associated assets on which a net gain against book value of \$27.3 million was recorded.

The remaining forestry assets have a book value of \$67.0 million as at 30 September 2012 and are subject to ongoing divestment initiatives. As noted in the 2011 Annual Report, the forestry asset base is diverse, containing a variety of different timber types, (ranging from pulpwood to specialty timbers), maturities and locations. Furthermore, the ability to market some assets is subject to encumbrances such as grower agreements or the considerations brought by tree maturity profiles.

For this reason, Elders anticipates that disposal of the remaining forestry assets will occur progressively as the requirements for divestment of the different assets can be satisfied and terms agreed.

Elders has made, and continues to review, its provision for the anticipated costs of discontinuing forestry operations. Further charges totalling \$80.1 million have been made in the 2012 financial statements for asset impairments, to provide for exit costs and onerous contracts. The charges have been required to recognise lower than anticipated realisable value for specialty timbers and revisions to forecast costs of exiting some operations.

Corporate and overheads

Elders has maintained firm control on costs for several years, an outcome which is noteworthy given the prevailing backdrop of rural and regional wage inflation and rising fuel prices.

Elders' total underlying costs in 2012 (ie excluding discontinued operations) were 4% lower than the previous year. In August, the Company implemented a cost re-set of its corporate and back-office functions which resulted in a 25% reduction to the head-count in those areas and will deliver ongoing earnings benefits from 2013. The cost re-set has been accompanied by a review of all discretionary expenditure.

Financial position

Elders' capital management since 2009 has featured ongoing debt reduction and restructuring of its finance facilities to reduce its use of term debt. This approach has been maintained in 2012. Net debt at 30 September was \$295.3 million, down 15% from the previous corresponding result.

As the Chairman has highlighted, it is relevant to appreciate the composition of Elders' debt.

Core debt of \$186.6 million accounts for just under half of gross borrowings of \$385.8 million as at 30 September, having been reduced by 35% over the course of the year.

Virtually all of the balance of gross debt is accounted for by self-liquidating working capital facilities such as debtor securitisation, which is backed by accounts receivable for completed farm supplies and automotive sales that typically fall due within 30 days.

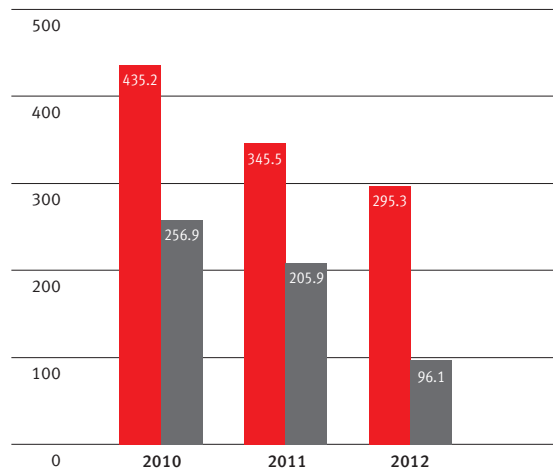
These facilities offer a lower cost and capital-effective cash management tool more suited to the nature of Elders' business than a term debt facility. Elders' securitisation facilities can be expected to turn over \$1,019 million during the course of a year through the cycle of sales, cash advance and closure of the accounts receivable.

These facilities fall within accounting definition of debt and are recorded as such in the Company's balance sheet. However, the simple distinction that debtor securitisation is backed by a receivable typically due in 30 days, warrants consideration when assessing the company's indebtedness.

Further reductions in bank debt are anticipated in 2013 through proceeds generated from the sale of assets.

Net debt

\$million



\$million as at 30 September:	2010	2011	2012
■ Total Net Debt	435.2	345.5	295.3
■ Core Net Debt ¹	256.9	205.9	96.1

¹ Core Net Debt = Total Net Debt less self-liquidating facilities

High performance sales capability

A high performance sales capability is considered by Elders to be integral to delivering results for its clients and shareholders.

The change program introduced in 2010 to transform Elders' operations away from service-orientation and towards a client-centric model is becoming part of the Company's organisational philosophy.

2012 saw the continuation and bedding down of the Elders-specific sales training and coaching program, SalesPlus+. 50 additional members of Elders' network sales force completed this training – a total of 1,500 training hours. This takes the total number of sales staff who have completed SalesPlus+ training to 1,357.

Central to the SalesPlus+ program is the bottom-to-top weekly sales discussion from customer-facing roles right through the management chain, ensuring the right activities are being implemented, and any problems preventing successful sales activities are quickly identified and resolved.

Ongoing review and analysis of the effectiveness of SalesPlus+ in 2012 reveals that SalesPlus+ is helping salespeople to perform better, even in the tough market conditions our salespeople encountered in 2012.

The focus for 2013 will see the Company continue to utilise SalesPlus+ and the client-centric model as part of its sales culture.

A high performance sales capability is also evident in the Company's trading operations through the strong relationships the trading team continues to build with customers in destination markets, and cattle suppliers both in Australia and overseas.

Safety

The provision of a safe environment for all who come into contact with Elders' operations is the Company's foremost priority. Safety management and promotion in 2012 continued the focus on safe work practices and on systems that promote reporting, effective analysis and management.

Safety outcomes, as measured by workplace health and safety key performance indicators, improved. The 12 month rolling Lost Time Injury Frequency Rate (LTIFR) reduced from 7.1 in 2011 to 6.4 in 2012 and the rolling Medical Treatment Frequency Rate was reduced from 19.4 to 14.7. Automotive, New Zealand Rural Services and Forestry all recorded significant improvement in LTIFR. The Australian Rural Services Network recorded a marginal increase in LTIFR.

The Corporate Workplace Health and Safety Policy was updated, incorporating the Elders vision and policy statement and reaffirming the business' commitment to integrating a continuous improvement safety management system across all levels. Focus includes the continual development of the safety management system based on risk management principles and the identification, elimination and control of hazards.

A Gap Analysis between the Elders Safety Management System and the national Model Workplace Health and Safety Act, Regulations and Model Codes of Practice was undertaken. The results indicated the Company is compliant with the requirements of the legislation.

Human Resources

Elders' employment at 30 September stood at 4,504 full time equivalent (FTE) persons compared with the previous corresponding figure of 3,794 FTE.

The year-end employment figure includes 2,911 FTE located in Australia (2011 comparative: 2,910) and 1,593 located abroad (884 in 2011). The increase in employment outside Australia is due to the additional staffing requirements of new Futuris contracts in Thailand, North America and China.

The effectiveness and enterprise of our workforce is a critical factor in its performance. To this end, Elders has 3 core aims in the management of its human resources:

- 1) making sure Elders has, and keeps, the 'best right talent';
- 2) giving employees the training, management and opportunity that will enable them to make their greatest contribution to the Company; and
- 3) providing remuneration and incentive structures that appropriately motivate and reward employees to deliver superior performance.

Elders is seeking to lift the diversity of its talent pool, particularly in regards to the gender diversity of its management, senior executive team and board of directors. While the representation of women within Elders' workforce (33%) is comparable to the sector in which it operates, it is nevertheless below the general population level. Moreover, the representation of women at senior management, senior executive and board levels (15%, 9% and 17% respectively) is disproportionately low.

The Company is working to improve diversity in its human resources through the pursuit of the measurable targets set out in the Corporate Governance Statement.

Elders invests in the training and development of its workforce and young people in the rural regions where it operates. The Elders' traineeship initiative entered its third year, with the recruitment of 19 trainees to complete the 18 month program of employment, on-the-job training and tertiary study of a Certificate IV in Agriculture at TAFE. Elders has now provided a total of 90 traineeships since the program began in 2009, all in rural and regional locations.

Recent years have seen Elders' training and development initiatives focus on lifting the organisation's sales capability through the SalesPlus+ program. While sales effectiveness training and management is ongoing, the point of emphasis shifted in 2012 to leadership capability at 'the front line'. The Branch Manager Training Program was initiated during the year to build managerial and leadership capability amongst those responsible for the individual performance of the branches that comprise the Elders network.

The focus on branch performance has been supported by initiatives such as the Branchise long term incentive program which aligns branch manager incentives with shareholder value creation. The Branchise initiative has been introduced as part of a broader remuneration framework implemented during the year that provides structure across the Company, incentivises superior performance and improved governance and administration.

Outlook

This is my fourth annual report to shareholders since I joined the Company and outlined an 'Agenda for Change', to transition what was the industrial conglomerate Futuris Corporation, carrying \$1.2 billion of bank debt, to a focussed agribusiness offering investors exposure to the Australian farm sector and the capacity of the Elders Network. The progress made in 2012, and the decision to proceed with the divestment of Futuris Automotive, means that Elders has approached the final stages of that strategy.

It is a journey which has taken longer than anticipated, as the timeline, and strategy required, and has been recast by events such as the demise of the MIS-funded forestry industry and the effects of the global financial crisis. For Elders, this meant significantly reduced earnings, a slower market for asset sales and a more constrained balance sheet.

While core debt has been reduced to \$186.6 million, the associated interest expense and the costs of the forestry divestment program are, as the 2012 results show, weighing heavily on the Company's financial performance and sharemarket appeal.

Yet the investment case for agriculture is reinforced every day as the world's population, living standards and demand for food and fibre continue to rise. Australia, as a net exporter of food and commodities, is clearly a beneficiary of this outlook. The rising international interest, and corporate activity, in the Australian agriculture sector during the year further evidences the favourable outlook for the local industry.

I believe it to be beyond doubt that Elders is unrivalled as a single network addressing the full spectrum of Australian agriculture throughout the country – whether that be in Albany, Katherine, Bairnsdale or King Island. Elders' traditional core remains its greatest strength: the network of 213 branches and over 1,800 staff that share a passion for serving the Australian rural sector. Outside Australia, Elders International Trading has established a reputation as a professional and leading supplier of quality feeder and breeder cattle that understands, and meets the needs of, customers in diverse world markets.

The features that underpinned the Agenda for Change strategy: the value of the Elders Network and rising market valuations for agribusinesses; have now encouraged corporate interest in Elders and the decision to accelerate the value realisation phase of the strategy through a competitively-bid transaction.

While this represents a significant change, it offers the opportunity to capitalise on the strongest market for Australian agricultural businesses for some time.

Cost and service-effective technology

Elders has made significant investment in, and delivered improvements to, its information technology infrastructure over the past several years which has assisted in the delivery of the sales performance, capital management and supply chain excellence objectives.

In 2012 Elders implemented the first release of Project Connect, the enterprise-wide technology and process renewal program. In partnership with Accenture, Elders deployed the Core Finance, Human Resources and Indirect Procurement phases in March 2012 as planned.

The Company and its Directors have been pleased with the project's progress to date but in light of the sales process has suspended the project in the short term, until the needs of a new owner are known.

Key resources who were working on the project have been redeployed into the business to help facilitate a restart of the program at a later stage.

In 2012 Elders launched the www.agsure.com.au website becoming the first major Australian agribusiness to offer farm supplies direct to farmers via such a platform.

During the year Elders continued its partnerships with HP and Telstra for information technology service delivery and telecommunication services respectively. Elders also renewed its Microsoft licence, the primary platform for all Elders information technology infrastructure.

Supply chain excellence

Excellence in supply chain management is a critical element in Elders' strategy.

In 2012 Elders continued to build on the improvements it has made on core ranging, procurement and planning, supply chain management and pricing.

The Company's three third-party distribution centres in Melbourne, Brisbane and Perth are now also managing the products for Elders' new online farm supplies business, Agsure, which allows farmers to order farm supplies products via the Agsure website and have them delivered straight to their farm.

A key feature in the year was the creation of a specialised Farm Supplies team encompassing the Company's strategic procurement functions, pricing, planning and purchasing, and logistics and distribution.

The emphasis for the coming year will be to continue to build strong relationships with our suppliers.

During previous years, and in the last 12 months in particular, Elders International Trading has invested significantly in developing its global supply chains. This strategy was realised in the 2012 year with the significant growth in live export volume and the diversification of sources of supply from one being focussed on Australia, to one focussing on global sources of supply.

The investments made in developing this supply chain will assist the Company's trading operations to withstand the inherent volatility of this sector.

The progress hard won by the Company in 2012, and the preceding three years, on matters such as costs, sales, supply chain and building international trading markets will add to the attractiveness of the rural services business and its anticipated returns.

Seasonal and market variations are an inherent feature of agricultural business and, while the Rural Services results in 2012 show the effects of market cycles, our agency businesses in livestock, wool and real estate are amongst the largest in the Australian sector and are therefore well exposed to positive movements in the market cycle.

I would like to record my appreciation for the commitment of shareholders and for the ongoing efforts made by our team of employees. Thank you for your support.



Malcolm Jackman
Chief Executive Officer

Rural Services

Elders is one of the leading suppliers of rural services to the Australian and New Zealand farm sectors. Elders' mission is to be the 'Productivity Partner of Choice' for Australian and New Zealand farmers through the provision of the physical, financial, technical and advisory inputs for successful farming via its network of 226 branches and approximately 327 points of presence.

Description of Operations

Australian Network

Network operations in Australia include the following product and service offerings:

- **Farm supplies:** Elders is one of Australia's leading suppliers of rural farm inputs, including seeds, fertilisers, agricultural chemicals, animal health products and general rural merchandise, backed by professional advice on agronomy, genetics and animal health to primary producers.
- **Livestock:** Elders provides a range of marketing activities from agency sales at the farm gate through to feedlot and export options backed by animal health advice, production management solutions and breeding services.
- **Wool:** Elders is the largest seller of Australian greasy wool and has an extensive range of products, services, facilities and alliances to help growers maximise returns from their wool. These include wool handling, buying and selling greasy wool, marketing and selling options and risk management solutions.
- **Grain:** Elders offers grain growers a range of cash-based grain marketing options through an accumulation agreement with Toepfer Australia.
- **Real Estate:** Elders primarily operates in the broadacre, rural residential and lifestyle property markets. Broadacre and lifestyle property services are primarily conducted through the Elders Network and supporting real estate offices. Residential and metropolitan business is overwhelmingly conducted through franchise operations.
- **Insurance:** The Elders Insurance joint venture (outlined under 'Network Related' below) utilises the Elders Network as a part of its distribution of a wide range of insurance cover to rural and regional Australia.
- **Banking:** Elders distributes banking products through the Network under a distribution agreement with Rural Bank.

- **Financial Planning:** Elders provides financial planning solutions through a network of advisors under the Elders Financial Planning brand (outlined under 'Network Related' below).

New Zealand Network

Network operations in New Zealand provide wool and livestock agency services, farm supplies and financial services distribution.

Trading

Elders conducts global trading operations under the Elders International Trading banner which has well-developed supply chains in international markets.

Live export: Conducted through North Australian Cattle Company and Universal Live Exports, which facilitate the trade of feeder and breeding cattle respectively from Australia, New Zealand, and North and South America to international markets.

Wool Trading: Elders exports wool from New Zealand to China and North Asia and Australasian carpet producers.

Feedlots: Elders operates cattle feedlots in Australia at Charlton in Victoria and Killara in New South Wales and in Indonesia at Lampung (PT Elders Indonesia).

China operations: Elders Fine Foods is involved in the importation and distribution of Australian and New Zealand food and beverage products in China.

Network Related

Elders Insurance: a 75:25 joint venture between QBE and Elders which distributes insurance products in rural and regional Australia under the Elders brand and through the Elders Network under a 20 year agreement.

Elders Financial Planning: a 51:49 joint venture between OnePath (a subsidiary of ANZ) and Elders that provides financial planning solutions through advisors.

Rural Services Results

\$million 12 months to 30 September:	2012	2011
Sales – continuing operations	1,813.2	1,947.9
Sales – total	1,813.2	1,986.1
Depreciation & amortisation	6.4	8.4
Gross margin:	314.2	322.7
Australian Network	257.7	276.8
New Zealand	16.9	18.1
Trading	39.6	27.8
Costs:	(304.4)	(301.9)
Australian Network	(220.6)	(217.8)
New Zealand	(18.4)	(21.0)
Trading	(22.0)	(20.7)
Support centres & other	(43.4)	(42.4)
Mark-to-market	5.6	(7.2)
Network-related equity earnings	14.1	11.3
Underlying EBIT	29.5	24.9
Items excluded from underlying EBIT	(10.8)	(20.7)
Statutory EBIT	18.7	4.2
Operating cash flow	49.4	59.5



Australian Wool Handlers (“AWH”): Elders holds a 50% interest in AWH, Australia’s largest wool logistics company, which handles approximately half of the national clip.

Strategy

Elders’ operational strategy is to maximise the revenue and margin generated by the Rural Services Network operations and to leverage its accumulation capability and relationships with the Australian and New Zealand farm sector to the growing domestic and international trade in food and fibre.

2012 saw Elders develop a direct-to-farm farm supplies offering, Agsure, which sees the Company now able to sell selected farm supplies products direct to primary producers via a website and call centre, complementing the existing rural services network. The focus in 2013 will be on growing this business.

Results

Rural services contribution rose despite dry seasonal and soft market conditions.

Rural services operations recorded a statutory EBIT of \$18.7 million in 2012 which compares with \$4.2 million in 2011. The items excluded from the underlying EBIT are detailed in the Discussion and Analysis of the Statement of Profit and Loss on page 56.

Underlying EBIT in 2012 was \$29.5 million compared to \$24.9 million in the previous year. The movement in underlying EBIT can largely be attributed to the significant increase in the performance of the Company’s trading operations and a favourable mark-to-market adjustment, which has offset the lower network earnings which arose from seasonal conditions in the last quarter, lower prices for livestock and lower activity levels across agency operations.

The principal factors in the underlying EBIT result were:

- Lower levels in agency operations due to significantly below average rainfall in second half of the year;
- Significantly increased live export volumes and improved margins in trading operations;
- Reduced contribution from the New Zealand network;
- A favourable mark-to-market adjustment of \$5.6 million; and
- A 25% increase in equity earnings.

Australian Network

During 2012 Australian Network operations were affected by unfavourable seasonal conditions which particularly impacted the agency operations of livestock and wool due to a decline in both volumes and in prices. Real Estate sales were also lower due to reduced activity.

Network contribution in 2012 was \$37.1 million, compared to \$59.0 million in 2011.

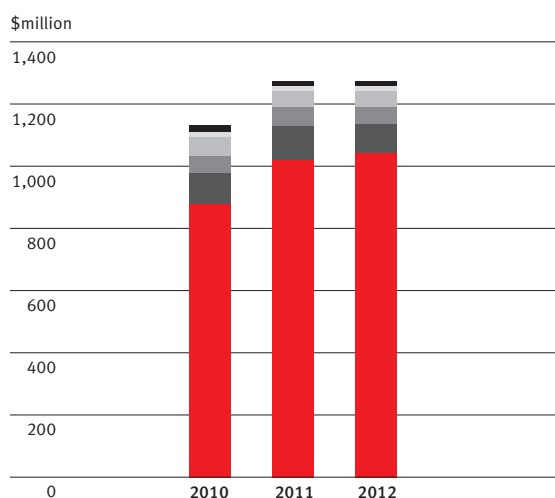
The Australian Network generated sales of \$1,275.3 million in 2012 which is consistent with the previous year’s sales of \$1,276.5 million.

Features of the sales result by service area included:

- Farm supply sales revenue of \$1,045.0 million was up 2% from \$1,023.9 million in 2011. Demand was weaker, particularly for crop inputs, due to low rainfall levels but margin was maintained.
- Livestock agency revenue fell due to lower volumes and prices of both sheep and cattle. Revenue from livestock agency of \$103.1 million in 2012 was 11% lower than the previous year’s sales of \$115.3 million. Elders sold 8.16 million sheep and 1.63 million cattle in 2012 compared with 8.40 million sheep and 1.78 million cattle in the previous year. Cattle sales realised an average price of \$775 per head in 2012 (\$764 in 2011) while the average sheep price was \$104 per head (\$120 in 2011).

- Wool agency revenue of \$50.6 million was 9% lower than the previous corresponding period due to lower bale volumes. The average price of wool sold was \$1,240 per bale compared with \$1,249 per bale in the 12 months to 30 September 2011. Bales sold fell from 484,900 to 417,300
- Real estate sales revenue declined by 6% due to subdued activity in the broadacre markets. Broadacre turnover fell by 16%, decreasing from \$892 million to \$752 million. Offsetting the broadacre deficit are cost savings and other favourable results in residential real estate.
- Banking distribution revenue decreased from \$21.2 million to \$20.5 million.
- Other sales revenue of \$7.1 million includes revenue from the accumulation of grain.

Australian Network sales revenue



\$million 12 months to 30 September:	2010	2011	2012
Farm Supplies	882.3	1,023.9	1,045.0
Livestock	106.1	115.3	103.1
Wool	51.8	55.8	50.6
Real Estate	56.8	52.3	49.1
Banking Distribution	21.4	21.2	20.5
Other	8.7	8.0	7.0
Total	1,127.0	1,276.5	1,275.3

New Zealand

New Zealand operations recorded improved results in livestock and farm supplies but they were more than offset by a weaker result in wool where weak demand and lower prices affected volumes and margins. The operations recorded a margin contribution of \$16.9 million compared to \$18.2 million in 2011.

Trading

Trading operations include Elders' cattle export operations, New Zealand wool trading, feedlot operations and Elders Fine Food in China which imports and distributes premium Australian agricultural produce.

Trading operations generated sales of \$446.7 million and a margin contribution of \$39.6 million in 2012, which compares respectively with sales of \$471.9 million and a contribution of \$27.8 million in the previous year.

The increase in revenue is predominantly due to increased live export sales in both long-haul dairy and breeding cattle exports, and short-haul feeder cattle exports.

Elders' total live export volume of 167,383 head was 25% higher than the 2011 comparative of 133,608 head, due to the strength of the core dairy and breeding cattle markets of China and Russia respectively, and trading margins in the Indonesian feeder cattle market were maximised.

A focus on disciplined cost management in Australian feedlot operations lead to increased profitability overall despite occupancy being back on last year.

Equity Earnings

Equity earnings are recognised for Elders' joint ventures, which include the financial services joint ventures (Elders Insurance and Elders Financial Planning), the Australian Wool Handlers (AWH) logistics operation and other equity positions in agriculture including Kilcoy abattoir and Auctions Plus. These operations contributed equity accounted income of \$14.1 million, compared with \$11.3 million for the twelve months to 30 September 2011.

Contributions from the individual operations are as follows:

\$million 12 months to 30 September:	2011	2012
Elders Insurance	6.3	6.5
Elders Financial Planning	0.5	(0.2)
Australian Wool Handlers	4.1	5.3
Kilcoy Pastoral Co	(0.2)	1.7
Other	0.6	0.8
Total Network Related	11.3	14.1

Sustainability

Rural Services operations employed a total of 2,396 FTE as at 30 September, compared with 2,409 FTE at the beginning of the year. Increased sales staff was offset by reduced support staff, reflecting the head office restructure announced on 30 July 2012.

Rural Services operations recorded a Lost Time Injury Frequency Rate of 6.30, the same as the previous reporting period.

During the year Rural Services operations consolidated the previous year's move from paper-based to online occupational health and safety reporting systems. The change delivered improvements to reporting and consultation processes in relation to occupational health and safety throughout the business.

The management of safety when dealing with livestock, manual handling and regional driving continued to be a key focal point of the Company's safety initiatives. Updated livestock management working procedures and driver safety risk management plans were implemented across Rural Services operations.

Feedlots

Elders' feedlots, Charlton (Victoria) and Killara (New South Wales), are subject to local and state government environmental and animal welfare legislation. Operations at both feedlots are subject to quality assurance under the National Feedlot Accreditation Scheme (NFAS). The NFAS is independently administered and audited annually by Aus-Meat. In addition, the operations are conducted under the provisions of the Australian Model Code of Practice for the Welfare of Animals - Cattle (2004).

No breaches of any relevant Act, code of practice or accreditation scheme under which Killara or Charlton feedlots are approved and operate were reported during the year ended 30 September 2012 or to the date of this Report.

Saleyards

State, territory and local government regulations apply to saleyards owned and/or operated by Elders, in particular, in relation to effluent run-off, dust and noise. These regulations vary from state to state and generally only apply to saleyards above a prescribed size.

No breaches of these environmental regulations were reported during the year ended 30 September 2012 or to the date of this Report.

In December 2011 Elders received correspondence from the New South Wales Government Transport Roads and Maritime Services department to provide information with regards to the operation of several saleyards in NSW. The notices requested information regarding the management of saleyards and practices carried out in those saleyards, in relation to Chain of Responsibility legislation, in the Tamworth, Wagga Wagga, Forbes, Dubbo and Carcoar council areas. Elders provided a comprehensive response addressing the issues raised.

Farm supplies

The majority of Elders' farm supplies operations are accredited under the Agsafe co-regulatory accreditation program. The program provides accreditation for premises and training and accreditation for individuals in the safe transport, handling and storage of agricultural and veterinary chemicals. Elders' farm supplies operations are subject to state environmental regulations governing the storage, handling and transportation of dangerous goods such as agricultural and veterinary chemicals and fertilisers.

The regulatory environment for the transporting, handling, storage, sale and use of dangerous goods and chemicals is complex and subject to the legislation and regulatory oversight separately applied in each state or territory. Agsafe provides assistance through the provision of accredited training and safety programs. No material incidents were reported in relation to the handling and storage of dangerous goods during the year or to the date of this Report.

The Environment Protection Authority actively assists organisations and also investigates matters relating to environmental issues and on occasions contacts Elders. In August 2012 the EPA approached Elders requesting information regarding the sale of a particular chemical in the Windsor area in New South Wales.

The information was duly supplied within the required timeframes, and related to the potential off-label use by the purchasers of the chemical involved.

Live Export

Elders is engaged in the export of cattle to international markets, namely the supply of 'feeder' stock for slaughter in Indonesia and 'long-haul' live export of dairy and breeding cattle to markets seeking to supplement their local herd. All live export operations are subject to Australian Government regulation and standards including the Australian Standards on the Export of Livestock (ASEL version 2.3) which provides comprehensive and detailed standards on the sourcing, preparation, management and transportation of livestock through the supply chain to the point of disembarkation.

Elders' livestock export operations are also subject to the Exporter Supply Chain Assurance System (ESCAS) which requires exporters to demonstrate they have control of and traceability throughout the supply chain to the point of slaughter in the destination country.

On 18 May 2012 the federal Department of Agriculture, Fisheries and Forestry (DAFF) released an investigation report into alleged breaches of animal welfare in Indonesia in January 2012. The report found that an independent abattoir falling within an ESCAS-approved supply chain supplied by Elders' North Australian Cattle Company (NACC) did not satisfactorily perform against 5 out of 130 ESCAS performance criteria in processing four cattle.

The 14 instances of non-compliances against these 5 ESCAS criteria did not concern animal cruelty and were addressed by Elders through additional reviews, audits and training and the supply chain was subsequently re-approved by DAFF.

No other breaches of regulatory or legislative requirements were recorded by Elders' live export operations in the year to 30 September 2012 or to the date of this report.

Community

As a rural service organisation, Elders is committed to supporting the communities which it serves. Elders is a major employer throughout rural and regional Australia and Elders' branches support local initiatives and charities and staff members participate in community service organisations.

At a corporate level, Elders' supported a number of charities and a number of non-government organisations and initiatives of relevance to its client base. Elders' major commitments include:

- being a Foundation Sponsor for the Australian Year of the Farmer, which aims to highlight the contribution of farmers during 2012;
- partnering with the Australian Land Management Group to promote environmental sustainability on Australian farms;
- staff regularly raise funds for the McGrath Foundation and raised over \$54,000 between the months of October 2011 and September 2012 to support the costs of rural and regional breast care nurses.

Elders is also a member of a number of industry organisations and works with them to further advance issues of importance to Australian agriculture.

Automotive

Futuris' primary operations encompass the design, manufacture and supply of automotive seating and interior solutions in Australia, Thailand, China, the United States of America and South Africa.

Operations

The business and its joint ventures supply products and services for automotive seating, interiors, control systems and aftermarket. Current customers include GM Holden, GM (Thailand), Ford (Australia and Thailand), Toyota, Auto Alliance Thailand, Chery, JAC Motors, Brilliance, GreenTech, Tesla and Mercedes Benz. Further contracts have been secured during 2012 with existing customers and new customers such as Shanghai Automotive Industry Corporation (SAIC) in China.

Australian operations include assembly at Edinburgh Parks, South Australia (supplying the adjacent GM Holden facility), and Campbellfield, Victoria (supplying the adjacent Ford Broadmeadows facility as well as Toyota) and a design and technical centre at Port Melbourne, Victoria.

Operations in Australia account for over 85% of 2012 product sales as reported in statutory revenue. Production in Thailand and North America ramped up in 2012 with the commencement of contract commitments secured in previous years and China continued to provide strong growth opportunities.

Futuris' vision is to establish itself as a leading global innovator of quality design and manufacturing solutions. In the automotive sector, Futuris' strategy is to be a tier one interiors supply partner of choice within the global automotive sector.

Futuris is also developing business outside the automotive sector through leveraging its capabilities in the design and delivery of manufacturing solutions.

This includes the supply of cleantech manufacturing solutions and infrastructure for communications and transport such as telephone kiosks, rail seating and tram interiors.

Futuris is well placed to remain Australia's largest component manufacturer and is now well placed to maximise global growth opportunities with operations in China, Thailand and the USA.

Conditions and results

Global automotive markets continue to demonstrate strong growth with 2012 sales estimated to reach 78.7 million units, up 4.1% on 2011. The major growth markets include the BRIC (Brazil, Russia, India and China) nations and the broader Asian region. Australian new car sales remain stable at circa 1.1 million units with growth forecast to 2014 of 3%.

Vehicle production in Australia also remains largely stable at between 200,000-250,000 units each year and this is expected to continue with new models from GM Holden due to launch in early 2013 combined with new models launched by Toyota in 2012. In addition, GM Holden recently committed to the manufacture of two models in Australia until 2022.

Futuris generated sales of \$344.7 million in 2012. This increase of 9% is due to the consolidation of the Anhui joint venture in China and also the first full year of sales in Thailand.

Underlying EBIT for the year of \$18.5 million was higher than the 2011 underlying EBIT of \$15.3 million. The items excluded from the underlying EBIT are detailed in the Discussion and Analysis of the Statement of Profit and Loss on page 56.

Automotive Financial Results

\$million 12 months to 30 September:	2012	2011
Sales	344.7	315.2
Underlying EBITDA	33.1	31.9
Depreciation and Amortisation	14.6	16.6
Underlying EBIT	18.5	15.3
Items excluded from underlying EBIT	(14.1)	-
Statutory EBIT	4.4	15.3
Operating cash flow	24.3	15.4
Capital expenditure	32.3	12.3



Business Development

Activities in 2012 saw the commencement of production for contracts secured in previous years, the award of new business in China and the introduction of a strategy for India.

In Australia, production of the MicroHeat water heating system commenced, part of the Company's cleantech manufacturing operations and the service contract with Telstra for payphone booths was extended. The new model Toyota Camry also commenced production in early 2012 and Futuris is preparing for the start of production on the new model Commodore range, scheduled to commence in early 2013.

In China, Futuris was awarded its first seating contract with a major Chinese original equipment manufacturer, SAIC. SAIC is a tier one automotive manufacturer and the contract will lead to Futuris building a new wholly-owned manufacturing facility in Wuxi within the next 12-18 months.

In Thailand, the Company commenced construction on a new facility alongside its existing manufacturing plant to support the increase in production volume and new business with Ford and General Motors Thailand. In 2012, Futuris' Thai production workforce grew to nearly 700 people, up from approximately 150 in the previous year.

In the US, Futuris commenced production with Tesla Motors for the seating within the high profile Model S all-electric car.

Sustainability

Futuris conducts its operations within the parameters of management plans to ensure its day-to-day activities are completed safely and in an environmentally and socially responsible manner.

Environment

Futuris' key manufacturing plants in Australia are all accredited to ISO 14001 certification.

The organisation's operating facilities are subject to relevant environmental protection legislation and regulation in the areas in which they operate. There were no reportable incidents or breaches of applicable environmental legislation arising from Futuris' operations during the year.

Safety

Safety is managed through a series of safety committees at each operation which report to senior management on performance. Futuris recorded a Lost Time Injury Frequency Rate (LTIFR) of 6.79 per million hours worked compared with 8.70 per million hours worked in 2011.

Human Resources

Futuris employed a total of 2,052 FTE as at 30 September compared with 1,285 at the same time in the previous year. The increase is attributable to significant growth in Thailand and China.

Board of Directors



Mr John Charles Ballard MBA, FAICD (Chairman) - Age 66 - Appointed Chairman and non-executive director of the Board on 20 September 2010. He is Chairman of the Nomination and Prudential Committee and a member of the Remuneration and Human Resources Committee. He has extensive experience across a wide range of industries as both a senior executive and a non-executive Director. He was previously Managing Director and Chief Executive Officer of Southcorp Limited, Managing Director Asia Pacific, United Biscuits Limited and Managing Director Snack Foods, Coco-Cola Amatil Limited, a Director of Woolworths Limited, Email Limited and Fonterra Co-operative Group Limited, Chairman of Watty Limited and Trustee of the Sydney Opera House. He is currently a Director of Magellan Flagship Fund Limited, a Director of International Ferro Metals Limited, Chairman of the Advisory Boards at Pacific Equity Partners and a Director of the Sydney Neuro-Oncology Group. Mr Ballard is a fellow of the Australian Institute of Company Directors and holds an MBA from Columbia University, New York, with a dual major in Marketing and International Business. He graduated Beta Gamma Sigma. Mr Ballard is a resident of New South Wales.



Mr Malcolm Geoffrey Jackman BSc BCom FAICD - Age 60 - Executive Director of the Board since October 2008. He is the Chief Executive and Managing Director of the Elders Group. Prior to joining the Company Mr Jackman was Chief Executive Officer and Managing Director of Coates Hire Limited, an ASX 200 company, from 2003 until its sale in January 2008. Prior to Coates, Mr Jackman was Chief Executive Officer of Manpower Australia/New Zealand from 1996 until 2003. Mr Jackman was also a non-executive director of Rubicor Group Ltd from 2005 until 2008. Prior to entering commerce Malcolm served as an Officer in the Royal New Zealand Navy. Mr Jackman is a resident of South Australia.



Mr Mark Charles Allison, BAgSc, BEcon, GDM, FAICD - Age 51 - Non-executive director of the Board since November 2009. He is a member of the Audit, Risk and Compliance Committee, the Nomination and Prudential Committee and the Occupational Health and Safety Committee. He has extensive experience spanning over 28 years in the agribusiness sector and is currently CEO of Graingrowers Limited and a director of Grain & Legumes Nutrition Council. He is a former Managing Director of Wesfarmers Landmark Limited and Wesfarmers CSBP Limited and former chairman of Australian Pesticides and Veterinary Medicines Authority. Prior to his appointment at Wesfarmers in 2001, Mr Allison held senior positions with Orica Limited as General Manager of Crop Care Australasia and with Incitec Limited as General Manager – Fertilisers. Between 1982 and 1996 Mr Allison performed a series of senior sales, marketing and technical roles in the Crop Protection, Animal Health and Fertiliser industries. Mr Allison was the Managing Director of Makhteshim Agan Australasia Pty Ltd from 2005 to 2007 and Managing Director and Chief Executive Officer of Jeminex Limited from 2007 to 2008. Mr Allison is a resident of New South Wales.



Mr Ian Graham MacDonald SF, Fin - Age 58 - Non-executive director of the Board since November 2006. He is a member of the Audit, Risk and Compliance Committee, the Nomination and Prudential Committee and Chair of the Remuneration and Human Resources Committee. He was a director of Elders Financial Services Group Ltd, Elders Insurance Ltd, Elders Insurance Agencies Pty Ltd, and Elders Trustees Ltd, Elders Forestry Management Ltd and APT Projects Ltd. He is a member of the Australian Institute of Company Directors and a Senior Fellow of the Financial Services Institute of Australasia. Mr MacDonald has had an extensive career in banking, having served National Australia Bank Ltd for 34 years in a number of senior management roles, including Chief Operating Officer, Yorkshire Bank, Executive General Manager, Financial Services Australia, and Group Chief Information Officer. Mr MacDonald is a director of Arab Bank Australia Ltd, Rural Bank Ltd, Tasmanian Public Finance Corporation and in March 2012 he became a non-executive director of Genworth Financial Mortgage Insurance Pty Ltd. Mr MacDonald is a resident of Victoria.



Mr James Hutchison (Hutch) Ranck, BS Econ, FAICD - Age 64 - Non-executive director of the Board since June 2008. He is Chairman of the Occupational Health and Safety Committee and a member of the Nomination and Prudential Committee and Remuneration and Human Resources Committee. Mr Ranck had a long and distinguished career with DuPont where he held senior management positions in Australia and overseas in finance, chemicals, pharmaceuticals and agricultural products. He retired as Managing Director of DuPont Australia & New Zealand and Group Managing Director for DuPont operations in ASEAN on 31 May 2010. He is currently a director of the CSIRO. Mr Ranck is a resident of New South Wales.



Ms Josephine Mary Rozman, BEc, CA, GAICD - Age 53 - Non-executive director of the Board since November 2011. She is Chairman of the Audit, Risk and Compliance Committee and a member of the Occupational Health and Safety Committee and the Nomination and Prudential Committee. Ms Rozman has over 20 years sales, marketing, management and CEO experience across a diverse range of industries globally including working in the USA and Asia. After working for PriceWaterhouse in Sydney and San Francisco, she worked in the successful establishment of several businesses in the USA including a wine import and distribution company and a biotechnology company servicing the beverage and food industries. She has previously worked as Asia Pacific Marketing Director for a multinational FMCG company, as Financial Controller of a commodity trading company and CEO of a Victorian wine company. She is a Chartered Accountant, holding a Bachelor of Economics from the University of Sydney, and a graduate of the Australian Institute of Company Directors. She is currently a director of Wine Australia Corporation where she chairs both the Audit and Finance Committee and the Wine Sector Intelligence Advisory Committee. Ms Rozman is a resident of New South Wales.

Company Secretary

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

Corporate Governance Statement

This corporate governance statement summarises the key elements of the Company's governance framework and practices.

The Board of Elders is committed to good corporate governance, being of the view that good governance practices preserve and enhance long term shareholder value. This commitment is supported by an organisation wide objective of the highest standards of compliance with applicable laws (including statutory reporting obligations), the Company's governance framework and Company policies.

The Board is also committed to ensuring the Company keeps abreast of, and implements, all generally accepted enhanced governance arrangements.

In developing the Company's governance framework the Board has taken into account the current version of the Corporate Governance Principles and Recommendations (Best Practice Recommendations) published by the ASX Corporate Governance Council (ASXCGC). We believe that the Company's governance practices comply in all substantial respects with the Best Practice Recommendations. Published on the Company's website (www.elderslimited.com) is a table comparing the Company's governance practices with the Best Practice Recommendations.

1. Operation of the Board

Relevant policies and charters:

- Board Charter
- Company Constitution

Role of the Board

The Board is ultimately responsible for the governance of the Company. It has implemented governance policies and practices that are designed to:

- provide clear accountability;
- protect the rights and interests of shareholders and other stakeholders;
- provide for proper management of the Company's assets;
- support the achievement of the Company's fiduciary, environmental, safety, social and other obligations;
- preserve and enhance the Company's reputation and standing in the community; and
- support the achievement of shareholder value within a framework of appropriate risk assessment and management.

The corporate governance policies and practices are reinforced by a commitment by the Company to the highest standards of legislative compliance, financial integrity and ethical behaviour.

Management and oversight

The Board has a formal written Charter that defines those duties reserved for the Board and its Committees and those that are delegated to the Chief Executive Officer (CEO).

Board

The main responsibilities of the Board as set out in the Board Charter are to:

- provide input into, and adopt, the strategic plan and budget of the Company as prepared by management;
- monitor performance against the business plan and budget;
- approve and monitor the progress of all material acquisitions, divestments, contracts and capital expenditure;
- approve capital raisings (debt or equity) by the Company;
- oversee the audit, compliance and financial and operational risk management functions of the Company;
- oversee the Company's financial reporting and communication to the Company's shareholders and the investment community and shareholder-relations generally;
- appoint and remove the CEO and determine that person's remuneration (including termination benefits);
- review the performance of the Board as a whole and of individual directors; and
- monitor and assess the performance of the CEO and the Company's senior executive team.

Committees

The Board has established a number of Board Committees (Nomination and Prudential Committee, Remuneration and Human Resources Committee, Occupational Health and Safety Committee and Audit, Risk and Compliance Committee) to increase the Board's efficiency and effectiveness in fulfilling the responsibilities set out in its charter.

The role and responsibilities of these Committees are detailed in formal charters. The responsibilities and composition of the Board Committees are detailed on pages 25 to 29.

In addition, a number of management committees comprising members of the Company's executive management operate under formal policies, charters or frameworks and report to the relevant senior management or Board Committee as appropriate. The material committees are discussed in this statement.

Delegation of Responsibility to Management

The Board delegates responsibility for the day-to-day operation and administration of the Company to the CEO, Mr Malcolm Jackman. The Board monitors the CEO's performance on an ongoing basis through regular management reporting and through the reporting of the various Board Committees. The Company has in place comprehensive delegations of authority under which the CEO and executive management operate. The Board regularly reviews the obligations set out in the Board Charter and the delegations of authority.

The process for evaluating the performance of senior executives is set out in the Remuneration Report on pages 42 to 48.

Company Secretary

Under the Board Charter, the Company Secretary is accountable to, and reports directly to, the Board (through the Chairman where appropriate) on all governance matters. All Directors have unfettered access to the Company Secretary.

2. Board Structure – Composition, Independence, Training and Assessment

Relevant policies and charters:

- **Board Charter**
 - **Company Constitution**
 - **Prudential Criteria**
 - **Director Independence Policy**
 - **Board Performance Assessment**
 - **Director Induction and Ongoing Education**
-

Board Composition

The composition of the Board is determined by the Company's Constitution and by Board policy, which includes the following requirements:

- the number of directors may not be less than 3 and not more than 12;
- the majority of directors must be independent non-executive directors; the Chairman should be an independent director;
- the Board be comprised of directors who are financially literate and who together have an appropriate mix and depth of skills, experience and knowledge; and

- directors (and prospective directors) must satisfy prudential criteria approved by the Nomination and Prudential Committee having regard to guidelines and policies adopted by regulators. The purpose of these criteria is to ensure directors are fit and proper to act as directors of the Company having regard to, amongst other things, licences held by the Company and to its distribution arrangements with Rural Bank Limited. Further detail is set out in the Fit and Proper Person Policy section below.

Fit and Proper Person Policy

The Company has adopted a fitness and propriety regime given its distribution arrangements with Rural Bank Limited, a prudentially regulated Authorised Deposit Taking Institution, and its several Australian Financial Services Licences which ensures a robust selection process for directors generally consistent with the standards set by APRA. The criteria set down in the Company's Fit and Proper Policy are available on the Company's website at www.elderslimited.com.

The Company's Fit and Proper Person Policy and process provide the Company with assurance that existing and potential directors and persons appointed to senior executive positions within the Group are able to satisfy appropriate fitness and propriety standards that will enable them to discharge their governance responsibilities throughout the term of their appointment.

Director Skills & Experience

The Board is to be comprised of individuals with an appropriate mix and depth of skills, experience and knowledge in order to meet the Board's responsibilities and objectives.

The Board of Directors currently comprises an independent non-executive chairman who is elected by the full Board, four other independent non-executive directors and a managing director/CEO. The qualifications, experience, special responsibilities and period of office of each director can be found on page 21 of this report.

Director Independence

The Company has adopted an Independence Policy that is published on the Company's website. The Policy states that the majority of the Board must comprise independent directors.

In determining whether or not a director is to be considered independent, the Board will have regard to whether the director:

- is a substantial shareholder in the Company;
- within the last 3 years, has been an employee of the Company, a material adviser to the Company or a principal or employee of any material adviser to the Company;
- is a material supplier to, or a material customer of, the Company;
- is directly or indirectly associated with any of the above persons;
- is otherwise free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
- is of independent character and judgement.

In assessing materiality, the Company takes a qualitative approach rather than setting strict quantitative thresholds. Whether an interest, relationship or business is 'material' is considered having regard to the nature, circumstances and activities of the director and from the perspective of the Company, the persons and entities with whom the director has an affiliation, and the director.

Each of the current non-executive directors is considered by the Board to be independent.

The Board does not believe that the period of service of a director necessarily hinders the director's ability to exercise independent thought and judgement and to act in the best interests of the Company. The directors believe that experience and knowledge of the Company's operations are important contributors to the efficient working of the Board and the best interests of the Company.

Chairman

The Board Charter prescribes that the Chairman of the Board, should be an independent director and details his responsibilities. Mr John Ballard is a non-executive and has been determined by the Board to be independent.

The Chairman's role includes:

- providing effective leadership to the Board in all Board matters;
- publicly representing the Board's views to stakeholders;
- promoting effective relations between the Board and management;
- leading the process of review of the performance of the Board, Committees and individual directors;
- guiding the setting of agenda items and conduct of Board and shareholder meetings; and
- overseeing succession of non-executive directors and the CEO.

Access to Independent Professional Advice & Other Resources

Directors may obtain independent, professional advice, at the Company's expense, on matters relevant to the Company's affairs to assist them in carrying out their duties as directors, subject to providing prior notice to the Chairman.

All directors have direct access to and may seek information directly from the Company's External and Internal Auditors provided that all such enquiries are first advised to the Chairman and the CEO.

Directors have access to the Company's management and Company information through the CEO to assist them in carrying out their duties as directors.

Director Induction and Training

Upon appointment, new directors are given a detailed briefing by the Chairman on key board issues and by the CEO and senior executives on the nature of the Company's business and its key drivers. New directors are also provided with appropriate background documentation. Issues covered in the induction include:

- the Company's financial, strategic, operational and risk management position;
- directors' rights, duties and responsibilities; and
- the role of the Board and the Board Committees.

Directors undertake training and development on an "as needs" basis. Directors are also regularly briefed on the Group's businesses and industry or technical issues impacting the Group. Directors aim to have at least one meeting a year in conjunction with a tour of one of the Company's operations. At all other times, non-executive directors are encouraged to visit the Company's operations.

Other Non-executive Director Activities/ Involvement

In addition to the time spent in preparation for and attendance at Board and Committee meetings, non-executive directors visit operational sites and assist the Company in local, national and international industry matters. Non-executive directors are also involved in business and strategic planning meetings.

Board Performance Assessment

The Board reviews its own performance and that of its Committees on an ongoing basis. The Chairman also holds individual discussions with each director to discuss their performance on a needs basis. The non-executive directors are responsible for evaluating the performance of the CEO, who in turn evaluates the performance of all other senior executives. The evaluations are based on specific criteria, including the Company's business performance, whether long-term strategic objectives are being achieved and the achievement of individual performance objectives. This process was followed in respect of the 2012 financial year.

In 2012 the Board was subject to internal performance review, which was considered appropriate in light of the changes occurring on the Board and notwithstanding the intention of the Board at the beginning of the financial year. In 2013, the Board proposes that it will again be subject to external review.

The Board Charter prescribes that before a director is recommended for re-election, the Chairman consults with the other directors regarding the director's effectiveness. Based upon the outcome of these consultations, the Board then determines whether or not to recommend the director for re-election.

The Nomination and Prudential Committee assists in this review process.

Appointment of Directors and re-election

The composition of the Board is reviewed on an annual basis coinciding with the Annual General Meeting (AGM) cycle to ensure that the Board has the appropriate mix of expertise and experience.

At each AGM of the Company, one third of directors (other than the managing director and directors who have been appointed since the previous AGM) and any other director who will at the conclusion of the meeting have been in office for 3 or more years and AGMs since they were last elected to office are required to retire and may stand for re-election. The director obliged to retire under this rule in 2012 is Mr Allison who has advised the Chairman that he will offer himself for re-election at the forthcoming AGM. The resolution to re-elect Mr Allison has the support of the Board.

When a vacancy exists, or when it is considered that the Board would benefit from the services of a new director with particular skills, the Nomination and Prudential Committee selects candidates with appropriate

expertise and experience for consideration by the full Board. The Committee also takes into account the prudential criteria (described on page 23 of this report) and may seek advice from external consultants if necessary in selecting candidates for board positions. The Board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders and re-election at three yearly intervals.

Formal letters of appointment setting out key terms and conditions of appointment are in place for all directors.

Board meetings

During the financial year, Directors held 17 Board meetings. The attendance of Directors at Board meetings is set out in the table on page 26.

Where directors are unable to attend meetings either in person or by telephone (e.g. if they are overseas) the Chairman or the CEO endeavours to canvass their views on key matters prior to the meeting in order to represent their views at the meeting.

The CFO, the Group General Manager, Australian Network, Elders Rural Services, Group General Manager Trading and the Managing Director, Futuris Automotive have a standing invitation to attend all Board meetings with relevant senior executives and management invited on occasion to give presentations and inform the Board of important issues and developments within their area of responsibility.

The Chairman sets the agenda for each meeting, in conjunction with the Company Secretary and CEO. All directors are welcome to suggest to the Chairman that particular items of business be included in the agenda. Standing items at all full Board meetings include Non-Executive Director only and Non-Executive Director and CEO only sessions. Papers are distributed to all Directors in advance of the meetings.

Committee membership

	Audit, Risk and Compliance Committee	Remuneration and Human Resources Committee	Nomination and Prudential Committee	OH&S Committee
J Ballard	-	Member	Chairman	-
M Jackman ¹	-	-	Member	-
I MacDonald	Member	Chairman	Member	-
M Allison	Member ²	-	Member	Member
J Ranck	-	Member	Member	Chairman
J Rozman	Chairman ³	-	Member	Member
R Grigg ⁴	-	-	-	-
A Buduls ⁵	-	-	-	-
R Wylie ⁶	-	-	-	-

1 Non-voting on Board matters

2 Mr Allison was appointed a member of the Audit, Risk and Compliance Committee on 15 August 2012.

3 Ms Rozman was appointed Chairman of the Audit, Risk and Compliance Committee on 15 August 2012.

4 Mr Grigg retired from the Board on 30 July 2012. He was a member of the Audit, Risk and Compliance Committee, the OH&S Committee and the Nomination and Prudential Committee.

5 Ms Buduls retired from the Board on 30 July 2012. She was a member of the Remuneration and Human Resources Committee, the OH&S Committee and of the Nomination and Prudential Committee.

6 Mr Wylie retired from the Board on 15 August 2012. He was Chairman of the Audit, Risk and Compliance Committee and a member of the Nomination and Prudential Committee.

Each Board Committee has a formal Charter which details the Committee's role and responsibilities. The main responsibilities of each Board Committee are detailed further in this report, commencing on page 27.

3. Board Committees

Relevant policies and charters:

- **Nomination and Prudential Committee Charter**
- **Remuneration and Human Resources Committee Charter**
- **Audit, Risk and Compliance Committee Charter**
- **Occupational Health and Safety Committee Charter**

Each of these charters is available on the Company's website at www.elderslimited.com

Purpose

To increase the effectiveness of the Board's functioning and to allow the Board to spend additional and more focused time on specific issues, the Board has four principal standing committees, being the Nomination and Prudential Committee, the Remuneration and Human Resources Committee, the Audit, Risk and Compliance Committee and the Occupational Health and Safety Committee.

Membership and attendance

Each of the Board Committees, other than the Nomination and Prudential Committee (which includes the CEO as a member), is comprised solely of independent Non-Executive Directors. The CEO has a standing invitation to attend all Board Committee meetings – except where the relevant Committee is discussing the CEO's employment arrangements – and may participate in discussions on matters concerning the main Board but has no voting rights with respect to such matters. Other senior executives are regularly invited to attend Board Committee meetings where the Committee Chairman believes that person's attendance would be useful and relevant. The members of each Board Committee during the financial year are set out below.

Board Committee meetings

Board Committee meetings are held at scheduled intervals during the year, with additional meetings being convened as required. The number of meetings and attendance at those meetings is set out below. With the exception of the Nomination and Prudential Committee (which is comprised by the whole Board), following each Board Committee meeting, the Committee Chairs update the Board on the deliberations, outcomes, and recommendations of that Committee. Minutes of each Board Committee meeting are included in the papers provided to the subsequent Board meeting.

Attendance at meetings by Directors

Attendance by directors at Board and Committee meetings held during the year ended 30 September 2012 is detailed below. Attendance in the table is only recorded where a director is a member.

	Board of Directors		Audit, Risk and Compliance Committee		Nomination and Prudential Committee	
	Attended	No. of meetings held during relevant period	Attended	No. of meetings held during relevant period	Attended	No. of meetings held during relevant period
J Ballard	17	17	-	-	1	1
M Allison	17	17	1	1	1	1
I MacDonald	17	17	6	6	1	1
J H Ranck	17	17	-	-	1	1
J Rozman ¹	14	14	5	5	1	1
M Jackman	16 ²	17	-	-	1	1
R Grigg ³	13	14	5	5	0	0
A Buduls ⁴	11	11	-	-	0	0
R Wylie ⁵	15	15	5	5	0	0
	Remuneration and Human Resources Committee		OH&S Committee			
	Attended	No. of meetings held during relevant period	Attended	No. of meetings held during relevant period		
J Ballard	7	7	-	-		
M Allison	-	-	4	4		
I MacDonald	7	7	-	-		
J H Ranck	7	7	4	4		
J Rozman	-	-	4	4		
M Jackman	-	-	-	-		
R Grigg ³	-	-	3	3		
A Buduls ⁴	5	5	-	-		
R Wylie ⁵	-	-	-	-		

1 Ms Rozman was appointed on 15 November 2011.

2 Mr Jackman was unable to attend one board meeting due to an emergency hospitalisation.

3 Mr Grigg retired on 30 July 2012.

4 Ms Buduls was appointed on 15 November 2011 and retired on 30 July 2012.

5 Mr Wylie retired on 15 August 2012.

Each Chairman of each of the Company's permanent Board Committees has extended a standing invitation to each other director to attend Committee meetings. Except in the case of unavoidable conflict, all Directors are choosing to attend all Committee meetings.

Other ad hoc committees are convened as and when required to consider matters of special importance or to aid the efficient functioning of the Board.

Nomination and Prudential Committee

Objective

The Board's objective in relation to Board nomination and review is to ensure that:

- the Company has adopted selection, appointment and review practices that result in a board:
 - › with an effective composition, size, mix of skills and experience and commitment to adequately discharge its responsibilities and duties and add value to the Company and its shareholders;
 - › that has a proper understanding of, and competence to deal with, the current and emerging issues of the businesses of the Company; and
 - › can effectively review and challenge the performance of management and exercise independent judgement.
- shareholders and other stakeholders understand and have confidence in the Company's selection, appointment and review practices.

Responsibilities

The Committee's principal responsibilities are to regularly review and make recommendations to the Board on:

- the necessary and desirable competencies of members of the Board of the Company and its committees;
- appropriate processes for the review of the performance of the Board of the Company and its committees;
- appropriate policies with respect to the maximum period of service and retirement age for directors;
- appropriate succession plans for directors and the CEO;
- the appropriate size of the Board so as to encourage efficient decision-making;
- recommendations for the appointment (including re-appointment in the case of directors retiring by rotation) and removal of directors of the Company;
- the scope and content of letters of appointment of non-executive directors; skills development and continuing education programs for directors of the Company; and
- appropriate induction procedures designed to allow new directors to participate fully and actively in board decision-making at the earliest opportunity and the effectiveness of those procedures.

Remuneration and Human Resources Committee

Objective

The Board's objective is to ensure that the Company has adopted remuneration and human resources policies that meet the needs of the Company and encourage a performance oriented culture.

A summary of the Company's remuneration policies and practices is set out in the Remuneration Report on pages 38 to 55.

The CEO has a standing invitation to attend Committee meetings but must leave the meeting during those periods in which consideration is being given to his employment arrangements.

The Company notes that the composition of the Remuneration and Human Resources Committee meets the requirements of Recommendation 8.2 of the amended 2nd edition of the Best Practice Recommendations.

Role

The objectives of the Committee are to:

- ensure the appropriate policies and procedures are in place to assess the remuneration levels of the CEO, executive management, the Company's employees generally and the Board;
- ensure the appropriate policies and procedures are in place to attract and retain the Chairman, Non-Executive Directors, Executive Directors, CEO and executive management;
- ensure the Company (which includes all subsidiaries and, as appropriate, associated companies) adopts, monitors and applies appropriate remuneration policies and procedures that align with the creation of shareholder value;
- engage and motivate directors and senior executives to pursue the long-term growth and success of the Company;
- ensure a clear relationship between business performance and the key performance indicators and remuneration of the CEO and executive management;
- align executive incentive awards with the creation of shareholder value;
- ensure that the Company's human resources strategy, policies and procedures are appropriate to the Company's needs and clearly designed and executed; and
- to achieve diversity in the Company's workplaces and on the Board and to achieve equal treatment of employees and Directors regardless of sex, race, age, disability, religion, sexual orientation or family responsibilities.

The Committee meets its objectives by reviewing and making recommendations to the Board on:

- appropriate policies for compensation arrangements for the CEO, executive management, the Company's employees generally and the Board itself;
- the remuneration package for the CEO;
- KPIs relevant to the remuneration of the CEO and the performance of the CEO against those KPIs;
- the CEO's recommendations with respect to the remuneration of executive management;
- the CEO's plans for the remuneration of employees in general;
- the annual remuneration review applying generally across the Company;
- the competitiveness and appropriateness of the Company's remuneration policies and practices;
- remuneration of Company employees by gender;
- human resources policies and procedures to ensure alignment between remuneration and shareholder value creation;
- remuneration of directors;
- employee share, option and rights schemes and other performance incentive programs;
- recruitment, retention, retirement and termination policies and benefits;
- Company superannuation arrangements;
- human resources strategy, policies and procedures (but not occupational health and safety);

- employment contracts for all directors, the CEO and those executive management contracts which are outside normal parameters;
- organisational development, including training and education;
- succession planning for executive management;
- policies regarding diversity, including measurable objectives for achieving diversity;
- policies regarding equal treatment of employees;
- policies regarding workplace behaviour expected of employees; and
- disclosures in the Company's annual report on remuneration matters.

Key Activities During the Year

The Committee oversaw the following significant activities during the reporting period:

- setting of measurable diversity objectives; and
- ongoing review of the remuneration arrangements, policy and structure for the Group.

Audit, Risk and Compliance Committee Objective

The Board is concerned to ensure the integrity of the Company's financial reporting, its management of risk and its regulatory and policy compliance. The Audit, Risk and Compliance Committee assists the Board in achieving this objective.

At least one member of the Committee is required by the Committee Charter to be a qualified accountant or other financial professional with experience of accounting and financial matters. Ms J Rozman was appointed Committee Chairman on 15 August 2012 upon the retirement of Mr R Wylie. Ms Rozman is highly qualified in accounting and financial matters having both domestic and international experience as a chartered accountant and is currently Chairman of the Audit and Finance Committee at Wine Australia Corporation.

Details of the members' qualifications can be found on page 21 of this report.

The CEO, Chief Financial Officer and the Head of Risk and Compliance all have standing invitations to attend (and are expected to attend) meetings of the Committee. In addition, the audit engagement partner from the Company's auditors also has a standing invitation to attend the meetings of the Committee.

Responsibilities

The Audit, Risk and Compliance Committee assists the Board to meet its oversight responsibilities in relation to:

- the Company's financial statements and financial reporting;
- the Company's financial risk management processes, accounting and control systems;
- the Company's internal and external audit arrangements;
- the Company's compliance with legal, regulatory and internal policy requirements; and
- the Company's risk management programmes.

The Committee does this by discharging its responsibilities set out in its charter, namely:

- monitoring the effectiveness of the Company's financial reporting and internal control policies and its procedures for the identification, assessment, reporting and management of financial risks;
- approving the appointment of the head of internal audit;
- approving the terms of reference of the internal audit department, requiring advice of the planned programme of audits and the reason for any change or delay in the programme;
- reviewing the management of financial matters and the freedom allowed to the internal auditors;
- reviewing reports on the Company from the internal auditors;
- considering and making recommendations to the Board about the appointment and retirement of the Company's external auditors, and ensuring that the audit partner from the firm providing audit services is rotated from time to time in accordance with all applicable regulation and Company policy;
- meeting with the external auditors (including in the absence of management);
- reviewing any auditor's letters addressed to management and management's responses;
- approving the scope of the audit, the terms of the annual audit engagement letter and audit fees;
- monitoring the independence, objectivity and performance of the External Auditors;
- monitoring the nature and quantum of non-audit services provided by the External Auditor, including the amount of fees paid for such services;
- reviewing any recommendations made by the External Auditor;
- co-ordinating internal and External Auditors and reviewing and approving any integrated audit plans;
- monitoring the consistency and application of accounting policies;
- reviewing the Company's statutory half and full year financial statements;
- monitoring the effectiveness of the Company's compliance programme;
- reviewing specific policies, systems and processes for addressing compliance with applicable laws and Company policy;
- reviewing the Company's material corporate governance policies including the Delegations of Authority and the Financial Risk Management Policy;
- receiving reports from management regarding compliance with laws;
- receiving recommendations from management on compliance policies, systems and processes relating to significant legal, compliance or regulatory matters;
- overseeing the Company's process for dealing with the reporting of unacceptable conduct;
- overseeing the Company's policies, processes and frameworks for identifying, analysing and addressing complaints and reviewing material complaints;
- assessing the adequacy of the Company's internal risk control systems;
- reviewing the Company's management processes for identifying and monitoring significant areas of risk for the Company;
- reviewing and assessing management information systems and internal control systems; and
- regularly reviewing the Company's risk profile.

Key Activities During the Year

The Committee oversaw the following significant activities during the reporting period:

- review of the statutory and periodic financial statements of the Company; and
- continued provision of appropriate internal audit, risk and compliance functions following restructure of the Company's "back office" functions.

Occupational Health and Safety Committee

The Board is committed to the Company's vision that nothing is so important it cannot be done safely. The Occupational Health and Safety Committee (OH&S Committee) exists to assist the Board in meeting this vision.

Role

The Committee's objectives are to:

- ensure the appropriate policies and procedures are in place to assist the Company to meet its statutory obligations and the Board's commitment to health and safety;
- ensure appropriate policies, procedures and systems are in place to effectively manage, measure and improve OH&S activities; and
- oversee the provision by management of a healthy and safe working environment and culture for all employees, contractors, clients and other visitors to the Company's work premises.

The Committee meets its objectives by discharging the responsibilities set out in its charter, namely reviewing and making recommendations to the Board on:

- the plans and targets for OH&S management;
- cultural initiatives designed to build and foster OH&S leadership and demonstration of appropriate OH&S behaviours consistently at all levels;
- Company performance in relation to OH&S matters;
- the adequacy, integrity and effectiveness of management processes and procedures used to manage OH&S as well as the performance of the Company's OH&S function and management;
- the adequacy, integrity and effectiveness of Company management's processes for ensuring and monitoring compliance with OH&S statutory and reporting obligations;
- the internal process for determining and managing key OH&S risk areas, particularly compliance with laws, regulations, standards and best practice guidelines;
- the impact of changes and emerging issues in OH&S legislation, community expectations, research findings and technology;
- reports by Company management on OH&S performance and issues including reports on material OH&S issues associated with the Company's operations;
- presentations from business unit general managers on the OH&S management and performance of their operations; and
- OH&S issues associated with the operations on Company controlled sites (including, if feasible, visits to those sites).

Key Activities During the Year

The Committee oversaw the following significant activities during the reporting period:

- analysis of the Company's obligations under harmonised OH&S laws; and
- continued focus on high risk activities undertaken throughout the group.

4. External Audit Independence Policy

Relevant policies and charters:

– Non-Audit Services Policy

The Company has in place a policy that:

- details the Group's position in respect of the key issues which may impair, or appear to impair, external audit independence;
- details the internal procedures implemented to ensure the independence of auditors; and
- establishes a framework that enables the Audit, Risk and Compliance Committee to evaluate compliance with the policy and report to the Board on compliance.

The key principles in the policy are:

- An auditor is not independent if:
 - › an employment relationship exists or could be deemed to exist, between the Company and the auditor, its officers or former officers, employees or former employees or certain relatives;
 - › a financial relationship exists between the auditor and the Company; and
 - › specific non-audit services (including information technology and human resources services) are provided to the Company by the auditor.
- In relation to the provision of other non-audit services the following guidelines must be followed:
 - › management must consider the actual, perceived and potential impact upon the independence of external audit prior to engaging external audit to undertake any non-audit service;
 - › the outsourcing of any internal audit project to the external auditors or the undertaking of any joint internal/external audit review will require prior Audit, Risk and Compliance Committee approval;
 - › the Audit, Risk and Compliance Committee must consider whether the provision of such non-audit services is compatible with maintaining the external auditor's independence, by obtaining assurance and confirmation that the additional services provided by the external auditor are not in conflict with the audit process. In order to assist with this assessment, management will provide the Audit, Risk and Compliance Committee with details of the amount of non-audit services undertaken by the external auditors as a proportion of all audit and non-audit engagements entered into by the Group for the period; and
 - › as a general rule, the Company does not utilise external auditors for internal audit purposes or consulting matters, other than services which are in the nature of audit, such as review of tax compliance and acting as independent accountants in connection with prospectuses.

The Audit, Risk and Compliance Committee is responsible for ongoing review of the External Audit Independence Policy and reports to the Board on the continuing suitability of the policy and recommended changes to the existing policy as and when required.

5. Risk Management

Relevant policies and charters:

- Risk Management Policy
- Group Risk Committee Charter

The Board has in place a Risk Management Policy and Framework to assist the Company in achieving its risk management objectives – to ensure the Group's assets are protected against financial loss, business risks are identified and properly managed, legal and regulatory obligations are satisfied, and business risks are appropriately monitored by the Board.

Under the Risk Management Policy the Board is responsible for oversight of the risk management process and framework. Senior executive management has primary responsibility for identification and management of significant risks within the Group's businesses and is accountable to the Board for designing, implementing and monitoring the process of risk management and integrating it into the day to day activities of the Group's businesses. Business Unit Managers are responsible for monitoring and managing key business risks for their respective businesses. All personnel are responsible for managing risks in their areas.

The Audit, Risk and Compliance Committee is responsible for assessing the effectiveness of internal processes for determining and managing key risks (other than OH&S) and compliance obligations. The OH&S Committee is responsible for assessing the effectiveness of internal process for determining and managing key OH&S risks.

Group Risk Committee

The Group Risk Committee (GRC) meets quarterly and assists the Audit, Risk and Compliance Committee and the Board in the application of the Company's Risk Management Policy and monitoring of compliance with the Policy.

Membership

The GRC comprises the CEO, the Company's senior executives, Company Secretary and senior risk personnel. Specialist support to the committee is provided by internal experts as required, including the General Counsel and the Head of Tax.

The GRC reports to the Board through the Audit, Risk and Compliance Committee. Minutes of each GRC meeting are also included in the papers to the Audit, Risk and Compliance Committee.

Responsibilities

The Committee operates under the Risk Management Policy and is responsible for:

- oversight of the risk management process;
- reviewing and monitoring the Company's risk profile;
- considering and where appropriate making recommendations to the Board with respect to risk appetite, risk framework and policy;
- establishing, approving and reviewing corporate risk management strategy in line with the Risk Management Policy;
- reviewing and monitoring adherence to the Company's risk management framework;
- receiving, considering and endorsing business trading charters for submission to the Company's Board for approval;
- reviewing credit limits, mark-to-market trading positions, and credit committee functions of Elders and its subsidiaries;
- monitoring the risk management activities of business divisions and subsidiaries through receipt and consideration of risk reports from the Company;
- overseeing compliance by the Company with applicable regulatory obligations and significant related internal policies;
- providing regular advice to the Audit, Risk and Compliance Committee about GRC activities and making appropriate recommendations; and
- providing an escalation point for identification of matters (material business risks) to be drawn to the attention of the CEO, Board Audit, Risk and Compliance Committee or Board.

During 2012 the GRC reviewed the Group's top 20 material business risks and reported to the Audit, Risk and Compliance Committee and the Board on the effectiveness of the Company's management of those material business risks.

Management Certificates

In accordance with the Board Charter, prior to approving the financial reports of the Company for the financial year ended 30 September 2012, the Board received from the CEO and the Chief Financial Officer a certificate stating that:

- the declaration provided under section 295A of the Corporations Act is based on a sound system of risk management and internal control; and
- that the system is operating effectively in all material respects in relation to financial reporting risks.

Financial Risk Management Policy

The Company has a formal Financial Risk Management Policy for management of liquidity and funding, commodity, currency, interest rate and basis risks. Compliance with policy is regularly reported to the Board, including on an immediate basis in the case of material breaches.

The purpose of the Financial Risk Management Policy is to provide a prudential framework and operational guidelines under which financial risk management activities are undertaken for Elders. The primary objective of this Policy is to manage the risk of financial loss to Elders measured in terms of impact on earnings arising from unfavourable movements in the financial and commodity markets.

6. Conduct and Ethics

Relevant policies:

- Code of Conduct
- Securities Dealing Policy
- Communications with the Market and Shareholders
- Fraud Policy
- Bribery, Financial Inducements and Facilitation Payments Policy
- Reporting of Unacceptable Conduct Policy
- Equal Opportunity, Bullying and Harassment Policy
- Workplace Health & Safety Policy

Copies of each of these documents may be found on the Company's website, www.elderslimited.com

Code of Conduct

The Board is committed to promoting conduct and behaviour that is honest, fair, legal and ethical and respects the rights of the Company's shareholders and other stakeholders, including clients and customers, suppliers, creditors and employees. The Board has adopted a code of conduct that details the conduct and behaviour it expects from its members and the employees of the Company.

The Code, which may be accessed from the Company's website, details the Company's position with respect to conflicts of interest, honesty, professionalism and confidentiality, compliance with Company policy, ethical behaviour, use of alcohol and illegal drugs, safety, treatment of livestock, environmental considerations, dealing with the media and share trading.

The Board has also adopted a Reporting Unacceptable Conduct Policy to encourage and facilitate disclosure of unacceptable conduct, including fraud or illegal activity, occurring in the Company. The Policy and the associated reporting process address the issues associated with alleged improper conduct including reporting, responsibility, confidentiality and effective investigation.

Securities Dealing Policy

The Board encourages non-executive directors and employees to own the Company's securities to further align their interests with the interests of other shareholders. Details of directors' shareholdings in the Company can be found on page 50 of this Report.

The Company's Securities Dealing Policy prescribes trading windows during which directors and employees may trade in the Company's securities. Trading windows run for 6 weeks from announcement of the Company's full year results or half year results and 6 weeks from the Company's AGM.

Directors or staff must not deal in the Company's securities during any periods other than a trading window or at any time when that staff member or director is in possession of unpublished information that, if generally available, might materially affect the price of the Company's securities. Prior to dealing in a window, a director or senior executive must seek clearance from the Company Secretary, or if the Company Secretary wishes to trade, the Chairman.

The Securities Dealing Policy also prohibits contractors from trading in the Company's securities if they are in possession of price-sensitive information.

Continuous Disclosure and Communication with Shareholders

The Board is committed to timely disclosure of information and communicating effectively with its shareholders. The External Disclosure and Market Communications Policy is designed to implement effective communication strategies to enable timely disclosure of both market sensitive information and other information enabling both shareholders and prospective new investors to make informed investment decisions. The policy includes processes to ensure that Directors and management are aware of, and fulfil, their obligations.

The Company communicates with its shareholders and the investment markets through a number of channels, including the ASX announcements platform and its website. During the year, the Company revamped its website in an effort to simplify shareholder access to information. The website includes:

- briefings on Company developments and events;
- information released to the ASX by way of an announcement;
- a limited set of historical market announcements, annual reports and briefings of half and full year results; and
- the ability for any person to elect to receive ASX and media announcements electronically as they are posted on the Company's website.

Further engagement with the investment community occurs by way of:

- interaction by senior management with members of the investment community and financial and business media through a variety of forums including results briefings, 'one on one' meetings and discussions; and
- provision of background and technical information to institutional investors, market analysts and the financial and business media to support announcements made to the ASX and announcements made about the Company's on-going business activities.

Each of the above means of engagement takes place in the context of the Company's External Disclosure and Market Communications Policy described below.

External Disclosure and Market Communications Policy

Under this Policy the Company has instituted (and monitors) procedures designed to ensure:

- the Company's compliance with continuous disclosure obligations contained in applicable ASX Listing Rules and the Corporations Act 2001. Procedures followed to achieve this include the maintenance of a Disclosure Committee comprised of senior management to consider disclosure issues (where circumstances permit, in conjunction with the Chairman of the Board), the communication of disclosure requirements and procedures to senior management together with procedures to facilitate the timely flow of relevant information to the Disclosure Committee;

- the timely release and dissemination of information (within the requirements of continuous disclosure obligations) necessary for the formation of an informed and balanced view of the Company;
- information disclosed in investor or media briefings is not “market sensitive”. If market sensitive information is inadvertently disclosed during a briefing it will immediately be released to the market at large through the ASX; and
- that stakeholders have equal opportunity, subject to reasonable means, to access information issued externally by the Company. This is addressed through a broad range of media including the Company’s website, audio or audio-visual webcasts of the Company’s AGM and full year and half year results briefings (which are announced in advance to the market and also archived and available for viewing or listening on the Company’s website).

Significant investor briefings (other than the AGM and the half and full year result briefings which are webcast and stored as video or audio on the Company’s website) are generally held by recorded telephone conference which requires registration so that attendees’ details can be recorded.

The Company generally allows investors to access the recorded facility by telephone for a short period after the event (usually 7 days) and thereafter to obtain a copy of the transcript or digital audio recording.

The Board is also concerned to ensure that shareholders participate effectively in general meetings and to this end:

- the Company has adopted in all substantial respects the ASX Corporate Governance Council guidelines for communication with shareholders and improving shareholder participation at general meetings; and
- it is a term of engagement of the Company’s external auditors that they attend the Company’s AGM and are available to answer questions about the conduct of the audit of the Company and the preparation and content of the auditor’s report in respect of the relevant reporting period.

Diversity

The Company has a Diversity Policy and has established the following measurable diversity objectives. Progress against these objectives will be reported on in subsequent Annual Reports:

Objective 1: Increase the representation of women in management positions as follows:

	Actual Sept 12	FY13 Target	FY14 Target	FY15 Target	FY16 Target
Senior Executives	9%	11%	11%	14%	15%
Senior Managers	15% ¹	14%	15%	15%	17%
Middle Managers	7%	8%	10%	12%	15%
Managers	7%	10%	12%	13%	15%

Structural changes in the Elders business impacted the percentage of women in management positions following establishment of targets. Emphasis continues to be on building the pipeline of female managers in the ‘manager’ and ‘middle manager’ categories, which is where the greatest opportunity for improvement lies.

¹ Futuris Automotive has high female representation at the Senior Manager level. The targets for this level were set with the divestment of the Futuris business in mind.

Objective 2:
Strengthen the talent pipeline by increasing women’s participation in development and mentoring programs and target 50/50 gender balance in the trainee intake.

In 2012 Elders engaged 19 people on traineeships. Of these, 32% were female – a proportion that is representative of the female participation rates in the ‘Agriculture, Forestry and Fishing’ industry as defined by the ABS.

Recruitment of women to trainee roles will remain a focus in the coming year with the aim of 50/50 gender balance in future intakes.

Objective 3:
Maintain the number of female non-executive Board directors at a minimum 25% through to 2016.

The current non-executive board composition is 4 males (80%) and one female (20%) following an overall reduction in the number of board members in 2012.

Fair Treatment

The Company is committed to ensuring that all of its employees are treated with integrity and respect and have the right to work in an environment free from discrimination and harassment. That commitment is embodied in a policy which provides that discriminatory or harassing behaviour by employees will not be tolerated in their relationships with other employees, potential employees, customers or people undertaking work for the Company. The policy defines procedures for dealing with complaints of discrimination or harassment, including the use of impartial contact officers to receive and advise on complaints.

Occupational Health and Safety

The Company believes that nothing done in the course of employment is so important that it cannot be done safely. For that reason, the Company has a policy that enshrines an objective to provide a safe and healthy environment for employees, contractors, clients and visitors. The Company strives to achieve this objective through:

- establishing a safe work environment that manages risks and hazards according to the organisation's risk management process;
- establishing clear targets and objectives to improve health and safety in the workplace;
- assigning accountability and responsibilities throughout the organisation to achieve health and safety targets and objectives;
- allocating resources to assist in meeting set objectives;
- providing safe plant and equipment;
- consulting with employees, contractors and visitors on health and safety matters to promote involvement;
- ensuring contractors and joint ventures within Elders' operating control are applying corporate policies;
- providing training to develop awareness, skills and knowledge to promote collective responsibility to health and safety;
- providing supervision to ensure tasks are completed safely and without risk to employees, contractors and visitors;
- effectively disseminating health and safety information to employees, contractors and visitors; and
- having a systematic approach to ensure compliance with the various health and safety and related laws within our various operating jurisdictions.

Disclosure of governance information

Supporting information concerning the Company's governance framework and practices, principles and policies is posted on the Company's website at www.elderslimited.com in the section marked: About Us: Corporate Governance.

Directors' Report

The directors present their report for the year ended 30 September 2012.

Directors

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

Non-Executive Directors:

John Charles Ballard (Chairman)
Mark Charles Allison
Ian Graham MacDonald
James Hutchison Ranck
Josephine Mary Rozman
(appointed 15 November 2011)

Executive Director:

Malcolm Geoffrey Jackman
(Chief Executive Officer and Managing Director)

The following Non-Executive directors retired during the financial year:

Raymond George Grigg, a director since 12 February 2004, retired on 30 July 2012

Anna Buduls, a director since 15 November 2011, retired on 30 July 2012

Robert Harvey Wylie, a director since 10 November 2009, retired on 15 August 2012.

Company Secretary:

Peter Gordon Hastings

Sarah Jane Graves ceased as Joint Company Secretary on 17 February 2012.

A summary of the experience, qualifications and special responsibilities of each Director and Company Secretary is provided on page 21 of this annual report.

Principal Activities

The principal activities of the Elders Group during the year were:

- (a) the provision of services and inputs to the rural sector;
- (b) the provision of financial and real estate services to rural and regional customers;
- (c) real estate franchisor;
- (d) trading operations, principally in live cattle and wool; and
- (e) supply of automotive components.

During the year the Company announced:

- its intention to undertake a staged total divestment of its forestry assets. That process is part complete; and
- that it would become a pure play rural services business and would divest its automotive components business in the foreseeable future.

Results and Review of Operations

The Group recorded a loss for the year, after tax and non-controlling interest, of \$60.6m (2011: loss of \$395.4m). A review of the operations and results of the consolidated entity and its principal businesses during the year is contained in pages 4 to 20 of this report.

Significant Changes in the State of Affairs

There were a number of significant changes in the state of affairs of the consolidated entity during the year which are referred to on pages 4 to 13 of this report.

Events Subsequent to Balance Date

The Group announced on 29 October 2012 that it would commence a process to sell its Rural Services business. This is in addition to the withdrawal from the Forestry sector announced in October 2011 and the intended sale of Futuris Automotive announced on 15 August 2012.

As a result of these announcements, and as set out in Note 2(a) to the Annual Financial Report, the group is presently renegotiating its finance facilities so as to provide sufficient funding through to the sale of these assets. At the date of this report, the Group has received an in principle funding agreement from its financiers, subject to credit approvals, which provides for the continuation of funding and the provision of incremental facilities through to anticipated sale dates. As a result, it is expected that finance facilities will now be timed to mature in line with the Forestry, Futuris Automotive and Rural Services divestments planned before 30 June 2013, inclusive of \$81.0m of debt recorded as non-current at 30 September 2012.

Should divestment transactions proceed for the sale of the remainder of Forestry operations, Futuris Automotive and Elders Rural Services, this will significantly affect the state of affairs of the Group. As the Directors do not know what form or quantum any sales transaction will take, the Directors are unable at the date of this report to assess the impact of the divestments proposed on the affairs of the Group.

There is no other matter or circumstance that has arisen since 30 September 2012 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 the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Likely Developments and Future Results

Discussion of likely developments in the operations of the consolidated entity and the expected results for those operations in future financial years is included in the information on pages 6 to 13 of this report. Further information about the likely developments in the operations of the consolidated entity and the expected results for those operations in subsequent financial years has not been included in this report because, in the opinion of the directors, their inclusion would prejudice the interests of the consolidated entity.

Share and Other Equity Issues During the Year

- No employee options were exercised during the year.
- No ordinary shares were issued under the Company's employee share plans during the year.
- No ordinary shares were issued to any other person during the year.

Dividends and Other Equity Distributions

The Company's finance facilities require, amongst other things, that dividends be paid out of operating cash flows and only if the leverage ratio is not greater than 3.50:1. Given these restrictions, and the intention of the Directors to reduce the Company's debt, no dividends or hybrid distributions were declared or paid during the 12 months to 30 September 2012.

Share Options

Operation of the Elders Employee Share Option Plan (EESOP) was suspended in 2009. During the financial year, all remaining holders were invited to surrender their options in order to remove the administrative cost burden of maintaining discontinued plans. This has resulted in the cancellation of the majority of options on issue.

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

1) Options on Issue:

All options listed in this table are subject to minimum tenure restrictions of 3 years.

Date Options Granted	Number of Options Granted	Issue Price	Option Expiry Date
01/07/2003	100,000	\$13.70	01/07/2013
Total	100,000		

The total quantity of options on issue as at 30 September 2012 would represent, if exercised, 0.022% of the Group's issued ordinary shares.

2) Options issued since the end of the previous financial year

No options have been issued since the end of the previous financial year.

3) Options exercised since the end of the previous financial year

No options have been exercised since the end of the previous financial year.

4) Options lapsed or surrendered since the end of the previous financial year

Date Options Granted	Number of Lapsed Options	Issue Price	Option Expiry Date
31/08/2007	80,000	\$24.50	18/08/2012
01/10/2007	200,000	\$24.50	01/10/2012
25/11/2008	260,000	\$12.90	25/11/2013
Total	540,000		

Directors' Interests

At the date of this report, the relevant interests of the directors in shares and other equity securities of the Group are:

	No. of ordinary shares	No. of hybrids	No. of performance rights
Non-Executive Directors			
M C Allison	100,000	-	-
J C Ballard	1,000,000	-	-
I G MacDonald	52,668	-	-
J H Ranck	430,000	-	-
J M Rozman	20,000	-	-
Executive Directors			
M G Jackman	190,220	1,000	2,284,822

At the date of this report, there are no options on issue to directors.

Directors' Meetings

Details of the number of meetings held by the Board of Directors and Board committees and the attendance at those meetings is provided in the Corporate Governance section of this report on page 26.

Indemnification of Officers and Auditors

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

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

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

- that the Company will maintain an insurance policy insuring the officer against any liability incurred by the officer in the officer's capacity as an officer of the Company 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.

The consolidated entity has provided a limited indemnity to its auditor, Ernst & Young, for loss suffered by Ernst & Young from claims by a third party related to the audit service provided by Ernst & Young, excluding losses resulting from the proven negligent, wrongful or wilful acts or omissions of Ernst & Young.

Remuneration of Directors and Senior Executives

Details of the remuneration arrangements in place for directors and senior executives of the Group are set out in the Remuneration Report commencing on page 38. In compiling this report the Group has met the disclosure requirements prescribed in the Australian Accounting Standards and the *Corporations Act 2001*.

Environmental Regulation Performance

The Elders Group is subject to a range of environmental legislation in the places that it operates. Details of the Group's environmental regulation performance can be found on pages 18 and 20.

Rounding of Amounts

The parent entity is a Group of the kind specified in Australian Securities and Investments Commission class order 98/0100. In accordance with that class order, amounts in the financial report and Directors' report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

Non-Audit Services

Non-audit services provided by the Group's auditor, Ernst & Young to the Group during the course of 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.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax services (primarily compliance) \$213,407.00.

Other compliance and assurance services \$462,167.00.

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

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



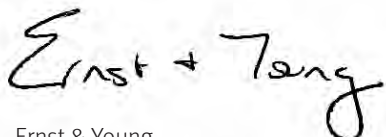
J C Ballard
Chairman
19 November 2012



M G Jackman
Director

Auditor's Independence Declaration to the Directors of Elders Limited

In relation to our audit of the financial report of Elders Limited for the financial period ended 30 September 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Mark Phelps
Partner
Adelaide
19 November 2012

Elders Limited

Remuneration Report 2012

The Directors of Elders Limited present the Remuneration Report for the consolidated entity for the year ended 30 September 2012. 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.

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Chief Executive Officer and Senior Executive remuneration outcomes for 2012

Figure 1 below sets out certain items of remuneration paid or payable to the Group's Chief Executive Officer (CEO) and Senior Executives in respect of the 2012 financial year. The information in Figure 1 is unaudited and is different from and additional to that required by Accounting Standards and statutory requirements.

Table 6 on page 49 provides the audited remuneration disclosures as required under Accounting Standards and statutory requirements. Elders however believes that the information provided in Figure 1 is useful to investors, and is consistent with the Productivity Commission's recommendation in its Report on Executive Remuneration in Australia.

Figure 1 includes information on base salary, STI, superannuation, other monetary benefits, other non-monetary benefits and termination benefits identical to that contained in Table 6, but omits the information on the issue of shares, share rights and options and long-term payments contained in Table 6. Additionally, Figure 1 provides information on LTI based on rights vesting or options exercised during the financial year, which is not provided in Table 6.

Figure 1. Remuneration outcomes for 2012 (unaudited and non-IFRS)

\$	Base Salary	STI ²	LTI ³	Superannuation	Other (monetary) ⁴	Other (non-monetary) ⁵	Termination benefits ⁶	Total
Malcolm Jackman	1,129,609	0	0	15,949	0	2,520	0	1,148,078
Tony Dage	644,051	141,000	0	15,949	0	2,226	0	803,226
Mark De Wit	644,344	0	0	25,360	0	0	0	669,704
Vince Erasmus ¹	367,078	0	0	11,831	503,092	1,483	576,098	1,459,582
David Goodfellow ¹	417,768	44,000	0	12,005	20,795	1,260	0	495,828
Mark Hosking	688,880	0	0	18,701	0	2,520	0	710,101
Shaun Hughes ¹	372,857	0	0	22,867	33,623	2,520	457,130	888,997
Sam McClure ¹	262,925	0	0	11,831	0	2,100	192,115	468,971

1 Figures relate to part-year service (see Section 1 below). Retention payment for Mr Erasmus includes \$177,562 which is disclosed in Table 6 as base salary for the 2011 financial year.

2 STI that will be paid for performance in the 2012 financial year.

3 Value of any performance or service rights that vested during the 2012 financial year based on the closing share price on the date of vesting, and options that were exercised during the 2012 financial year based on the difference between the exercise price and the closing share price on the date of exercise. This figure does not represent the value of rights or options granted during the 2012 financial year. Note that no performance or service rights vested and no options were exercised during the 2012 financial year.

4 Comprising retention payments (Erasmus), travel allowance (Goodfellow) and higher duties allowance (Hughes).

5 Provision of leased car parking.

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

Section 1. Key Management Personnel

The disclosure in this Remuneration Report relates to the remuneration of Key Management Personnel (KMP) of both the Company and the consolidated entity (being those persons with authority and responsibility for planning, directing and controlling the activities of the Company during the financial year).

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

Name	Position held	Period held in 2012 (if not full year)
Non-executive Directors		
J C Ballard	Chairman	
M C Allison	Director	
A Buduls	Director	15 November 2011 - 30 July 2012
R G Grigg	Director	1 October 2011 - 30 July 2012
I G MacDonald	Director	
J H Ranck	Director	
J M Rozman	Director	15 November 2011 - 30 September 2012
R H Wylie	Director	1 October 2011 - 15 August 2012
Executive Director and Senior Executives		
M G Jackman	Chief Executive and Managing Director	
A T Dage	Group General Manager Trading	
M G De Wit	Managing Director Futuris Automotive	
V Erasmus	Managing Director Elders Forestry	1 October 2011 - 18 May 2012
D W Goodfellow	Group General Manager Australian Network	23 January 2012 - 30 September 2012
M G Hosking	Chief Financial Officer	
S C Hughes	Chief Information Officer	1 October 2011 - 2 August 2012
S J D McClure	Group General Manager Strategy and Business Development	1 October 2011 - 15 June 2012

Section 2. Remuneration governance and strategy

A. Role of Remuneration and Human Resources Committee

The Remuneration and Human Resources Committee assists the Board in ensuring that the Company establishes and maintains remuneration strategies and policies aligned with the Company's overall objectives and in accordance with the practice set out in the ASX Corporate Governance Principles and Recommendations. The role and responsibilities of the Remuneration and Human Resources Committee are set out in the Corporate Governance Statement on page 27 of this Annual Report and the Committee's Charter is published on the Company's website at www.elderslimited.com.

The Committee is comprised entirely of Non-executive Directors.

B. Independent remuneration advice

The Remuneration and Human Resources Committee is briefed by management, but makes all decisions free of the influence of management. To assist in its decision-making, the Committee may 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 2012, the Committee obtained remuneration recommendations from Egan Associates in relation to the CEO's remuneration. The Chair of the Remuneration and Human Resources Committee engaged and dealt with Egan Associates directly in obtaining the recommendations. All advice, whether written or oral, was provided by Egan Associates directly to the Committee Chair without any management involvement. Because there was no management involvement in obtaining the recommendation and all interaction in obtaining the recommendation was between the Committee Chair and Egan Associates, the Board is satisfied that the recommendations were free from undue influence from the KMP to whom the recommendation relates.

A total of \$13,051 in fees was paid to Egan Associates in the 2012 financial year. Egan Associates did not perform any other work for the Company during this period.

C. Group remuneration strategy

The Elders Group remuneration strategy seeks to encourage a performance orientated culture that will:

- provide competitive reward opportunities to attract and retain high calibre executives and to motivate them to pursue sustainable long-term growth and success for the Company, its employees and shareholders;
- align the rewards and interests of Directors and Senior Executives with the long-term growth and success of the Group within an appropriate control framework;
- demonstrate a clear relationship between Senior Executive performance and remuneration; and
- be consistent and responsive to the needs of each operating business and the Group as a whole.

Section 3. Non-executive Director remuneration

A. Board policy

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

Executive Directors do not receive director's fees.

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

Non-executive Directors have formal letters of appointment with the Company. Length of tenure is governed by the Company's Constitution and the ASX Limited Listing Rules, which provides that all Non-executive Directors are subject to re-election by shareholders in the manner set out in the Corporate Governance Statement on page 24 of this Annual Report.

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 fees paid are, on metrics other than market capitalisation, slightly below the median of fees to Non-executive directors of companies of comparable size.

The Board encourages Elders Non-executive Directors to own securities in the Group to further align their interests with the interests of other shareholders. Details of Non-executive Directors' shareholdings in the Group can be found in table 7a(i) of this Report. All shares held by Non-executive Directors were acquired on market.

B. Non-executive Director remuneration in 2012

Total fees for the financial year ended 30 September 2012 remain well within the aggregate fee limit of \$1,800,000 per annum approved by shareholders at the Company's 2006 Annual General Meeting. Statutory superannuation guarantee contributions are included in the aggregate fee limit.

Each Non-executive Director was entitled to an annual base fee of \$100,000, except the Chairman who was entitled to an annual composite base fee of \$300,000.

During the financial year ended 30 September 2012, as compensation for time spent on committee business, the following fees applied:

- Each member of the Audit, Risk and Compliance Committee was entitled to \$16,000 per annum; except for the Committee Chair who was entitled to \$30,000 per annum to reflect the significant workload associated with this position.
- Each member of the Occupational Health and Safety Committee was entitled to \$10,000 per annum.
- Each member of the Remuneration and Human Resources Committee was entitled to \$10,000 per annum.

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

The Company maintains independent boards for the responsible entities within the group and the following directors of the Company served as directors of those entities:

- Mr. I MacDonald was a director on the Elders Forestry Management Limited and APT Projects Limited until 19 December 2011.
- Mr. R Grigg was a director on the Futuris Automotive Group Limited Board until his resignation on 30 July 2012.

These fees paid to Mr. MacDonald and Mr. Grigg are provided as "Subsidiary and Other Fees" in Table 3 below.

Table 3: Non-executive Director remuneration details

		Short Term Payments			Post Employment		Total
		Base Board Fee	Board Committee Fees	Subsidiary Fees and Other Fees	Superannuation	Other	
J C Ballard	2012	300,000	0	0	15,949	0	315,949
	2011	300,000	0	0	16,091	0	316,091
M C Allison	2012	100,000	12,028	0	10,083	0	122,111
	2011	90,000	10,000	0	9,000	0	109,000
A Buduls	2012	71,410	7,141	0	7,070	0	85,621
	2011	n/a	n/a	n/a	n/a	n/a	n/a
R G Grigg	2012	83,333	21,667	20,833	11,325	0	137,158
	2011	90,000	26,000	37,500	13,815	0	167,315
I G MacDonald	2012	100,000	26,000	10,192	12,449	0	148,641
	2011	90,000	26,000	50,000	10,935	0	176,935
J H Ranck	2012	100,000	20,000	0	10,800	0	130,800
	2011	90,000	20,000	0	9,900	0	119,900
J M Rozman	2012	88,077	24,675	0	10,148	0	122,900
	2011	n/a	n/a	n/a	n/a	n/a	n/a
R H Wylie	2012	87,500	26,250	0	10,725	0	124,475
	2011	90,000	27,000	0	10,530	0	127,530
C E Bright	2012	n/a	n/a	n/a	n/a	n/a	n/a
(retired 16 December 2010)	2011	22,500	2,500	0	2,250	0	27,250
Total	2012	930,320	137,761	31,025	88,549	0	1,187,655
	2011	772,500	111,500	87,500	72,521	0	1,044,021

Section 4. Executive Director and Senior Executive remuneration

A. Board policy

The Board seeks to align employee remuneration with the commercial needs and performance of each operating business and the objectives of the consolidated entity as a whole.

The Board has delegated oversight of the Company's remuneration policies and practices to the Remuneration and Human Resources Committee. Remuneration policies and practices are benchmarked to the market by independent external consultants to ensure that remuneration for executives meets a range of criteria, including:

- that executives are appropriately rewarded having regard to their roles and responsibilities;
- an appropriate balance between fixed and at-risk remuneration components is maintained; and in relation to the at-risk component, that there is an appropriate balance between short and long-term incentives;
- that performance measures reflect long-term drivers of shareholder value;
- paying for performance, where superior or upper quartile remuneration is only paid for demonstrable superior performance; and
- that remuneration is competitive when compared to both internal and external relativities.

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

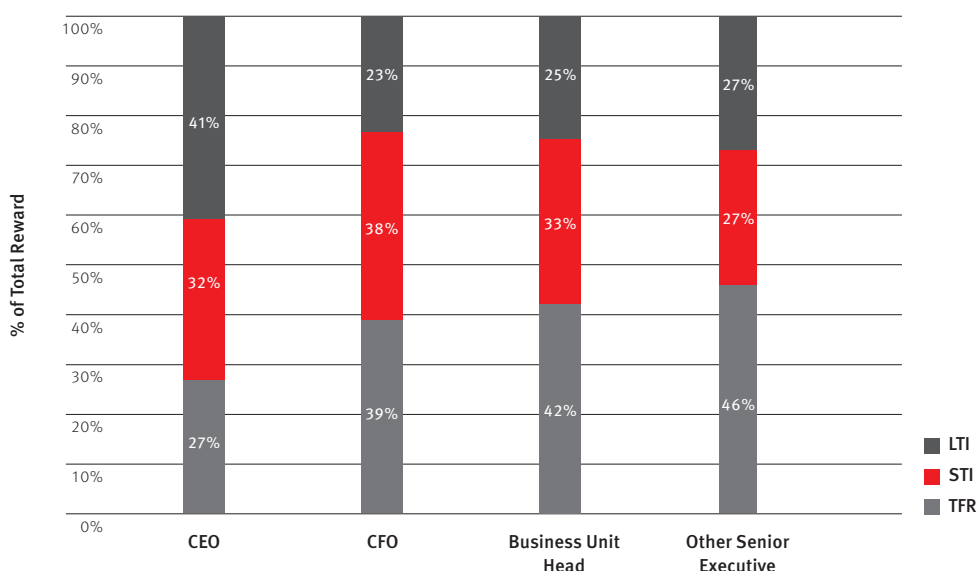
B. Remuneration structure

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

- Total Fixed Remuneration (TFR);
- Short-term incentives (STI); and
- Long-term incentives (LTI).

A description of each component is set out below. Remuneration packages are structured to ensure a portion of an executive's reward depends on meeting individual, business unit or group targets and objectives, including maximising returns for shareholders. Generally, the portion of "at-risk" remuneration increases with seniority.

Remuneration structure



The above table assumes the at-risk remuneration components are at their maximum.

C. Total Fixed Remuneration

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

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

TFR is reviewed annually and is adjusted according to market relativity, company performance and the executive's performance over the previous year, as assessed through the Company's Performance Development Program (PDP). The PDP assesses employee performance against a number of agreed key performance indicators.

D. Short-term incentive

All executives participate in either an Elders' Group or a business unit Short-term Incentive (STI) plan. The key features of the STI plans applying to KMPs during the year are set out in the table below:

	Plan			
	Corporate	Australian Network	Trading	Futuris Automotive
KMP participants ¹ and maximum STI opportunity as % of TFR	M G Jackman (120%) M G Hosking (80%) S C Hughes (80%) S J D McClure (60%)	D W Goodfellow (80%)	A T Dage (80%)	M G De Wit (80%)
Performance measure(s)	Underlying profit Return on Funds Employed Net debt/EBITDA Gross Margin	CODI (Total Contribution ² /Debtors + Inventory) Direct Contribution ³	EBT	EBIT Operating cash flow
Summary	The Company's performance against the above measures generates an STI pool which is distributed among participants according to their performance against individual Key Performance Indicators (KPI).	If a branch meets its CODI and/or Direct Contribution targets, a percentage of the branch's Direct Contribution is set aside for national network management. The sum of all these amounts generated by individual branches forms the national network management pool, which is distributed to participants according to their performance against individual KPIs.	A percentage of any overperformance against the Trading business's budgeted EBT is set aside to form an STI pool which is distributed among participants according to performance against individual KPIs.	An STI pool is generated when Futuris Automotive meets at least 90% of its EBIT budget. The pool is distributed among participants according to EBIT, cash, safety and personal KPIs.
Exercise of discretion	The CEO, in conjunction with the Chairman, may recommend discretionary bonus payments to executives (except himself) for approval by the Remuneration and Human Resources Committee.			
Service condition	Any STI payable to executives who become eligible to participate in STI during the course of the year, either through joining the Group or being promoted within the Group, will be pro-rated accordingly.			
Payment	Payments are made in cash which participants may elect to sacrifice to acquire the Company's shares via the Deferred Employee Share Plan.			

1 V Erasmus did not participate in an STI plan during the year.

2 Total Contribution = Direct Earnings + Indirect Earnings – Direct Costs – Net Interest

3 Direct Contribution = Direct Earnings + Indirect Earnings – Direct Costs

STI outcomes for 2012

All STI payments for 2012 performance were according to plan.

Of the KMPs participating in the business unit STI plans in 2012:

- D W Goodfellow received an STI payment of 12% of maximum for the Australian Network business unit's performance;
- A T Dage received an STI payment of 27% of maximum for the Trading business unit's performance; and
- M G De Wit did not receive an STI payment.

The STI outcome was nil for KMPs who participated in the Corporate STI plan in 2012.

E. Long-term incentive

The Company has a number of Long-term Incentive (LT) and equity participation plans in place. These plans are summarised below.

E1. Current Equity Schemes

Name of Plan	Description	Eligibility Criteria	Number of participants as at 30 September 2011	Number of participants as at 30 September 2012	Number of shares / options / rights outstanding as at 30 September 2011	Number of shares / options / rights outstanding as at 30 September 2012
Elders Long Term Incentive Rights Plan (ELTIRP)	Rights to Elders shares are granted to selected eligible executives at the 10-day Volume Weighted Average Price (VWAP) subject to a minimum of 12 months' service and performance conditions (see below) determined by the Board at the time of grant. This plan replaced the EESOP and the ELSP described below.	CEO Senior Executives by invitation.	1 24	1 19	2,570,425 5,546,587	2,284,822 7,409,031

E2. Discontinued Equity Schemes

Name of Plan	Description	Eligibility Criteria	Number of participants as at 30 September 2011	Number of participants as at 30 September 2012	Number of shares / options / rights outstanding as at 30 September 2011	Number of shares / options / rights outstanding as at 30 September 2012
Elders Employee Share Option Plan (EESOP)	EESOP is an employee option scheme. Options to acquire Elders shares were granted to selected eligible executives at market (or premium) price, subject to a minimum of three years' service.	By invitation. The EESOP was suspended in 2009 and will be discontinued once all options lapse.	64	2	953,300	115,000
Elders Loan Share Plan (ELSP)	The ELSP was designed to provide an equity participation opportunity for all selected eligible group employees. Shares were provided and paid for by way of a non-recourse, interest-free loan. Dividends are used to repay the loan. Shares vest three years after issue. There are no performance conditions once issued. No shares were issued under the ELSP during the financial year.	By invitation. The ELSP was suspended in 2009 and will be discontinued.	1,559	1,262	981,468	791,535
Elders 'Save as You Earn' Plan (SAYE)	The SAYE plan is a deferred benefit employee share scheme, designed to enable employees to sacrifice remuneration on a pre-tax basis and receive Elders shares in lieu. Elders makes no contribution to this plan other than funding the costs of administration. No shares were issued under the SAYE Plan during the financial year.	All permanent employees. Operation of the SAYE plan was suspended in February 2009.	52	46	34,331	19,308

E3. Current equity saving schemes in which one or more KMP participates

Name of Plan	Description	Eligibility Criteria	Number of participants as at 30 September 2011	Number of participants as at 30 September 2012	Number of shares / options / rights outstanding as at 30 September 2011	Number of shares / options / rights outstanding as at 30 September 2012
Deferred Employee Share Plan (DESP)	This plan enables participants to salary sacrifice remuneration to acquire restricted shares.	All permanent employees.	19	57	39,980	332,844

E4. Retention schemes

Name of Plan	Description	Eligibility Criteria	Number of participants as at 30 September 2011	Number of participants as at 30 September 2012	Number of shares / options / rights or dollar amount outstanding as at 30 September 2011	Number of shares / options / rights or dollar amount outstanding as at 30 September 2012
Retention Plan (general)	To retain the services of key employees during the period of Company "turn-around". This scheme provides for the issue of service rights to selected executives in three tranches in August 2010, August 2011 and August 2012, for vesting on 1 August 2013. Shares will issue on the vesting date assuming continued employment (or earlier termination of employment for a reason other than resignation or dismissal for poor performance or misconduct) and may vest earlier in the case of takeover.	By invitation.	15	13	5,793,595	6,572,589
Retention Plan (Forestry Scheme 1)	Retention cash incentives for key Forestry employees who remained employed at 15 October 2011.	By invitation.	6	Nil	\$523,238	Nil
Retention Plan (Forestry Scheme 2)	Retention cash incentives for key Forestry employees who remain employed at 15 October 2012 or who cease employment before that date for a reason other than resignation or dismissal for poor performance or misconduct.	By invitation.	15	9	\$1,247,161	\$473,747

E5. Discussion of long-term incentive plans

(a) General

The ELTIRP is the Company's principal long-term incentive plan. The ELTIRP is based on the performance rights scheme for the CEO approved by shareholders at the AGM of the Company on 18 December 2009.

A number of Senior Executives (including all KMPs) have a contractual right to participate in ELTIRP up to certain percentages of TFR (which differ by employee). However, notwithstanding the right to participate in the ELTIRP, all awards (other than under the CEO's LTI plan which was approved by shareholders at the Company's 2009 AGM) remain at the Board's discretion.

(b) Dealing in securities

Further, KMPs are not permitted to deal in the Company's securities without prior permission from the Company and only during trading windows and are required to disclose all dealings on an annual basis. The measures are designed principally to manage insider trading risk, but also go some way to aligning the interests of KMPs with the Company's security holders generally.

(c) Performance Hurdles

The Company has adopted a relative Total Shareholder Return (TSR) performance hurdle to align the interests of the CEO and senior management with those of shareholders. This performance measure was selected following consultation with external remuneration experts as being the most appropriate and widely used measure of shareholder value.

Summaries of LTIP grants are provided below.

Issue Date	Number of performance rights granted	Denominator	Hurdle description										
CEO grants													
10 November 2009	856,808	\$1.776	<p>Pursuant to the approval granted by the Shareholders at the 2009 AGM, the CEO was granted performance rights issuing as at 10 November 2009, as at 10 November 2010 and on or about 10 November 2011. Each performance right, which is issued at no cost to Mr. Jackman, will, if they vest, constitute the right to acquire 1 ordinary share in the Company. The issue as at 10 November 2009 resulted in 856,808 performance rights being issued. These rights will be tested as set out below.</p> <p>Tranche 1 (2009 Allocation) TSR performance is measured over the two years from 10 November 2009 to 10 November 2011. This tranche has been tested (see below).</p> <p>Tranche 2 (2009 Allocation) TSR performance is measured over the three years from 10 November 2009 to 10 November 2012.</p> <p>Tranche 3 (2009 Allocation) TSR performance is measured over the four years from 10 November 2009 to 10 November 2013.</p> <p>The vesting of these performance rights depend on the Company's Total Shareholder Return (TSR) performance relative to the ASX/S&P 200 Accumulation Index, as determined by the following schedule:</p> <table border="1"> <thead> <tr> <th>Relative TSR</th> <th>% of Tranche that vests</th> </tr> </thead> <tbody> <tr> <td>Below 50th percentile</td> <td>Nil</td> </tr> <tr> <td>At 50th percentile</td> <td>50%</td> </tr> <tr> <td>50th to 74th percentile</td> <td>Pro-rata</td> </tr> <tr> <td>75th percentile and above</td> <td>100%</td> </tr> </tbody> </table>	Relative TSR	% of Tranche that vests	Below 50th percentile	Nil	At 50th percentile	50%	50th to 74th percentile	Pro-rata	75th percentile and above	100%
Relative TSR	% of Tranche that vests												
Below 50th percentile	Nil												
At 50th percentile	50%												
50th to 74th percentile	Pro-rata												
75th percentile and above	100%												
10 November 2010	878,852	\$1.776	<p>These rights will be tested as set out below.</p> <p>Tranche 1 (2010 Allocation) TSR performance is measured over the two years from 10 November 2010 to 10 November 2012.</p> <p>Tranche 2 (2010 Allocation) TSR performance is measured over the three years from 10 November 2010 to 10 November 2013.</p> <p>Tranche 3 (2010 Allocation) TSR performance is measured over the four years from 10 November 2010 to 10 November 2014.</p> <p>These performance rights vest according to the same schedule applying to the 2009 allocation.</p>										
10 November 2011	834,765	\$1.776	<p>These rights will be tested as set out below:</p> <p>Tranche 1 (2011 Allocation) TSR performance is measured over the two years from 10 November 2011 to 10 November 2013.</p> <p>Tranche 2 (2011 Allocation) TSR performance is measured over the three years from 10 November 2011 to 10 November 2014.</p> <p>Tranche 3 (2011 Allocation) TSR performance is measured over the four years from 10 November 2011 to 10 November 2015.</p> <p>These performance rights will vest according to the same schedule applying to the 2009 and 2010 allocations.</p>										

(c) Performance Hurdles (continued)

Issue Date	Number of performance rights granted	Denominator	Hurdle description
Senior Executive grants			
10 November 2010	5,546,587	\$0.646	Performance rights granted to Senior Executives as at 10 November 2010 operate the same way as the CEO's 2010 Allocation.
10 November 2011	4,525,000	\$0.269	Performance rights granted to Senior Executives as at 10 November 2011 operate the same way as the CEO's 2011 Allocation.

Performance testing of Tranche 1 CEO's 2009 Allocation

Following completion of its measurement period, Tranche 1 of the CEO's 2009 Allocation was tested against its performance hurdle, resulting in nil vesting and lapsing of 285,603 performance rights valued at \$74,257.

E6. Relationship between Elders' financial performance and executive reward

(a) Short-term incentive

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

Performance measure (\$ millions)	2012	2011	2010	2009 (to 30/9/09)	2009 (to 30/6/09)	2008
Sales revenue	2,157.9	2,358.7	2,154.4	3,540.1	2,902.0	3,312.1
Underlying EBIT	38.8	33.7	34.0	40.3	16.8	171.7
Statutory profit	(60.6)	(395.3)	(217.6)	(466.4)	(415.4)	36.4
Cashflow from operating activities	2.5	(23.8)	(110.5)	(523.3)	(370.8)	(14.1)

Details of KMP STI outcomes for 2012 are provided on page 43.

(b) Long-term incentive

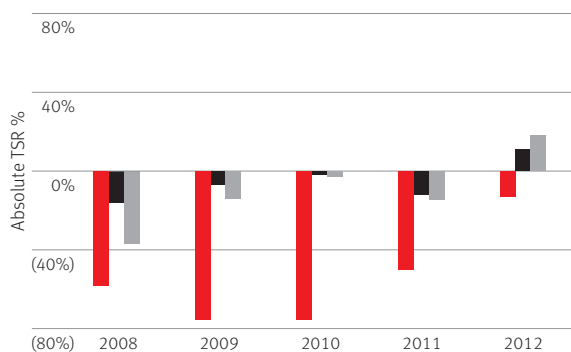
Other than general issues of options under the EESOP, LTIs only vest when the Company achieves superior returns for shareholders as measured by relative TSR.

Relative Total Shareholder Return (TSR)

Elders' TSR has underperformed the ASX/S&P 200 Accumulation Index (All and Industrials) over the most recent financial period and on a cumulative basis over the period from 2008 to 2012.

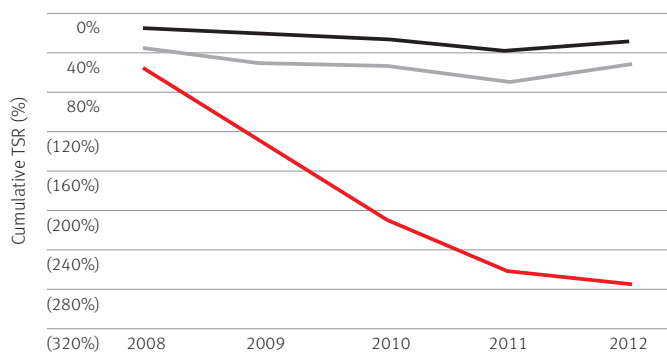
Elders' relative TSR performance against these two comparator groups is as follows:

Absolute TSR %



■ Elders
■ ASX200
■ ASX200 Industrials

Cumulative TSR %



— Elders
— ASX200
— ASX200 Industrials

Source: Capital IQ, Bloomberg

Note: TSR was calculated for the following periods:

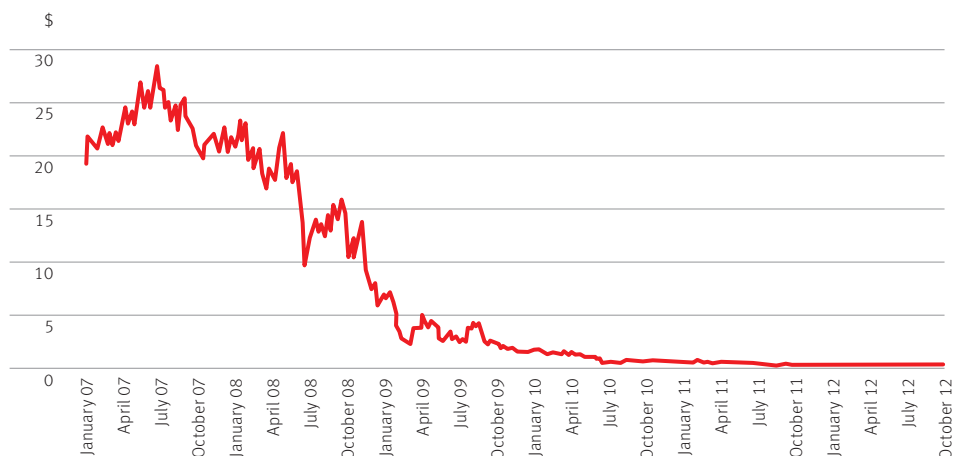
2008	1 July 2007 to 30 June 2008
2009	1 July 2008 to 30 September 2009 (due to the change in Elders' financial year end in that year)
2010 onwards	1 October to 30 September

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

Dividend history

Dividend	2012	2012	2011	2011	2010	2010	2009	2009	2008	2008
Type	Ordinary - final	Ordinary - interim	Ordinary - final	Ordinary - interim	Ordinary - final	Ordinary - interim	Ordinary - final	Ordinary - interim	Ordinary - final	Ordinary - interim
Payment date	-	-	-	-	-	-	-	-	28/10/08	1/4/08
Amount per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	0.0550	0.0400
Franking rate	-	-	-	-	-	-	-	-	100.00	100.00

Elders Share price history 2007-2012



Futuris Automotive Exit Incentive Plan

The Company has in place a long-term incentive plan for Futuris Automotive Interiors (FAI) which seeks to reward the FAI executive team for increases in the market value of the business over the period to 30 September 2013. Awards under this plan vest either at the end of the plan period or on the sale of the business.

Section 5. Senior Executive contract terms

Elders Limited has entered into employment agreements with the Senior Executives, except for Mr. De Wit who is employed by Futuris Automotive Group Limited and Mr. Erasmus who was employed by Elders Forestry Pty. Ltd. The employment agreements are ongoing until terminated by either party.

In a company-initiated termination:

- the company is required to give the Senior Executive 12 months' notice, except for Mr. De Wit who is entitled to receive six months' notice;
- the company may make a payment in lieu of notice equivalent to the remuneration the executive would have received over the notice period;
- for serious misconduct, the company may terminate immediately whereupon no payment in lieu of notice or other termination payments are payable under the employment agreement;
- due to genuine redundancy, as defined by the Fair Work Act 2010, the executive is entitled to a retrenchment payment in accordance with company policy. This payment is also subject to the rules and limitations specified in the Corporations Act 2001 and Corporations Regulations;
- the executive may be entitled to a payment under a short-term or long-term incentive plan in accordance with plan rules.

If the Senior Executive initiates the termination, he is required to give the company six months' notice, except for Mr. Jackman who is required to provide 12 months' notice.

In the event of a Change of Control or Disposal of Business (i.e. a shareholder gains voting power greater than 50% or a sale of substantially all of the Company occurs) resulting in a material diminution in the roles and responsibility of the Senior Executive, the Senior Executive may terminate his contract on three months' notice. If the Senior Executive exercises that right of termination, the Company will pay the equivalent of 12 months' base salary.

Section 6. Senior Executive remuneration details

Table 6. Details of Executive Director and Senior Executive remuneration for the 2011 and 2012 financial years

		Short-term payments			Post employment	Share-based payments	Long-term payments				Total	% performance - related ⁶
		Base salary	STI	Other ²	Super-annuation	Options	Share Rights	Long Service Leave	Other	Termination benefits ⁴		
M G Jackman	2012	1,129,609	0	2,520	15,949	0	65,017	22,975	0	0	1,236,070	5%
	2011	1,069,021	0	2,893	15,343	0	126,039	27,817	0	0	1,241,113	10%
A T Dage	2012	644,051	141,000	2,226	15,949	0	394,144	3,130	0	0	1,200,500	45%
	2011	634,656	0	0	15,343	0	247,313	15,856	0	0	913,168	27%
M G De Wit	2012	644,344	0	0	25,360	0	0	26,764	238,381 ³	0	934,849	0%
	2011	641,250	0	0	25,000	0	0	18,510	0	0	684,760	0%
V Erasmus¹	2012	367,078	0	327,013	11,831	0	0	(46,630)	0	376,910 ⁵	1,036,202	0%
	2011	754,091	0	0	15,343	5,931	0	9,602	0	199,188 ⁵	784,967	1%
D W Goodfellow¹	2012	417,768	44,000	22,055	12,005	0	0	0	0	0	495,828	9%
	2011	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0	n/a	n/a	n/a
M G Hosking	2012	688,880	0	2,520	18,701	0	633,471	8,559	0	0	1,352,131	47%
	2011	670,625	0	2,893	18,750	0	401,228	16,524	0	0	1,110,020	36%
S C Hughes¹	2012	372,857	0	36,143	22,867	0	301,910	(11,744)	0	457,130	1,179,163	26%
	2011	451,851	0	2,893	36,148	2,372	161,520	10,965	0	0	665,749	25%
S J D McClure¹	2012	262,925	0	2,100	11,831	0	(137,752)	(28,865)	0	192,115	302,354	(46%)
	2011	348,008	0	2,893	21,369	1,582	137,752	9,106	0	0	520,710	27%
R J Tanti	2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0	n/a	n/a	n/a
	(ceased employment 30 June 2011) 2011	286,236	0	2,178	11,399	0	0	0	0	333,510	633,323	0%
Total	2012	4,527,512	185,000	394,577	134,493	0	1,256,790	(25,811)	238,381	1,026,155	7,737,097	
	2011	4,855,738	0	13,750	158,695	9,885	1,073,852	108,380	0	532,698	6,553,810	

1 Figures relate to part-year service (see Section 1).

2 Comprising the provision of leased car parking (Jackman, Dage, Erasmus, Goodfellow, Hosking, Hughes and McClure), retention payments (Erasmus), travel allowance (Goodfellow) and higher duties allowance (Hughes).

3 Expense relating to participation in the Futuris Automotive Exit Incentive Plan (see page 48).

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

5 The combined termination benefits disclosed in the 2011 and 2012 financial years were paid as a lump sum to Mr Erasmus on termination in May 2012.

6 Performance related remuneration consists of STI and Share Rights as a percentage of total remuneration. Share Rights includes Performance Rights disclosed in Table 7c(i) and Service Rights disclosed in Table 7c(ii).

Section 7. Equity instruments in relation to directors and executives

Table 7a(i). Non-executive Director share movements

		Shares held at start of year	Other shares acquired (disposed of) during the year	Other changes during the year	Balance of shares held at end of financial period	Balance of shares held at date of signing Remuneration Report (see Note)
J C Ballard	2012	250,000	750,000	0	1,000,000	1,000,000
	2011	250,000	0	0	250,000	250,000
M C Allison	2012	0	100,000	0	100,000	100,000
	2011	0	0	0	0	0
A Buduls	2012	0	0	0	0	0
	2011	n/a	n/a	n/a	n/a	n/a
R G Grigg	2012	16,490	45,200	0	61,690	61,690
	2011	16,490	0	0	16,490	16,490
I G MacDonald	2012	52,668	0	0	52,668	52,668
	2011	52,668	0	0	52,668	52,668
J H Ranck	2012	128,334	301,666	0	430,000	430,000
	2011	128,334	0	0	128,334	128,334
J M Rozman	2012	0	20,000	0	20,000	20,000
	2011	n/a	n/a	n/a	n/a	n/a
R H Wylie	2012	6,000	0	0	6,000	6,000
	2011	6,000	0	0	6,000	6,000
C E Bright	2012	n/a	n/a	n/a	n/a	n/a
	2011	21,479	0	0	21,479	0
Total	2012	453,492	1,216,866	0	1,670,358	1,670,358
	2011	474,971	0	0	474,971	453,492

Note: Cessation dates were used for Non-executive Directors who retired or resigned before the date the Remuneration Report was signed, as follows:

A Buduls	30 July 2012
R G Grigg	30 July 2012
R H Wylie	15 August 2012
C E Bright	16 December 2010

Table 7a(ii). Senior Executive share movements

		Shares held at start of year	Shares acquired during the year as part of remuneration	Shares acquired during the year through the vesting of LTIP	Other shares acquired (disposed of) during the year	Other changes during the year	Balance of shares held at end of financial period	Balance of shares held at date of signing Remuneration Report
M G Jackman	2012	83,834¹	0	0	104,842	0	188,676	190,220
	2011	107,168	0	0	0	0	107,168	107,168
A T Dage	2012	90,000	0	0	0	0	90,000	90,000
	2011	90,000	0	0	0	0	90,000	90,000
M G De Wit	2012	18,537	0	0	0	0	18,537	18,537
	2011	18,537	0	0	0	0	18,537	18,537
V Erasmus	2012	1,998	0	0	0	0	1,998	1,998
	2011	1,998	0	0	0	0	1,998	1,998
D W Goodfellow	2012	173,356	0	0	0	0	173,356	173,356
	2011	n/a	n/a	n/a	n/a	n/a	n/a	n/a
M G Hosking	2012	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
S C Hughes	2012	17,087	0	0	0	0	17,087	17,087
	2011	17,087	0	0	0	0	17,087	17,087
S J D McClure	2012	7,697	0	0	0	0	7,697	7,697
	2011	7,697	0	0	0	0	7,697	7,697
R J Tanti <small>(ceased employment 30 June 2011)</small>	2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2011	0	0	0	0	0	0	0
Total	2012	392,509	0	0	104,842	0	497,351	498,895
	2011	242,487	0	0	0	0	242,487	242,487

1 This number of shares differs from the 2011 number as it only reflects the shares in which Mr Jackman holds a relevant interest.

Notes:

- No shares were issued on exercise of options or performance rights during the 2012 financial year.
- Cessation dates were used for Senior Executives who ceased employment with Elders before the date the Remuneration Report was signed, as follows:

V Erasmus	18 May 2012
S C Hughes	2 August 2012
S J D McClure	15 June 2012

Table 7b. CEO and Senior Executive LTI movements - EESOP

2012	Balance at beginning of period	Options granted	Options lapsed, surrendered or foregone to 30 September 2012	Balance at 30 September 2012	Exercisable
M G Jackman	0	0	0	0	0
A T Dage	0	0	0	0	0
M G De Wit	30,000	0	(30,000)	0	0
V Erasmus	150,000	0	(150,000)	0	0
D W Goodfellow	0	0	0	0	0
M G Hosking	0	0	0	0	0
S C Hughes	15,000	0	(15,000)	0	0
S J D McClure	22,500	0	(22,500)	0	0
Total	217,500	0	(217,500)	0	0
2011	Balance at beginning of period	Options granted	Options lapsed, surrendered or foregone to 30 September 2011	Balance at 30 September 2011	Exercisable
M G Jackman	0	0	0	0	0
A T Dage	0	0	0	0	0
M G De Wit	40,000	0	(10,000)	30,000	30,000
V Erasmus	150,000	0	0	150,000	75,000
M G Hosking	0	0	0	0	0
S C Hughes	15,000	0	0	15,000	0
S J D McClure	22,500	0	0	22,500	12,500
R J Tanti	0	0	0	0	0
Total	227,500	0	(10,000)	217,500	117,500

Table 7c(i). Current long-term Incentive plan opportunities (by offer) – Performance Rights

2012	Granted Performance Rights (number)	Vested Performance Rights (number)	Grant date	Tranche(s)	Value at grant date per right (\$)	Last exercise and expiry date	Expensed at 30 September 2012 (\$)	Performance Rights % of remuneration
M G Jackman	285,603	0	10 November 2009	2	0.12	10 November 2012		
	285,603	0	10 November 2009	3	0.12	10 November 2013		
	292,951	0	10 November 2009	1	0.11	10 November 2012		
	292,951	0	10 November 2009	2	0.12	10 November 2013	65,017	5%
	292,951	0	10 November 2009	3	0.12	10 November 2014		
	278,255	0	10 November 2009	1	0.11	10 November 2013		
	278,255	0	10 November 2009	2	0.12	10 November 2014		
	278,255	0	10 November 2009	3	0.12	10 November 2015		
AT Dage	600,000	0	23 December 2011	1,2,3	0.15 to 0.16	9 November 2013 to 9 November 2015	72,559	6%
	603,482	0	29 June 2011	1,2,3	0.17 to 0.24	10 November 2012 to 10 November 2014		
M G De Wit	0	0	0	0	0	0	0	0%
V Erasmus	0	0	0	0	0	0	0	0%
D W Goodfellow	0	0	0	0	0	0	0	0%
M G Hosking	700,000	0	23 December 2011	1,2,3	0.15 to 0.16	9 November 2013 to 9 November 2015	84,096	6%
	696,325	0	29 June 2011	1,2,3	0.17 to 0.24	10 November 2012 to 10 November 2014		
S C Hughes	450,000	0	23 December 2011	1,2,3	0.15 to 0.16	(see note)	(29,714)	0%
	467,559	0	29 June 2011	1,2,3	0.17 to 0.24			
S J D McClure	350,000	0	23 December 2011	1,2,3	0.15 to 0.16	(see note)	(22,421)	0%
	352,809	0	29 June 2011	1,2,3	0.17 to 0.24			

Table 7c(i). Current long-term Incentive plan opportunities (by offer) – Performance Rights (continued)

2011	Granted Performance Rights (number)	Vested Performance Rights (number)	Grant date	Tranche	Value at grant date per right (\$)	Last exercise and expiry date	Expensed at 30 September 2011 (\$)	Performance Rights % of remuneration
M G Jackman	285,603	0	10 November 2009	1	0.11	10 November 2011		
	285,603	0	10 November 2009	2	0.12	10 November 2012		
	285,603	0	10 November 2009	3	0.12	10 November 2013		
	292,951	0	10 November 2009	1	0.11	10 November 2012		
	292,951	0	10 November 2009	2	0.12	10 November 2013	126,039	10%
	292,951	0	10 November 2009	3	0.12	10 November 2014		
	278,255	0	10 November 2009	1	0.11	10 November 2013		
	278,255	0	10 November 2009	2	0.12	10 November 2014		
	278,255	0	10 November 2009	3	0.12	10 November 2015		
A T Dage	603,482	0	29 June 2011	1,2,3	0.17 to 0.24	10 November 2012 to 10 November 2014	38,352	4%
M G Hosking	696,325	0	29 June 2011	1,2,3	0.17 to 0.24	10 November 2012 to 10 November 2014	44,252	4%
S C Hughes	467,559	0	29 June 2011	1,2,3	0.17 to 0.24	10 November 2012 to 10 November 2014	29,714	4%
S J D McClure	352,809	0	29 June 2011	1,2,3	0.17 to 0.24	10 November 2012 to 10 November 2014	22,421	4%

Notes:

- Details of the performance rights in Tranche 1 of the CEO's 2009 Allocation that lapsed are provided in Section 4.E5(c). No other performance rights lapsed and no performance rights were exercised during the 2012 financial year.
- All unvested Performance Rights held by Mr. Hughes and Mr. McClure lapsed when they ceased employment with Elders.

Table 7c(ii). Current Long-term Incentive plan opportunities (by offer) – Service Rights

2012	Number granted	Number forfeited	Closing number	Number vested	Vesting date	Value at grant date (\$ per right)	Expensed at 30 September 2012 (\$)	Service Rights % of remuneration
A T Dage	325,314	0	1,214,391	0	1 August 2013	0.61	321,586	27%
M G Hosking	555,746	0	2,074,585	0	1 August 2013	0.61	549,375	41%
S C Hughes	205,199	0	766,001	0	1 August 2013	0.61	331,624	28%
S J D McClure	179,549	(670,251)	0	0	1 August 2013	0.61	(115,331)	(38%)
Total	1,265,808	(670,251)	4,054,977	0	-	-	1,087,254	
2011	Number granted	Number forfeited	Closing number	Number vested	Vesting date	Value at grant date (\$ per right)	Expensed at 30 September 2011 (\$)	Service Rights % of remuneration
A T Dage	889,077	0	889,077	0	1 August 2013	0.61	208,961	23%
M G Hosking	1,518,839	0	1,518,839	0	1 August 2013	0.61	356,976	32%
S C Hughes	560,802	0	560,802	0	1 August 2013	0.61	131,806	20%
S J D McClure	490,702	0	490,702	0	1 August 2013	0.61	115,331	22%
R J Tanti	390,171	390,171	0	0	-	0.61	0	0%
Total	3,849,591	390,171	3,459,420	0	-	-	813,074	-

Note:

- No service rights were exercised or lapsed during the 2012 financial year.

Discussion and Analysis of 2012 Financial Results

Reconciliation of Statutory and Underlying Profit

The statutory loss after tax attributable to owners of the parent (shareholders) of \$(60.6m) for the 12 months ended 30 September 2012 (2011: \$(395.4m)) includes a number of items considered either unrelated to ongoing operating performance or relating to discontinued operations.

Calculation of underlying profit by excluding these items is considered to enable more meaningful comparison of results between periods by providing like-for-like figures for ongoing operations.

Underlying profit is calculated as follows:

Statutory and Underlying profit reconciliation		
\$million 12 months to 30 September:	2012	2011
Reported profit/(loss) after tax to shareholders	(60.6)	(395.4)
Items excluded from underlying profit:		
Rural Services	(10.9)	(22.1)
Automotive	(14.1)	(0.6)
Corporate & other	(8.0)	(46.1)
Forestry	(75.3)	(390.6)
Tax (Net)	34.5	55.0
Items excluded from underlying profit	(73.8)	(404.4)
Underlying profit after tax to shareholders	13.2	9.0

Items excluded from Statutory Profit to determine underlying profit for the 12 months ended 30 September 2012 comprise:

- Rural Services related items of \$(10.9m) before tax includes the results from discontinued operations (BWK and Seedmark) \$(2.2m), asset impairments \$(3.8m) and the back-office restructure \$(3.0m) to reset the cost base for ongoing benefits from 2013.
- Automotive related items of \$(14.1m) before tax includes redundancies and restructure of some Victorian facilities \$(3.7m), onerous contracts \$(6.0m) and asset impairments \$(10.1m), which were partly offset by a fair value adjustment of \$5.7m arising from consolidation of the Anhui joint venture in China.

- Corporate items of \$(8.0m) before tax, which principally comprise:
 - > asset impairments \$(19.6m) relating to investments in Aspen, AFC and Agricultural Land Management.
 - > interest received from ATO of \$19.2m as a result of the successful objection to an amended tax assessment, partly offset by finance costs \$(5.6m) relating to funding for designated forestry assets.
- Forestry items of \$(75.3m) before tax includes gain on disposal of assets \$27.3m, asset impairments \$(44.1m), provisions for exit costs, and for onerous contracts \$(36.0m), equity accounted loss from Agricultural Land Trust \$(5.3m) and results from discontinued forestry operations for the period \$(17.2m).
- Tax items excluded from underlying profit \$34.5m, which relates to:
 - > gain of \$55.5m from the reversal of provisioning and amounts received in respect of the amended tax assessment successfully contested.
 - > reduction in deferred tax assets \$(26.7m) from utilisation and de-recognition of tax losses.
 - > \$5.7m tax effect of other items, which are excluded from underlying profit before tax.

Underlying profit before tax rose by \$4.2m in comparison with pcp due to:

- Increase in underlying EBIT by \$6.4m:
 - > Rural Services EBIT up \$4.6m due to increased earnings generated from Trading operations, New Zealand and associates, and favourable mark-to-market movements that partly offset reduced earnings from Network operations.
 - > Automotive EBIT up \$1.7m with reduced costs offsetting lower margins.
 - > Corporate and other EBIT improved by \$0.1m.
- Net underlying finance costs up \$2.2m as detailed on page 57.

Key Profit and Loss Items

Key profit and loss items for the year include:

- Continuing sales of \$2,157.9m, which were down 5% or \$(105.2m):
 - › Rural Services sales were down \$(134.7m), of which \$(97.7m) related to operations that were wound down in 2012 (wool indent trading).

Strong performance from live cattle exports and increased sales of farm supplies were offset by the impact of reduced prices on sales in wool, livestock, feedlots and broadacre real estate.
 - › Automotive sales were up \$29.5m. Sales increased \$11.4m in Thailand with the first full year of operations, which were offset by the impact of lower Australian vehicle build volumes \$(11.4m). The consolidation of the Anhui joint venture increased sales by \$29.5m in 2012.
- Discontinued sales revenue of \$14.7m for the year relates to Forestry.
- Depreciation and amortisation from continuing operations declined \$2.7m as a result of lower charges in both Rural Services and Automotive.
- Income from continuing joint ventures and associates was down \$(3.7m), principally due to Agricultural Land Trust \$(6.5m), which offset increased contributions from Kilcoy abattoir (up \$2.0m) and AWH logistics operations (up \$1.3m).
- Discontinued income from associates of \$(0.5m) relates to the Seedmark joint venture that was divested in April 2012.
- Reported net finance costs of \$(8.5m) includes:
 - › Underlying net finance costs of \$(20.7m) comprising:
 - Underlying interest on core debt (2012: \$(16.9m); 2011: \$(16.3m)) that excludes interest to finance specifically designated assets being divested (detailed below). Total interest on core debt of \$(22.5m) was \$4.6m lower than pcp due to reduced core debt levels and decline in interest rates.
 - Interest on self-liquidating facilities was up on pcp as a result of higher amounts securitised, partly offset by lower interest rates.
 - Other finance costs and interest income largely relate to facility fees, and interest income on overdue debtors and from advances to associates.

- › The \$12.2m excluded from underlying finance cost, primarily relates to:
 - Interest of \$19.2m received from the ATO as a result of the successful objection to an amended tax assessment.
 - Interest expense related to finance designated for assets being divested (2012: Forestry \$(5.6m); 2011: Rural Bank \$(2.8m), Forestry \$(8.0m)).
 - \$(26.0m) costs in 2011 relating to repayment of USPP debt and refinancing.

Cash Flow

Operating cash flow

Positive cash generation from Rural Services and Automotive more than offset the cash outflow from Forestry.

Rural Services, Automotive and Corporate generated cash inflows of \$110.6m prior to working capital movements of \$(52.1m). Features of operating cash flow include:

- Rural Services' recorded cash inflow from operating activities of \$52.4m prior to working capital movements of \$(3.0m). This was driven by strong performance from Live Export Trading.
- Automotive operations generated an operating cash inflow of \$48.4m before working capital movements of \$(24.1m).
- Corporate recorded a cash inflow of \$9.8m before working capital movements, mainly due to receipt of \$46.8m from the ATO for refund of tax and interest following the successful objection to an amended tax assessment, partly offset by finance costs. Working capital movements of \$(25.0m) relates primarily to the Rural Services debtor finance program.

Forestry recorded cash outflow of \$(14.8m) before asset related payments. Working capital movement \$(41.2m) comprises payments associated with maintaining assets held for sale, in particular lease obligation prior to sale.

Investing cash flow

Investing cash flow of \$51.8m in 2012 includes receipts of \$101.4m from Forestry asset sales. This was offset by capital expenditure of \$(32.3m) by Automotive on design and development for new contracts and expansion in Thailand and USA, and \$(18.3m) by Rural Services to modernise IT capability through a SAP based ERP system (project on hold in the short term, in light of the sale process).

Investing cash inflow of \$133.8m in 2011 included \$163.9m proceeds from the sale of equity accounted investment in Rural Bank.

Financing cash flow

Financing cash flow of \$(44.0m) is mainly the result of term debt net repayment of \$100.4m with the proceeds from Forestry asset sales and receipt from the ATO, partly offset by an increase of \$59.7m in the usage of the self-liquidating facilities secured by farm supplies and automotive receivables.

Financing cash flow of \$(108.4m) in 2011 was primarily the result of net repayment of debt from scheduled pay-downs and refinancing, which offset inflows from new facilities.

Balance Sheet and Finance

Assets and liabilities

Significant movements during the 12 months to 30 September 2012 include:

- Working capital was \$2.7m lower, as a result of reductions in inventory \$7.2m, receivables \$42.8m and payables \$47.3m.
 - › Inventory and livestock were reduced by \$7.2m, primarily in Rural Services, due to management focus on reducing farm supplies inventories and reduction in wool stocks from the wind down of wool indent trading, which were partly offset by higher cattle numbers at balance date following an increase in live export shipments.
 - › Receivables were \$42.8m lower, mainly in Rural Services, as a result of reduced livestock agency turnover \$35.1m and timing of live export shipments \$20.1m. This was partly offset by higher receivables in Automotive from consolidating the Anhui JV.
 - › Payables declined by \$47.3m as a result of lower livestock turnover.

- Assets held for sale of \$71.5m relates predominantly to Forestry. The decrease of \$114.4m was driven by forestry asset sales \$74.1m and asset impairments \$44.1m.
- Investments in property, associates and joint ventures reduced by \$16.6m largely due to the consolidation of the Anhui automotive joint venture in China, equity accounted loss from the Agricultural Land Trust, and sale of the BWK property in Bremen.
- Intangibles increased by \$27.1m largely as a result of \$10.8m goodwill on consolidation of the Anhui JV and \$18.3m expenditure to modernise IT capability through a SAP based ERP system (project on hold in the short term, in light of the pending sale of the Rural Services business).
- Provisions increased by \$7.6m as a result of resetting of provisions related to the forestry divestment program.

Indebtedness

Net debt reduced by \$50.1m in 2012, with gearing lower at 53.5%. Borrowings include:

- Self-liquidating finance facilities of \$199.2m (2011: \$139.5m), which are securitised by farm supplies and automotive receivables.
- Core net debt of \$96.1m, which reduced from \$205.9m in 2011, and now accounts for 33% (pcp 60%) of net debt. The reduction was reflected principally in Term debt that reduced from \$180.9m to \$88.1m. Proceeds from Forestry asset sales and ATO receipt were applied to repay core debt.

At the date of this report, the Group has received in principle funding agreement from its financiers, subject to credit approvals, which provide for the continuation of funding and the provision of incremental facilities through to the anticipated withdrawal from Forestry and intended sale of Automotive and Rural Services.

10 Year Summary Financial Results

\$ million year ended unless otherwise indicated	Sept 2012	Sept 2011	Sept 2010	June 2009	June 2008	June 2007	June 2006	June 2005	June 2004	June 2003
Profitability										
Sales revenue	2,172.6	2,358.7	2,154.4	2,902.0	3,312.1	3,228.5	3,355.8	3,174.7	2,707.3	2,464.3
Total revenue	2,247.3	2,421.0	2,251.0	3,049.3	3,496.1	3,366.9	3,422.6	3,232.0	2,791.0	2,844.8
Reported EBIT* by Segment										
Rural Services	18.7	4.2	13.7	(221.4)	20.9	56.3	65.8	26.8	19.0	152.3
Financial Services	-	-	-	22.3	22.4	27.2	26.9	-	-	-
Forestry	(74.1)	(390.6)	(158.6)	(63.4)	61.4	61.6	39.9	32.2	10.9	-
Automotive	4.4	15.3	15.9	(59.8)	26.2	9.5	16.3	99.3	19.5	19.3
Property	-	-	-	-	-	30.4	16.3	(3.3)	7.5	0.3
Other	(30.7)	(17.9)	(50.8)	(61.7)	(36.9)	(16.2)	(8.4)	(11.8)	(5.0)	(5.5)
Total EBIT	(81.7)	(389.0)	(179.8)	(384.0)	94.0	168.8	156.8	143.2	51.9	166.4
Underlying** EBIT	38.8	32.4	2.6	16.8	171.7	169.4	157.1	131.3	96.1	84.0
Underlying** profit before tax	18.1	13.8	(13.7)	(35.0)	114.8	129.4	118.2	106.4	86.1	65.0
Tax (expense)/benefit	(1.7)	(1.6)	3.7	(6.2)	21.0	20.2	(21.4)	(47.9)	(12.2)	(38.5)
Abnormal & non-recurring items after tax	(73.8)	(404.4)	(202.5)	(388.5)	(47.8)	(1.0)	(0.9)	(13.2)	(44.2)	82.4
Minority interests	(3.2)	(3.2)	(5.1)	(1.9)	9.6	(2.8)	(9.0)	(11.8)	(5.9)	(6.9)
Statutory profit	(60.6)	(395.4)	(217.6)	(415.4)	36.4	105.4	87.4	58.6	23.8	102.0
Underlying profit after tax	13.2	9.0	(15.1)	(26.9)	84.2	106.4	88.3	71.8	62.8	48.0
Cash flow from operating activities										
	2.5	(23.8)	(110.5)	(370.8)	(14.1)	85.0	127.4	(9.3)	121.1	(55.6)
Shareholders' equity										
	551.8	604.7	1,006.1	747.8	1,296.2	1,196.6	1,227.9	970.3	961.2	843.6
Share information^										
Dividend per share (cents)										
Interim	-	-	-	-	4.0	4.0	4.0	4.0	4.0	4.0
Final	-	-	-	-	5.5	5.5	5.0	5.0	4.0	4.0
Total	-	-	-	-	9.5	9.5	9.0	9.0	8.0	8.0
Dividend provided for or paid#	-	-	-	-	73.4	65.4	59.9	53.7	52.3	50.6
Hybrid distribution	-	-	-	8.2	8.9	8.9	1.8	-	-	-
Share price^ (\$ per share)	0.25	0.29	0.39^	0.28^	1.10^	2.78^	2.10^	1.82^	1.58^	1.68^
Market capitalisation^	112.1	130.1	175.0	233.5	858.4	2,045	1,514	1,207	1,041	1,096
Number of shareholders^	32,741	34,954	40,075	33,361	32,187	31,956	33,337	35,394	40,028	42,625
Ordinary shares on issue^	448,598,480	448,598,480	448,598,480	819,165,04	780,545,644	735,640,128	720,911,089	663,243,696	659,138,427	652,293,766
Share issues	-	-	Share placement purchase plan, 10:1 share consolidation	Dividend reinvestment plan, (fully underwritten)	Dividend reinvestment plan, (fully underwritten), conversion of options and convertible notes	Dividend reinvestment plan, conversion of options and convertible notes	Dividend reinvestment plan, conversion of options institutional placement	Dividend reinvestment plan, conversion of options	Dividend reinvestment plan, conversion of options	Dividend reinvestment plan, private placement conversion of options
Ratios and statistics										
Reported earnings per share^ (cents)	(13.5)	(88.1)	(51.1)	(51.5)	4.8	14.5	13.1	8.9	3.6	16.2
Return on shareholders' equity %										
- Underlying profit	2.4	0.8	(1.5)	2.2	6.5	8.9	7.2	7.4	6.5	5.7
- Reported profit	(11.0)	(65.4)	(21.6)	(55.6)	2.8	8.8	7.1	6.0	2.5	12.1
Net tangible assets per share (\$)^	0.40	0.55	1.50	0.37	1.14	1.22	1.17	0.82	0.94	0.88
Gearing %†	54%	57%	43%	104	40	31	16	32	0	0
Dividend payout ratio %	-	-	-	-	197	68	69	65	222	49

* Reported earnings before interest and tax (inclusive of items excluded from underlying profit).

** Underlying profit and earnings results exclude items unrelated to ongoing operating performance or relating to discontinued operations.

In respect of dividends declared for the financial year.

^ As at period end. Comparison to 2010 and preceding years should be taken into account 10:1 share consolidation completed January 2010.

† As measured by ratio of net interest-bearing debt/shareholders equity.

Elders Limited

Annual Financial Report

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Consolidated Statement of Comprehensive Income

For the Year ended 30 September 2012

	Note	2012 \$000	2011 \$000
Continuing operations			
Sales revenue	4	2,157,947	2,263,116
Cost of sales		(1,724,359)	(1,816,539)
Other revenues	4	34,033	20,912
Expenses	4	(522,854)	(525,783)
Share of profit of associates and joint ventures	11	8,266	12,046
Profit/(loss) on sale of non current assets	4	179	(3,936)
Interest revenue	4	31,767	21,792
Finance costs	4	(38,961)	(77,388)
Profit/(loss) from continuing operations before income tax expense		(53,982)	(105,780)
Income tax (expense)/benefit	5	32,850	12,074
Profit/(loss) from continuing operations after income tax expense		(21,132)	(93,706)
Net profit/(loss) of discontinued operations, net of tax	38	(36,241)	(297,462)
Net profit/(loss) for the period		(57,373)	(391,168)
Other comprehensive income/(loss)			
Foreign currency translation		4,398	1,381
Cash flow hedge and fair value of derivatives		(1,755)	1,384
Recognition of share of reserve for losses in associate		-	1,239
Income tax on items of other comprehensive income		283	423
Other comprehensive income/(loss) for the period, net of tax		2,926	4,427
Total comprehensive income/(loss) for the period		(54,447)	(386,741)
Profit/(loss) for the period is attributable to:			
Non-controlling interest		3,227	4,182
Owners of the parent	22	(60,600)	(395,350)
		(57,373)	(391,168)
Total comprehensive income/(loss) for the period is attributable to:			
Non-controlling interest		3,076	4,236
Owners of the parent		(57,523)	(390,977)
		(54,447)	(386,741)
Reported operations			
Basic earnings per share (cents per share)	35	(13.5)¢	(88.1)¢
Diluted earnings per share (cents per share)	35	(13.5)¢	(88.1)¢
Continuing operations			
Basic earnings per share (cents per share)	35	(5.4)¢	(21.8)¢
Diluted earnings per share (cents per share)	35	(5.4)¢	(21.8)¢
Discontinued operations			
Basic earnings per share (cents per share)	35	(8.1)¢	(66.3)¢
Diluted earnings per share (cents per share)	35	(8.1)¢	(66.3)¢

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

Consolidated Statement of Financial Position

As at 30 September 2012

	Note	2012 \$000	2011 \$000
Current assets			
Cash and cash equivalents	25(b)	91,969	81,614
Trade and other receivables	6	498,015	540,825
Livestock	7	67,382	53,198
Inventory	8	166,975	188,439
Derivative financial instruments	9	1,593	664
Non current assets classified as held for sale	38	71,474	185,859
Other	15	17,704	23,626
Total current assets		915,112	1,074,225
Non current assets			
Receivables	6	18,522	16,930
Other financial assets	10	1,330	17,852
Investments in associates and joint ventures	11	80,539	94,088
Property, plant and equipment	12	95,684	91,337
Investment properties	13	-	2,975
Intangibles	14	277,257	250,232
Deferred tax assets	5	89,575	119,483
Other	15	31,883	22,854
Total non current assets		594,790	615,751
Total assets		1,509,902	1,689,976
Current liabilities			
Trade and other payables	16	386,606	433,916
Derivative financial instruments	9	2,010	6,916
Interest bearing loans and borrowings	17	302,987	196,041
Current tax payable	5	1,566	40,834
Provisions	18	121,065	115,333
Total current liabilities		814,234	793,040
Non current liabilities			
Payables	16	1,413	2,583
Interest bearing loans and borrowings	17	82,842	231,023
Deferred tax liabilities	5	34,722	35,558
Provisions	18	24,909	23,089
Total non current liabilities		143,886	292,253
Total liabilities		958,120	1,085,293
Net assets		551,782	604,683
Equity			
Contributed equity	19	1,270,323	1,271,493
Hybrid equity	20	145,151	145,151
Reserves	21	(27,310)	(33,592)
Retained earnings	22	(844,029)	(781,322)
Total parent entity equity interest		544,135	601,730
Non-controlling interests	24	7,647	2,953
Total equity		551,782	604,683

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 2012

	Note	2012 \$000	2011 \$000
Cash flow from operating activities			
Receipts from customers		6,148,572	6,781,813
Payments to suppliers and employees		(6,157,859)	(6,770,078)
Dividends received		9,069	14,020
Interest received		32,053	16,151
Interest and other costs of finance paid		(36,631)	(54,408)
GST (paid)/refunded		(16,531)	(22,292)
Income taxes (paid)/refunded		23,855	11,034
Net operating cash flows	25(a)	2,528	(23,760)
Cash flow from investing activities			
Payment for property, plant and equipment		(19,611)	(12,737)
Purchase of equity accounted investments		-	(1,050)
Payment for investment properties		-	(15)
Payment for intangibles		(18,314)	(1,333)
Payment for controlled entities, net of cash acquired		219	(28,155)
Payment for design and development capitalised		(15,862)	(8,756)
Proceeds from sale of non current assets held for sale		73,240	1,081
Proceeds from sale of equity accounted investments		925	163,910
Proceeds from sale of property, plant and equipment		684	7,357
Proceeds from sale of investment properties		2,730	14,550
Proceeds from sale of intangibles		-	2,745
Proceeds from disposal of controlled entity		28,168	-
Payment for acquisition of non-controlling interest		(3,232)	(10,005)
Loans to associated entities		-	(1,307)
Repayment of loans by associated entities		-	3,491
Loans repaid by growers		2,875	4,053
Net investing cash flows		51,822	133,829
Cash flow from financing activities			
Proceeds from sale of reserved shares		36	421
Proceeds from borrowings		101,665	64,026
Repayment of borrowings		(142,420)	(169,696)
Principal repayments of lease liabilities		(480)	(349)
Partnership profit distributions/dividends paid		(2,796)	(2,842)
Net financing cash flows		(43,995)	(108,440)
Net increase/(decrease) in cash held		10,355	1,629
Cash at the beginning of the financial year		81,614	79,985
Cash at the end of the financial year	25(b)	91,969	81,614

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 2012

\$000	Issued capital	Reserves	Hybrid equity	Retained earnings	Non-controlling interest	Total equity
As at 1 October 2011	1,271,493	(33,592)	145,151	(781,322)	2,953	604,683
Profit/(loss) for the period	-	-	-	(60,600)	3,227	(57,373)
Other comprehensive income/(loss):						
Foreign currency translation	-	4,549	-	-	(151)	4,398
Net gains/(losses) on cash flow hedges	-	(1,755)	-	-	-	(1,755)
Income tax on items of other comprehensive income	-	283	-	-	-	283
Total comprehensive income/(loss) for the period	-	3,077	-	(60,600)	3,076	(54,447)
Transactions with owners in their capacity as owners:						
Tax effect on share issue costs	(1,170)	-	-	-	-	(1,170)
Proceeds from sale of reserved shares	-	36	-	-	-	36
Partnership profit distributions/dividends paid	-	-	-	-	(2,796)	(2,796)
Acquisition of non-controlling interest	-	-	-	-	2,198	2,198
Acquisition of subsidiary	-	-	-	-	2,216	2,216
Excess paid for purchase of non-controlling interest	-	(1,077)	-	-	-	(1,077)
Cost of share based payments	-	2,139	-	-	-	2,139
Reallocation of equity	-	2,107	-	(2,107)	-	-
As at 30 September 2012	1,270,323	(27,310)	145,151	(844,029)	7,647	551,782
As at 1 October 2010	1,273,863	(35,668)	145,151	(380,577)	3,324	1,006,093
Profit/(loss) for the period	-	-	-	(395,350)	4,182	(391,168)
Other comprehensive income/(loss):						
Foreign currency translation	-	1,327	-	-	54	1,381
Net gains/(losses) on cash flow hedges	-	1,384	-	-	-	1,384
Recognition of share of reserve for losses in associate	-	1,239	-	-	-	1,239
Income tax on items of other comprehensive income	-	423	-	-	-	423
Total comprehensive income/(loss) for the period	-	4,373	-	(395,350)	4,236	(386,741)
Transactions with owners in their capacity as owners:						
Tax effect on share issue costs	(2,370)	-	-	-	-	(2,370)
Proceeds from sale of reserved shares	-	421	-	-	-	421
Partnership profit distributions/dividends paid	-	-	-	-	(2,842)	(2,842)
Acquisition of non-controlling interest	-	-	-	-	(1,765)	(1,765)
Excess paid for purchase of non-controlling interest	-	(9,958)	-	-	-	(9,958)
Cost of share based payments	-	1,845	-	-	-	1,845
Reallocation of equity	-	5,395	-	(5,395)	-	-
As at 30 September 2011	1,271,493	(33,592)	145,151	(781,322)	2,953	604,683

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 2012

Note 1. Corporate Information

The consolidated financial report of Elders Limited for the year ended 30 September 2012 was authorised for issue in accordance with a resolution of the Directors on 19 November 2012.

Elders Limited (the Parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report and note 28.

Note 2. Summary of Significant Accounting Policies

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). The financial report has also been prepared on a historical cost basis, except for investment properties and 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 all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated. The Group is a for-profit entity.

In preparing the financial report, the Directors have made an assessment of the ability of the Group to continue as a going concern. In doing so, the Directors have considered the cash flow requirements of business operations, availability of funding, realisation of assets and expected settlement of liabilities.

In order for the Group to achieve its operational and debt obligations it will require the Group to meet forecast trading results and cash flows, to complete the sale of certain assets, and to finalise the proposed new funding arrangements with its financiers. The forecasts assume that planned costs savings and other operational improvements are achieved.

The Group uses best estimate assumptions in the development of trading and cash flow forecasts. These assumptions are subject to influences and events outside the control of the Group. The current domestic and international trading environments present challenges in terms of forecasting sales prices, volumes, margins and operating cash flows. Whilst the Directors have instituted measures to minimise the cash demands of the business, this environment creates material uncertainties over the future trading results and cash flows.

The Group is engaged in a program of sale of key components of the Group's business. In addition to the withdrawal from the Forestry sector announced in 2011 and the intended sale of Futuris Automotive announced on 15 August 2012, the Group announced the commencement of a process to sell Elders Rural Services on 29 October 2012.

As a result of these announcements, the Group is presently renegotiating its finance facilities so as to provide sufficient funding through to the sale of these assets. At the date of this report, the Group has received an in principle funding agreement from its financiers, subject to credit approvals, which provides for the continuation of funding and the provision of incremental facilities through to anticipated sale dates. As a result, it is expected that finance facilities will now be timed to mature in line with the Forestry, Futuris Automotive and Rural Services divestments planned before 30 June 2013, inclusive of \$81.0 million of debt recorded as non-current at 30 September 2012.

At the date of this report, the following material uncertainties arise in relation to the preparation of this financial report: a) whether there will be a successful completion of negotiations relating to financing; b) whether each of the Group's businesses will continue to trade within expectations; c) whether the divestments of Forestry, Futuris Automotive and Elders Rural Services will complete within expected timeframes, for sufficient quantum of proceeds and having received shareholder approval, if required; d) whether there will be a successful rationalisation and completion of obligations following the sale of the Forestry, Futuris Automotive and Elders Rural Services businesses. Resolution of these material uncertainties is fundamental to the ability of the Group to pay debts as and when they become due and payable and to continue as a going concern.

Further, the in principle funding agreement includes certain obligations which are required to be met by the company within specified timeframes. Any significant deterioration from current expectations of the Directors as to the performance of the Group's businesses may compromise compliance with these obligations.

Subject to the material uncertainties set out above, the Directors believe at the date of the signing of the financial report there are reasonable grounds to believe that the Group will meet each of the anticipated outcomes a), b), c) and d) described above and therefore will meet its debts as and when they become due and payable.

Should the Group not achieve anticipated asset realisation outcomes, related deleveraging and appropriate operating performance, or continue to receive the ongoing support of its financiers, there is material uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group not continue as a going concern.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 2. Summary of Significant Accounting Policies (continued)

(b) Compliance with IFRS

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

(c) New accounting standards and interpretations

(i) New and Revised Accounting Standards

A number of new amendments to standards and interpretations became operative for the financial year ended 30 September 2012 and have been applied in preparing these consolidated financial statements. None of these have materially impacted the Group and its policies. The Group has not elected to early adopt any new standard, interpretation or amendments that has been issued but is not yet effective.

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

Certain new accounting standards and interpretations have been published that are not mandatory for the financial year ended 30 September 2012 but are available for early adoption and have not been applied in preparing this report. None of these are expected to have a significant effect on the Group and its policies, other than the following standards where the potential effect is yet to be determined:

- AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards Arising from AASB 9. These standards address the classification, measurement and derecognition of financial assets and financial liabilities.
- AASB 10 Consolidated Financial Statements introduces a new definition of control and addresses whether an entity should be included in the consolidated financial statements of the parent company.
- AASB 12 Disclosure of Interests in Other Entities relates to disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 introduce new guidance on fair value measurement and disclosure requirements when fair value is permitted by accounting standards.
- The amendments to AASB 119 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 introduces changes to the presentation of employee benefits.

The standards above become mandatory for the September 2014 financial year, with the exception of AASB 9, which becomes mandatory for the September 2015 financial year.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Elders Limited and its subsidiaries and special purpose entities (as outlined in note 31) as at and for the period ended 30 September each year (the Group). Interests in associates and joint ventures are equity accounted and are not part of the consolidated group (see note 11).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Special purpose entities are those entities over which the Group has no ownership interest but in effect the substance of the relationship is such that the Group controls the entity so as to obtain the majority of benefits from its operation.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

Subsidiaries and special purpose entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by the Group are accounted for at cost in the separate accounting records of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (see note 2(e)).

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 2. Summary of Significant Accounting Policies (continued)

(d) Basis of consolidation (continued)

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent. Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(e) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group 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 the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

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

(f) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues or incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments, such as the existence of a line manager and the level of segment information presented to the Board of Directors.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of product and services
- Nature of production processes
- Type or class of customer for the products and services
- Method used to distribute the products or provide the services, and if applicable
- Nature of regulatory environment

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

(g) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of Elders Limited and its Australian subsidiaries is Australian dollars (AUD). Subsidiaries incorporated in countries other than Australia (see note 31), which have a functional currency other than Australian Dollars, are translated to the presentation currency (see below for consolidated reporting).

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 2. Summary of Significant Accounting Policies (continued)

(g) Foreign currency translation (continued)

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot 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.

All differences arising on settlement or translation of monetary items are taken to the income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on the retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

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

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

(h) Cash and cash equivalents

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

(i) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment.

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

(j) Inventory

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Costs incurred in bringing each product to its present location are accounted for as follows:

Raw materials – purchase cost is on the first in, first out basis. The cost of purchase comprises the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.

Finished goods and work in progress – costs of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs.

Where commodity inventories are acquired principally for the purpose of selling in the near term and generating a profit, such commodities are measured at fair value less costs to sell with changes in fair value less costs to sell recognised in the income statement.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 2. Summary of Significant Accounting Policies (continued)

(k) Livestock

The Group holds biological assets in the form of livestock. These assets are measured at fair value, which has been determined based upon various assumptions, including livestock prices, less costs to sell. These assumptions are updated monthly and reflect the different categories of livestock held. The market value increments or decrements are recorded in the statement of comprehensive income.

(l) Derivative financial instruments and hedging

The Group uses derivative financial instruments (including forward currency contracts, forward commodity contracts and interest rate swaps) to hedge its risks associated with foreign currency, commodity prices and interest 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. The fair value of interest rate swaps are determined using a valuation technique based on cash flows discounted to present value using current market interest rates. The fair value of commodity contracts are also determined using a discounted cash flow valuation technique using cash flow estimates based on observable forward prices for the commodity. Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purposes of hedge accounting, hedges are classified as:

- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (Elders Limited does not currently have any fair value hedges).
- Cash flow hedges where they hedge the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction or the foreign currency risk in an unrecognised firm commitment (Elders Limited currently has cash flow hedges attributable to future foreign currency inventory purchases and future foreign currency sales).
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement in other operating expenses.

Amounts recognised as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit and loss.

(m) Non current assets and disposal groups held for sale and discontinued operations

Non current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell. Non current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction instead of use. This condition is regarded as met when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group). A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non current asset (or disposal group) is recognised at the date of de-recognition.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 2. Summary of Significant Accounting Policies (continued)

(m) Non current assets and disposal groups held for sale and discontinued operations (continued)

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and 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.

(n) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 are categorised as either financial assets at fair value through the profit or loss, loans and receivables, held to maturity investments, or available for sale assets. The classification depends on the purpose for which the assets were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories. When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit and loss, directly attributable transaction costs.

Recognition and derecognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

Subsequent measurement

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the statement of financial position.

(ii) Loans and receivables

Loans and receivables including loan notes and loans to key management personnel are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include using recent arms length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

(o) Investments in associates and joint ventures

The Group's investments in its associates and joint ventures (equity accounted investments) are accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent. Associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures. The Group generally deems they have significant influence if they have over 20% of the voting rights. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

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

The income statement reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The Group's share of profit of an associate is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to an additional impairment loss on its net investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of profit of an associate" in the income statement.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 2. Summary of Significant Accounting Policies (continued)

(o) Investments in associates and joint ventures (continued)

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit and loss.

The reporting dates of the equity accounted investments are disclosed in note 11 and the equity accounted investment accounting policies conform to those used by the Group for like transactions and events on similar circumstances.

(p) Property, plant and equipment

Property, plant and equipment is 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, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. 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 and units of production
Plant and equipment – leased	Lease term	Straight line
Livestock carrier	2.5 years	Straight line
Network infrastructure	5 to 25 years	Straight line

The useful lives are consistent with those of the prior period. The assets' residual values, useful lives and amortisation 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.

(q) Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, which is based on active market prices, adjusted if necessary, for the difference in the nature, location or condition of the specific asset at reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the period in which they arise.

Investment properties are derecognised either when they have been disposed of or, when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit and loss in the period of retirement or disposal.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under *Property, plant and equipment* up to the date of change in use.

(r) Leases

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

(i) Group as a lessee

Finance leases, which transfer to the Group 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 2012

Note 2. Summary of Significant Accounting Policies (continued)

(r) Leases (continued)

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 the Group will obtain ownership by the end of the lease term.

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

(ii) Group as a lessor

Leases in which the Group 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.

(s) Impairment of non financial assets other than goodwill and indefinite life intangibles

Non financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At each reporting date, the Group conducts an internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

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

(t) Goodwill and intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether the other assets and liabilities of the Group are assigned to those units or group of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment determined in accordance with AASB 8.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which goodwill relates. The Group performs its impairment testing every reporting date using discounted cash flows under the fair value less costs to sell methodology and the value in use methodology, and independent valuations. Further details on methodology and assumptions used are outlined in note 14.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful lives and tested for impairment whenever there is an indication that the intangible asset may be impaired (see note 2(s) for methodology). The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit and loss in the expense category consistent with the function of the intangible assets.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 2. Summary of Significant Accounting Policies (continued)

(t) Goodwill and intangibles (continued)

Intangible assets with indefinite useful lives are tested for impairment at each reporting date either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles (brand names) are not amortised.

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.

Design and Development

Research costs are expensed as incurred. An intangible asset arising from design and development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the asset during its development. Following the initial recognition of development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment at each reporting date.

Gains and losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss when the asset is derecognised. Expenditures on advertising and promotional expenses are recognised as a component of marketing expense in the statement of comprehensive income when the Group has either the right to access the goods or has received the services.

(u) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that remain unpaid and arise when the Group 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

The fair value of financial guarantee contracts discussed in notes 27 and 36 have been assessed using a probability weighted discounted cash flow approach. In order to estimate the fair value under this approach the following assumptions are made:

- Probability of Default (PD): This represents the likelihood of the guaranteed party defaulting in a one year period and is assessed based on historical default rates of companies rated by Standard & Poors.
- Loss Given Default (LGD): This represents the proportion of the exposure that is not expected to be recovered in the event of a default by the guaranteed party and is based on the result of studies into the recovery rate for unsecured debt obligations.
- Exposure at Default (EAD): This represents the maximum loss that Elders Limited is exposed to if the guaranteed party were to default. The model assumes the guaranteed loan/facility/contract is at maximum possible exposure at the time of the default and hence, equates to the values disclosed in notes 27 and 36.

When the uncertainty associated with an assumption was sufficient to warrant consideration for a range of possible assumptions, the midpoint of the range was used for valuation purposes.

The value of the financial guarantee over each future year of the guarantee's life is then equal to $PD \times LGD \times EAD$, which is discounted over the contractual term of the guarantee, to reporting date to determine the fair value. The discount rate adopted is the five year Commonwealth government bond yield as at 30 September. The contractual term of the guarantee matches the underlying obligation to which it relates.

(v) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs

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.

(w) Provisions and employee benefits

Provisions are recognised when the Group 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 the Group expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 2. Summary of Significant Accounting Policies (continued)

(w) Provisions and employee benefits (continued)

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.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised at each reporting date.

Restructuring

Restructuring provisions are only recognised when general recognition criteria provisions are fulfilled. Additionally, the Group 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.

Employee leave 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 national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Make Good (Restoration)

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

Onerous contracts

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

(x) Share based payments

Equity settled transactions

The Group provides benefits to employees (including key management personnel) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The cost of equity-settled transactions with employees is measured by reference to the fair value at grant date. In valuing equity settled transactions, no account is taken of any of the vesting conditions, other than:

- Non vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment in equity, and
- Conditions that are linked to the price of the shares of Elders Limited (market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

- The grant date fair value of the award.
- The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.
- The expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition or non-vesting condition is considered to vest irrespective of whether or not that market condition or non-vesting is fulfilled, provided that all other conditions are satisfied. If a non-vesting condition is within the control of the Group, Company or the

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 2. Summary of Significant Accounting Policies (continued)

(x) Share based payments (continued)

employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Group, Company nor employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share. Shares in the Group reacquired on market and held at the reporting date are classified as reserved shares held within a separate component of equity – reserved shares reserve (refer note 21).

(y) Hybrid notes

Hybrid notes are classified as equity. Incremental costs directly attributable to the issue of the hybrid notes are included in equity as a deduction, net of tax, from the proceeds.

(z) Contributed equity

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

Reserved shares

The Group's own equity instruments, which are reacquired for later use in employee share-based payment arrangements (reserved shares), are held as a separate component of equity (reserved shares reserve – refer note 21). No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

(aa) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit or loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

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

(ab) Revenue recognition

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

(i) Sale of goods

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

(ii) Rendering of services

Revenue from the rendering of services is recognised by reference to the stage of completion of a contract or contracts in progress at reporting date or at time of completion of the contract and billing by the customer. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(iii) Interest income

Revenue is recognised as it accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iv) Dividend income

Revenue is recognised when the Group's right to receive the payment is established.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 2. Summary of Significant Accounting Policies (continued)

(ab) Revenue recognition (continued)

(v) Forestry revenue

Revenue from the provision of forestry services is recognised by reference to the financial period during which the relevant services are provided. Any unearned portion of these fees at financial year end is brought to account in the statement of financial position as a liability and recognised in subsequent periods.

(ac) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When a grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

(ad) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which the applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the taxable temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the deductible temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Other taxes

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

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

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 3. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which forms the basis of the carrying value of assets and liabilities that are not readily apparent from other sources.

Management have identified the following critical accounting policies for which significant judgement, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial result or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable the future taxable profit will be available to utilise those temporary differences. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies. The realisation of the deferred tax assets on tax losses has been made at balance date having regard to the continuation of Elders Rural Services business as a going concern. Following the announcement of the divestment of the Elders Rural Services business after year end, there is heightened risk as to the realisation of this asset. Realisation is now subject to the nature of transaction proposed for the business.

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

The group assesses impairment of all assets at each reporting date by evaluating conditions specific to the group and to the particular asset that may lead to impairment. These include product and manufacturing 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 the Group's policy to conduct bi-annual internal reviews of asset values, which is used as a source of information to assess for any indicators of impairment. Assets have been tested for impairment in accordance with the accounting policies described in note 14, including the determination of recoverable amounts of assets using the higher of value in use and fair value less cost to sell. Following the announced divestment of the three core divisions of Elders Limited, there is material uncertainty the ultimate realisable values will recover the amounts reflected in the financial statements. No adjustments have been made to the carrying values of assets or liabilities to reflect the risks related to the divestment process.

Classification of assets and liabilities as held for sale

The Group classifies assets and liabilities as held for sale when the carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the Group must be committed to selling the asset either through entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities. As at balance date, the board have determined the process relating to the proposed divestment of Automotive and Rural Services business is not sufficiently advanced to require classification as "held for sale" at balance date.

Impairment of goodwill and intangibles with indefinite useful lives

The group determines whether goodwill and intangibles with indefinite useful lives are impaired on a bi-annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives including a sensitivity analysis are discussed in note 14. Following the announced divestment of the three core divisions of Elders Limited, there is material uncertainty the ultimate realisable values will recover the amounts reflected in the financial statements. No adjustments have been made to the carrying values of assets or liabilities to reflect the risks related to the divestment process.

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees with reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined using the Monte Carlo simulation model. The related assumptions are detailed in note 33. The accounting estimates and assumptions relating to the equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Make good provision

Provisions have been made for the present value of anticipated costs of future restoration of leased property. The provision includes the future cost estimates associated with the required restorations. The calculation of this provision requires assumptions, and in those assumptions there are uncertainties which may result in future actual expenditure differing from the amounts currently provided. The provisions are periodically reviewed and updated on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting both the expense and provision. The related carrying amount is disclosed in note 18.

Estimation of useful lives of assets

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

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 4. Revenue and Expenses

	Note	2012 \$000	2011 \$000
Sales revenue:			
Sale of goods		1,938,260	2,022,859
Commission and other selling charges		190,540	209,569
Other sales related income		29,147	30,688
		2,157,947	2,263,116
<i>Discontinued operations:</i>	38	14,611	95,563
		2,172,558	2,358,679
Other revenues:			
Change in fair value of financial and other assets		11,344	403
Dividends		41	5
Other		22,648	20,504
		34,033	20,912
<i>Discontinued operations:</i>	38	1,127	16,191
		35,160	37,103
Interest revenue:			
Associated entities		1,500	1,747
Other persons		30,267	20,045
		31,767	21,792
<i>Discontinued operations:</i>	38	286	292
		32,053	22,084
Expenses:			
Distribution expenses		263,170	263,829
Marketing expenses		9,446	7,960
Occupancy expenses		36,397	36,999
Administrative expenses		131,544	130,088
Forestry fair value adjustments and impairments		36,025	54,727
Impairment of assets retained		21,794	7,252
Restructuring, redundancy and other write offs		22,549	18,253
Change in fair value of financial and other assets		1,929	6,675
		522,854	525,783
<i>Discontinued operations:</i>	38	57,224	366,080
		580,078	891,863
Profit/(loss) on sale of non current assets:			
Property, plant and equipment		179	(403)
Intangibles		-	(3,533)
		179	(3,936)
<i>Discontinued operations:</i>	38	26,956	6,472
		27,135	2,536
Finance costs:			
Interest expense - other entities		31,291	42,388
Finance lease charges		36	45
Other finance costs		7,634	34,955
		38,961	77,388
<i>Discontinued operations:</i>	38	1,581	333
		40,542	77,721

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 4. Revenue and Expenses (continued)

	2012 \$000	2011 \$000
Specific expenses		
Depreciation and amortisation:		
Property, plant and equipment	14,051	15,153
Leased assets	248	173
Design and development	3,868	4,806
Patents, trademarks and other	2,850	3,570
	21,017	23,702
<i>Discontinued operations:</i>	-	3,735
	21,017	27,437
Employee benefit expense:		
Wages and salaries	246,341	228,926
Post employment benefits including superannuation	18,484	17,909
Workers compensation	4,325	3,273
Share based payments	2,139	1,845
	271,289	251,953
<i>Discontinued operations:</i>	8,005	11,098
	279,294	263,051
Operating lease expenditure	97,673	85,953
Foreign exchange net gains/(losses)	(9,627)	(6,675)
Provision for doubtful debts and bad debts written off	3,343	12,981

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 5. Income Tax

	2012 \$000	2011 \$000
(a) Major components of income tax expense are:		
Income statement		
<i>Current income tax</i>		
Current income tax charge/(benefit)	10,414	(10,612)
Adjustments in respect of current income tax of previous years	(60,321)	(16,952)
<i>Deferred income tax</i>		
Origination and reversal of temporary differences	17,057	(25,892)
Income tax expense/(benefit) reported in the statement of comprehensive income	(32,850)	(53,456)
Statement of changes in equity		
<i>Deferred income tax</i>		
Income tax expense/(benefit) reported in equity	887	1,947
(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 the Group's effective income tax rate is as follows:		
Accounting profit/(loss) before tax from:		
- Continuing operations	(53,982)	(105,780)
- Discontinued operations	(36,241)	(338,844)
Total Accounting profit/(loss) before tax	(90,223)	(444,624)
Income tax expense/(benefit) at 30% (2011: 30%)	(27,067)	(133,387)
Adjustments in respect of current income tax of previous years	(61,001)	(16,952)
Share of associate (profits)/losses	(1,692)	(1,625)
Non assessable (profits)/losses	(5,187)	2,171
Non deductible other expenses	1,404	1,719
Impairment expense	19,728	72,624
Non assessable dividends	(11)	(1,979)
Capitalised research and development	4,537	-
Losses available to offset against future taxable income	17,914	34,617
(Recognition)/derecognition of prior year tax losses	18,000	(10,000)
Other	525	(644)
Income tax expense/(benefit) as reported in the statement of comprehensive income	(32,850)	(53,456)
Aggregate Income tax expense/(benefit) is attributable to:		
- Continuing Operations	(32,850)	(12,074)
- Discontinued Operations	-	(41,382)
	(32,850)	(53,456)
Current tax payable/(receivable)	1,566	40,834

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 5. Income Tax (continued)

	Statement of Financial Position		Statement of Comprehensive Income	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<i>Deferred income tax liabilities</i>				
Revaluations of investment properties to fair value	(1,256)	-	1,256	(8,826)
Revaluations of foreign exchange contracts (cash flow hedges) to fair value	-	-	-	(3,113)
Shares in associated entities	(829)	(422)	407	28
Exchange rates to fair value	(444)	-	444	(1,084)
Non assessable accrued income	(14,042)	(17,670)	(3,628)	(19,111)
Forestry assets (standing timber)	(580)	-	580	(4,621)
Plant and equipment temporary differences	(1,463)	(2,763)	(1,300)	2,763
Research and development	(8,597)	(6,283)	2,314	678
Other debtors	(5,658)	(4,383)	1,275	1,817
Other	(1,853)	(4,037)	(2,184)	2,146
Gross deferred income tax liabilities	(34,722)	(35,558)	(836)	(29,323)
<i>Deferred income tax assets</i>				
Losses available to offset against future taxable income	52,000	70,000	18,000	(9,970)
Provision for employee entitlements	15,652	12,496	(3,156)	(679)
Other provisions	12,088	11,432	(656)	6,593
Forestry product investment income	-	49	49	912
Accrued expenditure	1,835	3,219	1,384	2,496
Deferred borrowing costs	4,995	8,652	3,657	(1,887)
Other capitalised expenses	2,512	6,371	3,859	5,309
Plant and equipment temporary differences	-	-	-	871
Other	493	7,264	6,771	(4,211)
Gross deferred income tax assets	89,575	119,483	29,908	(566)
Deferred income tax charge			29,072	(29,889)

As previously disclosed the Group has received amended income tax assessments from the Australian Taxation Office in connection with an alleged capital gain arising on the disposal of the Group's interest in its Building Products division in October 1997. The Group appealed the amended assessments increasing the capital gain, while also paying 50% of the tax, penalties and interest claimed by the ATO on a without prejudice basis. On 31 August 2010 the Federal Court upheld the Group's appeal against the amended assessments and on 19 March 2012 the Full Federal Court dismissed the appeal of the ATO against the first instance decision of the Federal Court. The effect of the Full Federal Court judgement is that the objections of Elders against the amended taxation assessments have been upheld.

As a result of the Full Federal Court decision, the Group received cash of \$46.8 million, comprising of a refund of pre-paid tax, penalties and interest of \$27.6 million, and interest on that pre-payment of \$19.2 million. The Group has recognised a profit of \$71.5 million after tax in relation to this matter, through the reversal of provisions and the reimbursements. These amounts do not include amounts arising through the awarding of costs.

Tax losses

The Group has tax losses for which no deferred tax assets is recognised in the statement of financial position of \$145.1 million (2011: \$94.1 million) which are available indefinitely for offset against future taxable profits subject to continuing to meet relevant statutory tests. The realisation of the deferred tax assets on tax losses has been made at balance date having regard to the continuation of Elders Rural Services business as a going concern. As detailed in note 2(a) and note 40, the financial report does not include any adjustments relating to the recoverability of recorded deferred tax asset amounts following the announced sale of the three divisions of Elders Limited. The divestments of these assets are at an early stage and there is uncertainty as to the form and nature of any transaction relating to the divestment. Whether or not stated book values of the deferred tax asset on losses will be realised through the sales process is uncertain.

Unrecognised temporary differences

At 30 September 2012, there are no unrecognised temporary differences associated with the Group's investment in subsidiaries, associates or joint ventures, as the Group would have no additional tax liability.

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 2012

Note 5. Income Tax (continued)

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

Note 6. Receivables

	2012 \$000	2011 \$000
Current		
Trade debtors ⁽ⁱ⁾	456,301	489,814
Allowance for doubtful debts	(12,710)	(13,774)
	443,591	476,040
Amounts receivable from associated entities	11,353	23,478
Allowance for non-recovery	-	(7,366)
	11,353	16,112
Finance debtors	1,802	4,337
Allowance for non-recovery	(110)	(182)
	1,692	4,155
Other receivables	43,179	46,318
Allowance for non-recovery	(1,800)	(1,800)
	41,379	44,518
	498,015	540,825
Non current		
Amounts receivable from associated entities	7,109	7,244
Other receivables	11,413	9,686
	18,522	16,930
<i>Movements in the allowance for doubtful debts – trade debtors</i>		
Opening balance of allowance for doubtful debts	13,774	13,008
Trade debts written off	(4,479)	(5,097)
Trade debts provided for during the year	3,415	5,863
Closing balance of allowance for doubtful debts	12,710	13,774
<i>Movements in allowance for non-recovery – amounts receivable from associated entities, finance debtors and other receivables</i>		
Opening balance of allowance for non-recovery	9,348	20,143
Amounts written off	(7,366)	(17,913)
Amounts provided for during the year	(72)	7,118
Closing balance of allowance for non-recovery	1,910	9,348

(i) Included in trade debtors is \$92.7 million (2011: \$56.2 million) which is subject to credit insurance with various terms and conditions.

Trade receivables are non interest bearing and are generally on 30 to 90 day terms with the exception of livestock receivables which are on 10 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$3.4 million (2011: \$5.9 million) has been recognised by the Group. No individual amount within the impairment allowance is material.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 6. Receivables (continued)

	2012 \$000	2011 \$000
<i>The ageing analysis of trade debtors is as follows:</i>		
0-30 days	393,422	376,759
Trade debtors past due but not considered impaired		
31-60 days	20,829	64,954
61-90 days	6,107	9,891
+91 days	23,233	24,436
	50,169	99,281
Trade debtors past due and considered impaired		
31-60 days	1,348	61
61-90 days	56	34
+91 days	11,306	13,679
	12,710	13,774
Total trade debtors	456,301	489,814
<i>The ageing analysis of other current receivables is as follows:</i>		
0-30 days	49,258	54,541
Other current receivables past due but not considered impaired		
31-60 days	-	285
61-90 days	-	(245)
+91 days	5,166	10,204
	5,166	10,244
Other current receivables past due and considered impaired		
31-60 days	-	1,800
+91 days	1,910	7,548
	1,910	9,348
Total other current receivables	56,334	74,133

Related party receivables

For terms and conditions of related party receivables refer to notes 32 and 34.

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 36.

Foreign exchange and interest rate risk

Details regarding the foreign exchange and interest rate risk exposure are disclosed in note 36.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 7. Livestock

	2012 \$000	2011 \$000
Current		
Fair value at start of the period	53,198	48,654
Purchases during the period	307,214	316,739
Cost of sales during the period	(298,296)	(312,404)
Fair value increment/(decrement) in period	5,266	209
Fair value at the end of the period	67,382	53,198

At balance date 62,706 head of beef cattle (2011: 57,286) are included in livestock. The fair value methodology for livestock assets is detailed in note 2(k).

The group is exposed to a number of risks related to its livestock:

Regulatory and environmental risks

The Group 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.

Financial/supply and demand risk

The Group 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. The Group's strategy to manage this financial risk is to actively review and manage its working capital requirements. The Group is exposed to risks arising from fluctuations in price and sales volumes. Where possible, the Group manages these risks by aligning volumes with market supply and demand.

Other risks

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

Note 8. Inventory

Current		
Raw materials and bulk stores – at net realisable value	38,982	34,736
Work in progress – at cost	240	141
Finished goods – at net realisable value	127,753	153,562
	166,975	188,439

Inventories recognised as an expense for the year ended 30 September 2012 totalled \$1,297.7 million (2011: \$1,313.0 million). This expense has been included in the cost of sales line item as a cost of inventories. In addition inventory write-downs recognised as an expense totalled \$2.7 million (2011: \$1.4 million) for the Group.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 9. Derivative Financial Instruments

	2012 \$000	2011 \$000
Current		
Asset	1,593	664
Liability	2,010	6,916

(a) Instruments used by the group

The Group holds a number of forward exchange contracts designated as hedges of contracted future sales to customers and contracted future purchases from suppliers for which the Group has firm commitments. The foreign currency contracts are being used to hedge the foreign currency risk of the firm commitments.

(b) Interest rate and credit risk

For financial risk management policies of the Group, refer to note 36.

Note 10. Other Financial Assets

Non current		
Unlisted investments, at cost ⁽ⁱ⁾	1,330	17,852

(i) These investments are measured at historical cost less impairment as fair value cannot be reliably measured, due to the equity instruments not being traded in a liquid market environment. Management believes that the measurement at historical cost is reasonable and the most appropriate at reporting date.

Impairment losses of \$16.5 million (2011: \$4.1 million) relating to these investments have been recorded in the Statement of Comprehensive Income.

Note 11. Investments in Associates and Joint Ventures

Name of Investment	Balance date	Ownership interest		Consolidated entity investment		Contribution to net profit/(loss)	
		2012 %	2011 %	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Elders Toepfer Grain Pty Ltd		-	-	-	-	-	(8,921)
AWH Pty Ltd	30 Jun	50	50	49,731	46,602	5,341	4,055
Kilcoy Pastoral Company Limited	30 Jun	20	20	5,685	3,935	1,749	(211)
Elders Financial Planning Pty Ltd	30 Sep	49	49	5,343	5,566	(224)	484
Elders Insurance (Underwriting Agency) Pty Limited	31 Dec	25	25	3,693	3,441	6,504	6,257
Futuris Automotive Interiors (Anhui) Company Ltd ⁽ⁱ⁾	31 Dec	70	70	-	10,312	-	(351)
Agricultural Land Trust	30 Jun	49.7	49.7	12,185	17,053	(5,263)	1,233
Other investments				3,902	7,179	(335)	618
				80,539	94,088	7,772	3,164
Share of profit of associates and joint ventures is attributable to:							
Continuing operations						8,266	12,046
Discontinued operations						(494)	(8,882)
						7,772	3,164

(i) Previously Futuris Automotive Interiors (Anhui) Company Ltd was considered to be a jointly controlled entity due to the control provided in the shareholders' agreement to the minority parties. As at 1 October 2011, it was determined that the relationship between the Group and the minority shareholders had changed to an extent that it was appropriate to account for the investment as a controlled entity rather than as a jointly controlled entity. Refer to note 37 for further details.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 11. Investments in Associates and Joint Ventures (continued)

All associates and joint ventures are Australian resident companies.

Impairment losses and impairment reversals relating to the following investments in associates and joint ventures have been taken to account:

- AWH Pty Ltd reversal of previously recorded impairment \$nil (2011: \$1.1 million).

(a) Share of Associates and Joint Ventures

	2012 \$000	2011 \$000
<i>Share of associates' and joint ventures' statement of financial position</i>		
Current assets	78,148	53,444
Non current assets	36,921	109,028
	115,069	162,472
Current liabilities	58,764	40,608
Non current liabilities	8,491	54,074
	67,255	94,682
Share of net assets of associates	47,814	67,790
<i>Share of associates' and joint ventures' profit or loss</i>		
Revenue	166,496	170,398
Profit before income tax	12,467	8,114
Income tax (expense)/benefit	(4,695)	(4,950)
Profit after income tax	7,772	3,164
Share of net results of associates	7,772	3,164
<i>Share of associates' and joint ventures' commitments and contingent liabilities</i>		
Capital expenditure commitments (contracted)	1,411	143
Operating lease commitments	57,686	57,767

(b) Fair value of investment in listed entities

	Carrying amount		Fair value*	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Listed entities	12,185	17,053	6,708	8,199

* Fair value has been determined based on published price quotations. The Group's listed associates and joint ventures include Agricultural Land Trust.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 12. Property, Plant and Equipment

Reconciliation of carrying amounts at beginning and end of period:

Non current	Freehold	Buildings	Leasehold	Plant and	Plant and	Livestock	Assets	Total
	land		improve-	equipment	equipment		under	
	\$000	\$000	ments	(owned)	(leased)	carrier	construc-	\$000
			\$000	\$000	\$000	\$000	tion	
							\$000	
2012								
Carrying amount at beginning of period	6,137	12,966	8,745	50,932	852	-	11,705	91,337
Additions	-	196	1,035	1,926	728	-	15,726	19,611
Additions through entities acquired	-	2,764	-	3,840	-	-	129	6,733
Disposals	(3)	(173)	(26)	(280)	(23)	-	-	(505)
Depreciation expense	-	(834)	(1,794)	(11,423)	(248)	-	-	(14,299)
Impairment	572	(30)	(157)	(2,397)	-	-	-	(2,012)
Exchange fluctuations	(37)	(238)	-	(546)	-	-	137	(684)
Transfers from assets under construction	-	71	208	7,978	286	-	(8,543)	-
Other	-	-	2,917	197	(183)	-	(7,428)	(4,497)
Carrying amount at end of period	6,669	14,722	10,928	50,227	1,412	-	11,726	95,684
Cost	6,669	29,333	27,281	223,714	2,273	-	11,726	300,996
Accumulated depreciation and impairment	-	(14,611)	(16,353)	(173,487)	(861)	-	-	(205,312)
	6,669	14,722	10,928	50,227	1,412	-	11,726	95,684
2011								
Carrying amount at beginning of period	10,616	14,237	15,748	77,878	832	3,287	6,043	128,641
Additions	268	459	129	(2,995)	415	1,433	13,028	12,737
Additions through entities acquired	-	-	-	3,699	-	-	-	3,699
Disposals	(1,597)	(932)	(798)	(421)	(48)	(3,464)	-	(7,260)
Depreciation expense	-	(928)	(2,070)	(14,634)	(173)	(1,256)	-	(19,061)
Impairment	(2,254)	-	(3,651)	(589)	-	-	-	(6,494)
Transfer to held for sale	(1,040)	-	(732)	(19,198)	-	-	-	(20,970)
Exchange fluctuations	144	145	17	(249)	-	-	(108)	(51)
Transfers from assets under construction	-	-	87	7,171	-	-	(7,258)	-
Other	-	(15)	15	270	(174)	-	-	96
Carrying amount at end of period	6,137	12,966	8,745	50,932	852	-	11,705	91,337
Cost	6,709	23,337	24,464	214,033	1,375	-	11,705	281,623
Accumulated depreciation and impairment	(572)	(10,371)	(15,719)	(163,101)	(523)	-	-	(190,286)
	6,137	12,966	8,745	50,932	852	-	11,705	91,337

Property, plant and equipment pledged as security for liabilities

Refer to note 17 for interest bearing loans and borrowings secured by property, plant and equipment.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 13. Investment Properties

	2012 \$000	2011 \$000
Non current		
Investment properties at fair value	-	2,975
Carrying amount at beginning of period	2,975	265,022
Acquisition of investment properties	-	15
Fair value adjustments prior to classification of Forestry assets as held for sale	-	7,790
Transfer to non current assets held for sale	-	(114,261)
Disposal of investment properties	(2,730)	(21,833)
Fair value adjustments as a result of classification of Forestry assets as held for sale and impairments	-	(133,707)
Foreign exchange variation	(245)	(51)
Carrying amount at end of period	-	2,975

The disclosures below in relation to investment properties are only applicable to the prior period as the disposal groups of the Forestry division are now classified as non-current assets held for sale (refer note 38).

Investment property pledged as security for liabilities

Refer to note 17 for interest bearing loans and borrowings secured by investment property.

(a) Amounts recognised in profit and loss for investment properties

Investment properties consist of plantation land. The Group does not separately recognise rental income from plantation land in profit and loss. This income is embedded within the harvest proceeds from plantations. Therefore it is not possible to provide a definitive rental income value and associated direct expenses generated from rental income to disclose. Rental income is not considered to be a significant revenue item.

(b) Valuation basis

Investment properties are carried at fair value. The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arms length transaction at the date of valuation. In determining fair value, the expected net cash flows applicable to each property have been discounted to their present value using a market determined, risk-adjusted, discount rate applicable to the respective asset.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 14. Intangibles

Reconciliation of carrying amounts at beginning and end of period:

Non current	IT development and software	Patents, trademarks and licences	Goodwill	Brand Names	Development costs, rent rolls and other	Total
	\$000	\$000	\$000	\$000	\$000	\$000
2012						
Carrying amount at beginning of period	-	2,739	165,228	60,400	21,865	250,232
Additions	18,070	744	-	-	100	18,914
Acquisition of controlled entity	-	938	10,814	-	-	11,752
Transfers	7,414	163	-	-	(163)	7,414
Amortisation	-	(248)	-	-	(2,602)	(2,850)
Impairment	-	(1,090)	(4,318)	-	(2,950)	(8,358)
Exchange fluctuations	-	(36)	183	-	6	153
Carrying amount at end of period	25,484	3,210	171,907	60,400	16,256	277,257
Cost	25,484	6,425	185,925	60,400	26,266	304,500
Accumulated amortisation and impairment	-	(3,215)	(14,018)	-	(10,010)	(27,243)
	25,484	3,210	171,907	60,400	16,256	277,257
2011						
Carrying amount at beginning of period	-	505	173,013	60,400	25,129	259,047
Additions	-	1,188	-	-	163	1,351
Acquisition of controlled entity	-	1,228	1,888	-	-	3,116
Disposal of controlled entity	-	-	(18)	-	-	(18)
Disposals	-	-	(6,227)	-	(51)	(6,278)
Amortisation	-	(182)	-	-	(3,388)	(3,570)
Impairment	-	-	(3,711)	-	-	(3,711)
Exchange fluctuations	-	-	283	-	12	295
Carrying amount at end of period	-	2,739	165,228	60,400	21,865	250,232
Cost	-	4,576	174,928	60,400	33,622	273,526
Accumulated amortisation and impairment	-	(1,837)	(9,700)	-	(11,757)	(23,294)
	-	2,739	165,228	60,400	21,865	250,232

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 14. Intangibles (continued)

A description of each intangible asset is included below. Refer note 2(t) for the accounting policy in relation to goodwill and other intangible assets.

(a) Description of the Group's intangible assets and goodwill

(i) IT Development and software

Costs incurred in developing products or systems and costs incurred in acquiring software that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to IT development and software. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related cost of employees time spent on the project. These intangible assets have been determined to have finite useful lives and are amortised over their useful lives and tested for impairment whenever there is an indicator of impairment (refer section (b) of this note).

The amount of borrowing costs capitalised during the year ended 30 September 2012 was \$1.2 million (2011: \$nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was 8%, which was the effective interest rate of the specific borrowing.

(ii) Patents, trade marks and licences

Patents and licences have been acquired through business combinations and are carried at cost less accumulated impairment losses. These intangible assets have been determined to have finite useful lives and are amortised over their useful lives and tested for impairment whenever there is an indicator of impairment (refer section (b) of this note).

(iii) Goodwill

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

(iv) Brand names

The brand name value represents the value attributed to the Elders brand when acquired through business combinations and are carried at cost less accumulated impairment losses. Brand names have been determined to have 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 our brand and the level of marketing support. The Brand has been in the rural and regional Australian market for many years, and the nature of the industry we operate in is such that brand obsolescence is not common, if appropriately supported by advertising and marketing spend. Brand names are not amortised but are subject to impairment testing on an annual basis or whenever there is an indication of impairment (refer section (b) of this note).

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

(v) Development costs, rent rolls and other

Development costs and rent rolls have been acquired through business combinations and are carried at cost less accumulated impairment losses. These intangible assets have been determined to have finite useful lives and are amortised over their useful lives and tested for impairment whenever there is an indicator of impairment (refer section (b) of this note).

(b) Impairment tests for goodwill and intangibles with indefinite useful lives

For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether the other assets and liabilities of the Group are assigned to those units or group of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment determined in accordance with AASB 8.

The carrying amount of goodwill and brand names attributed to each of these cash generating units is as follows:

	Goodwill		Brand Names	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Rural Services Network	65,681	65,681	60,400	60,400
MCK Holdings	87,499	87,499	-	-
Other CGU's	18,727	12,048	-	-
	171,907	165,228	60,400	60,400

(i) Rural Services Network CGU

The recoverable amount of Goodwill and Brand Names for Rural Services Network CGU has 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 13.9% pre-tax (2011: 14.1% pre-tax) which has been determined based on a weighted average cost of capital calculation.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 14. Intangibles (continued)

(b) Impairment tests for goodwill and intangibles with indefinite useful lives (continued)

The calculation of value in use for the Rural Services Network CGU was based on the following key assumptions:

Gross margins

- Gross margins are expected to increase as a result of the return to normal seasonal conditions and strong international grain prices supporting crop planting and demand for farm inputs, improvement in livestock prices, stabilisation of commodity prices and continuation of the gradual recovery in property markets.
- Recent significant investment in frontline staff is expected to continue to deliver increased returns in banking, livestock and agronomy.

Selling, general and administrative expenses

- Substantial support centre cost savings as a result of redundancies which occurred in 2012, and targeted material reductions in discretionary spending. CPI growth in costs has been assumed for the Network itself.

Growth rate estimates

- Year 1 cash flows are based on the Board approved budget for the 2013 financial year.
- Growth for years 2 and 3 are based on a three year forecast model.
- The growth rate for years 4 and 5 are based on a 3% nominal growth factor.

Discount rates

- Discount rates reflect management's estimate of the time value of money and the risk specific to each unit that are not already reflected in the cash flows.

Management has determined there is no impairment in the current year for the Rural Services CGU (2011: \$nil).

(ij) MCK Holdings

For the purposes of impairment testing all goodwill and assets of MCK Holdings ("Plexicor") have been allocated to the cash generating units in the automotive segment expected to benefit from the acquisition.

The recoverable amount of the Plexicor CGU has 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 16.66% pre-tax (2011: 16.84% pre-tax) which has been determined based on a weighted average cost of capital calculation.

The calculation of value in use for the Plexicor CGU was based on the following key assumptions:

Gross margins

- Increased volumes and subsequent earnings from continued maturation of GM and Ford Thailand operations.
- Increased earnings from supply contracts to the rail industry.
- Increased earnings from automotive diversification projects in Australia and abroad.

Selling, general and administrative expenses

- Other than volume related increases, CPI growth in costs has been assumed.

Growth rate estimates

- Year 1 cash flows are based on the Board approved budget for the 2013 financial year.
- Growth for years 2 through to year 5 are based on a five year forecast model which includes a conservative overlay for specific new business opportunities for which there is a high level confidence of securing.

Discount rates

- Discount rates reflect management's estimate of the time value of money and the risk specific to each unit that are not already reflected in the cash flows.

Management has determined there is no impairment in the current year for the Plexicor CGU (2011: \$nil).

(c) Sensitivity to change in assumptions

Assets have been tested for impairment in accordance with the accounting policies described, including the determination of recoverable amounts of assets using the higher of value in use and fair value less cost to sell. As detailed in note 40, the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that may be necessary relating to the proposed divestment of assets, or to any of the judgements, estimates and assumptions contained in this note.

(i) Rural Services Network CGU

With regard to the assessment of the value in use of the Rural Services Network CGU, there are reasonably possible changes in key assumptions that could cause the carrying value of the unit to materially exceed its recoverable amount:

- a decrease in expected future cash flows in excess of 15% across all years of the discounted cash flow model could result in an impairment; and
- an increase in the discount rate by more than 2.5%, could result in an impairment.

(ii) MCK Holdings CGU

With regard to the assessment of the value in use of the MCK Holdings CGU, there are reasonably possible changes in key assumptions that could cause the carrying value of the unit to materially exceed its recoverable amount:

- a decrease in expected future cash flows in excess of 25% across all years of the discounted cash flow model could result in an impairment; and
- an increase in the discount rate by more than 5%, could result in an impairment.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 15. Other Assets

	2012 \$000	2011 \$000
Current		
Deferred expenses	667	559
Prepayments	17,037	23,067
	17,704	23,626
Non current		
Deferred design and development expenditure	31,883	22,854
As at beginning of period	22,854	18,919
Additions through entity acquired	1,297	171
Design and development expenditure capitalised	15,862	8,756
Impairment	(4,224)	-
Amortisation	(3,868)	(4,806)
Other	(38)	(186)
As at period end	31,883	22,854

Note 16. Trade and Other Payables

Current		
Trade creditors	346,422	359,839
Other creditors and accruals	35,883	69,213
Payables to associated companies	4,301	4,749
Unearned forestry income	-	115
	386,606	433,916
Non current		
Payables	1,413	2,583
	1,413	2,583

Fair Value

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

Financial guarantees

Information regarding financial guarantees is set out in note 36 and 27.

Related party payables

For terms and conditions of related party payables refer to note 34.

Interest rate, foreign risk and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 36.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 17. Interest Bearing Loans and Borrowings

	2012 \$000	2011 \$000
Current		
Secured loans	103,354	56,218
Trade receivables funding	199,196	139,466
Lease liabilities	437	357
	302,987	196,041
Non current		
Secured loans	80,983	228,912
Unsecured loans	1,555	1,828
Lease liabilities	304	283
	82,842	231,023
Total current and non current	385,829	427,064

(a) Financing arrangements

The Group has access to the following financing facilities with a number of financial institutions:

	Accessible \$000	Drawn \$000	Unused \$000
2012			
Secured Loans			
- Facility A non revolving term facility	88,111	88,111	-
- Facility B working capital facility	93,158	93,158	-
- Trade receivables funding	227,600	199,196	28,404
- Other	17,992	3,068	14,924
	426,861	383,533	43,328
Unsecured loans and lease liabilities	2,296	2,296	-
Total	429,157	385,829	43,328
2011			
Secured Loans			
- Facility A non revolving term facility	180,893	180,893	-
- Facility B working capital facility	93,158	93,158	-
- Facility D bilateral contingent facility	37,030	-	37,030
- Trade receivables funding	265,600	139,466	126,134
- Other	19,287	11,079	8,208
	595,968	424,596	171,372
Unsecured loans and lease liabilities	2,468	2,468	-
Total	598,436	427,064	171,372

The Group also has an ancillary facility in relation to off balance sheet funding, such as bank guarantees, of \$63.2 million. As at 30 September 2012, \$35.5 million had been drawn.

The parent entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in note 27. However the Directors do not expect those potential financial liabilities to crystallise into obligations and therefore financial liabilities disclosed in the above table are the Directors estimate of amounts that will be payable by the Group. No material losses are expected and as such, the fair values disclosed are the Directors estimate of amounts that will be payable by the Group.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 17. Interest Bearing Loans and Borrowings (continued)

(b) Assets pledged as security

Secured loans are secured by various fixed and floating charges over the assets of the controlled entities concerned. Lease liabilities are secured by a charge over the leased assets. The carrying amount of assets pledged as security for current and non-current interest bearing liabilities are:

	2012 \$000	2011 \$000
Current assets		
<i>Floating charge</i>		
Cash and cash equivalents	38,659	50,773
Trade and other receivables	1,043,432	678,511
Livestock	54,679	49,015
Inventory	144,224	167,350
Other	67,045	104,348
	1,348,039	1,049,997
Non current assets		
<i>Floating charge</i>		
Receivables	17,962	108,649
Other financial assets	418,055	496,680
Investments in associates and joint ventures	79,586	55,484
Property, plant and equipment	94,580	77,449
Intangibles	143,157	149,675
Other	187,336	100,751
	940,676	988,688
Total current and non current	2,288,715	2,038,685

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 18. Provisions

Reconciliation of carrying amounts at beginning and end of period:

	Employee entitle- ments	Warranty	Restruc- turing and redundancy	Make good	Onerous contracts	Other	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2012							
As at beginning of period	47,283	1,739	10,486	15,566	61,923	1,425	138,422
Arising during year	35,919	734	25,228	3,311	24,937	520	90,649
Utilised	(31,862)	(608)	(15,133)	(4,975)	(29,668)	(493)	(82,739)
Unused amounts reversed	(174)	-	(651)	(2,800)	(279)	(582)	(4,486)
Discount rate adjustment	1,747	-	-	684	1,480	-	3,911
Provisions arising from entities acquired	-	260	-	-	-	-	260
Disposals of controlled entities	-	-	-	-	(117)	-	(117)
Other	(75)	52	(2,228)	1,314	936	75	74
	52,838	2,177	17,702	13,100	59,212	945	145,974
Disclosed as:							
Current	49,142	1,036	17,702	9,620	42,620	945	121,065
Non current	3,696	1,141	-	3,480	16,592	-	24,909
Total	52,838	2,177	17,702	13,100	59,212	945	145,974
2011							
As at beginning of period	48,659	1,717	8,641	14,876	18,999	3,748	96,640
Arising during year	25,201	1,096	7,435	3,488	49,156	1,101	87,477
Utilised	(26,479)	(709)	(5,499)	(1,188)	(5,317)	(1,896)	(41,088)
Unused amounts reversed	(1,287)	(365)	(427)	(1,838)	(1,014)	(1,194)	(6,125)
Discount rate adjustment	1,000	-	-	228	-	-	1,228
Provisions arising from entities acquired	151	-	-	-	-	-	151
Other	38	-	336	-	99	(334)	139
	47,283	1,739	10,486	15,566	61,923	1,425	138,422
Disclosed as:							
Current	42,377	580	10,486	10,144	50,321	1,425	115,333
Non current	4,906	1,159	-	5,422	11,602	-	23,089
Total	47,283	1,739	10,486	15,566	61,923	1,425	138,422

Nature and timing of provisions

(i) Employee entitlements

Refer to note 2(w) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of this provision.

(ii) Warranty

A provision for warranties is recognised when the underlying products and services are sold. The provision is based on historical warranty date and a weighting of all possible outcomes against their associated probabilities.

A provision is recognised for expected warranty claims on products sold during the last five years, based on past experience of the level of repairs and returns. It is expected that of these costs will be incurred in the next financial year and all will have been incurred within two years of the reporting date. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the two-year warranty period for all products sold.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 18. Provisions (continued)

(iii) Restructure and redundancy

The restructuring provision relates to the Group's:

- Provisions arising upon classification of the Forestry division being held for sale.
- The redundancy provision relates to redundancies communicated to staff during the year.

(iv) Make Good

A make good provision is recorded at the commencement of a lease or operation being the present value of restoration obligations, while the cost of future restoration is capitalised as part of the asset. The capitalised cost is depreciated over the life of the lease or project and the provision is increased as the discounting of the liability unwinds.

(v) Onerous leases

The onerous lease provision relates to amounts recognised as part of the Forestry divestment process.

(vi) Other

The remaining provision balance in 'other' includes legal claims of \$0.3 million (2011: \$0.6 million).

Note 19. Contributed Equity

	2012 \$000	2011 \$000
Issued and paid up capital		
448,598,480 ordinary shares (September 2011: 448,598,480)	1,270,323	1,271,493

The movement in share capital is a result of the unwinding of the tax effect of the equity raising costs incurred in the 2010 financial year.

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.

Capital management

The Group 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.

Elders financing package (refer note 17) stipulates that the payment of ordinary dividends will be subject to the Company satisfying a Net Leverage Ratio of less than 3.5x at the last calculation date and satisfaction of an Elders approved dividend policy. Refer to note 23 for dividend disclosure.

Note 20. Hybrid Equity

Issued and fully paid up	145,151	145,151
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1,500,000 perpetual, subordinated, convertible unsecured notes ("Hybrids") were issued in April 2006 at \$100 each. If the Board resolves to pay them, distributions will be paid quarterly in arrears on 31 March, 30 June, 30 September and 31 December each year. Distributions are frankable. Until 30 June 2011 (the first remarketing date) the distribution rate was the 3 month bank bill swap rate plus a margin of 2.20% pa. On 30 June 2011, Elders accepted a one-off step up of 250bps in margin.

Elders financing package (refer note 17) does not contain any express restrictions on the payment of distributions on the hybrid securities. No distributions were declared or paid during the year.

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

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

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 21. Reserves

Reconciliation of carrying amounts at beginning and end of period:

	Business combination reserve	Employee equity benefits reserve	Foreign currency translation reserve	Net unrealised gains reserve	Share of reserve for losses in associate	Reserved shares reserve	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2012							
Carrying amount at beginning of period	(15,092)	(3,081)	(12,256)	(169)	-	(2,994)	(33,592)
Foreign currency translation	-	-	4,398	-	-	-	4,398
Non-controlling interest share of movement	-	-	151	-	-	-	151
Transfer to statement of comprehensive income	-	-	-	(477)	-	-	(477)
Net gains/losses in cash flow hedges	-	-	-	(1,278)	-	-	(1,278)
Income tax on items taken directly or transferred to equity	-	-	-	283	-	-	283
Sale of reserved shares	-	-	-	-	-	36	36
Excess paid for purchase of non-controlling interest	(1,077)	-	-	-	-	-	(1,077)
Cost of share based payments	-	2,139	-	-	-	-	2,139
Transfer to retained earnings	-	(1,978)	-	-	-	4,085	2,107
Transfers to reserved shares reserve	-	3,317	-	-	-	(3,317)	-
Carrying amount at end of period	(16,169)	397	(7,707)	(1,641)	-	(2,190)	(27,310)
2011							
Carrying amount at beginning of period	(5,134)	(7,434)	(14,006)	(1,553)	6,163	(13,704)	(35,668)
Foreign currency translation	-	-	1,381	-	-	-	1,381
Non-controlling interest share of movement	-	-	(54)	-	-	-	(54)
Transfer to statement of comprehensive income	-	-	-	1,553	-	-	1,553
Net gains/losses in cash flow hedges	-	-	-	(169)	-	-	(169)
Recognition for share of reserve for losses in associate	-	-	-	-	1,239	-	1,239
Income tax on items taken directly or transferred to equity	-	-	423	-	-	-	423
Sale of reserved shares	-	-	-	-	-	421	421
Excess paid for purchase of non-controlling interest	(9,958)	-	-	-	-	-	(9,958)
Cost of share based payments	-	1,845	-	-	-	-	1,845
Transfer to retained earnings	-	(1,460)	-	-	(7,402)	14,257	5,395
Transfers to reserved shares reserve	-	3,968	-	-	-	(3,968)	-
Carrying amount at end of period	(15,092)	(3,081)	(12,256)	(169)	-	(2,994)	(33,592)

Nature and purpose of reserves

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.

Employee equity benefits reserve

This reserve is used to record the value of equity benefits (both options and share loans and other) provided to employees, including key management personnel as part of their remuneration.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 21. Reserves (continued)

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.

Net unrealised gains reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Share of reserve for losses in associate

The reserve contained amounts relating to the Rural Bank investment. Rural Bank has APRA reporting requirements for a general provision for credit losses to be recognised directly in equity. Prior to the sale of Rural Bank the Group was required to recognise the proportionate interest in Rural Bank's reserve for credit losses directly in equity.

Reserved Shares Reserve

This reserve represents shares that have been forfeited by employees that were issued under the employee share loan plan.

Note 22. Retained Earnings

	2012 \$000	2011 \$000
Retained earnings at the beginning of the financial year	(781,322)	(380,577)
Net profit/(loss) attributable to owners of the parent	(60,600)	(395,350)
Transfer from employee equity benefits reserve	1,978	1,460
Transfer from reserved shares reserve	(4,085)	(14,257)
Transfer from share of reserve for losses in associate	-	7,402
Retained earnings at the end of the financial year	(844,029)	(781,322)

Note 23. Dividends

(a) Dividends proposed

No final dividend will be paid (2011: Nil)	-	-
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(b) Dividends paid during the year

Current year interim

- No interim dividend will be paid (2011: Nil)	-	-
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Previous year final

- No final dividend paid (2011: Nil)	-	-
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Subsidiary equity dividends on ordinary shares:

Dividends paid to external parties during the year	2,796	2,196
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Elders financing package (refer note 17) stipulates that the payment of ordinary dividends will be subject to the Company satisfying a Net Leverage Ratio of less than 3.5x at the last calculation date and satisfaction of an Elders approved dividend policy.

(c) Franking credit balance

Franking credits available to the parent for subsequent financial years based on tax rate of 30% (2011: 30%)	9,410	18,990
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The above amounts represent the balance of the franking account as at the end of the financial period, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
- franking credits that may be prevented from being distributed in subsequent financial years.

Note 24. Non-controlling Interest

Non-controlling interests comprise interests in the following items:

Contributed equity	7,009	1,688
Retained earnings	638	1,265
	7,647	2,953

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 25. Cash Flow Statement Reconciliation

	2012 \$000	2011 \$000
(a) Reconciliation of net profit/(loss) after tax to net cash flows from operations		
Profit/(loss) after income tax expense	(57,373)	(391,168)
<i>Adjustments for non cash items:</i>		
Depreciation and amortisation	21,017	27,437
Share of associates and joint venture (equity accounted earnings)	(7,772)	(3,164)
Dividends from associates	9,028	7,427
Fair value adjustments to financial assets	(6,192)	(340)
Other fair value adjustments	(5,266)	(14,100)
Fair value adjustments and impairments	75,663	333,186
Movement in provision for:		
- doubtful debts	3,343	12,981
- employee entitlements	37,492	24,914
- other provisions	52,582	57,666
Other write downs	2,659	1,397
Net (profit)/loss on sale of non-current assets	(16,506)	(2,536)
Net (profit)/loss on sale of controlled entity	(10,629)	-
Cost of share based payments	2,139	1,845
Deferred tax asset	29,874	(521)
Deferred income tax	208	(29,323)
Provision for tax	(39,268)	(10,724)
Other non cash items	3,955	(4,047)
	94,954	10,930
- (Increase)/decrease in receivables and other assets	39,480	(85,479)
- (Increase)/decrease in inventories	20,181	(14,619)
- Increase/(decrease) in payables and accruals	(152,087)	65,408
Net cash flows from operating activities	2,528	(23,760)

(b) Cash and cash equivalents

Cash at bank and in hand	91,969	81,614
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Cash includes \$3.9 million (2011: \$3.1 million) of cash held in trust on behalf of certain controlled entities.

(c) Non cash financing and investing activities

During the financial year, and the previous financial year, there were no non cash financing and investing transactions.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 26. Expenditure Commitments

Finance lease commitments – Group as a lessee

The Group has finance leases and hire purchase contracts for various items of plant and machinery with a carrying amount of \$1.4 million (2011: \$0.9 million). These lease contracts expire within one to four years. The leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

	2012 \$000	2011 \$000
<i>Finance leases commitments:</i>		
- Within one year	495	397
- After one year but not after five years	345	324
Total minimum lease payments	840	721
Less amounts representing finance charges	(99)	(81)
Present value of minimum lease payments	741	640
Disclosed in the financial statements as:		
- current (note 17)	437	357
- non current (note 17)	304	283
	741	640
<i>Operating leases commitments:</i>		
- Within one year	81,524	80,013
- After one year but not later than five years	193,974	175,919
- After more than five years	92,634	127,845
Total minimum lease payments	368,132	383,777

Operating leases commitments – Group as a lessee

The Group leases the majority of its branch networks and capital city properties under operating leases. The lease commitments comprise base amounts adjusted where necessary for escalation clauses primarily based on inflation rates. Leases generally provide the Group with a right of renewal at the end of the lease term. The extent of lease commitments is a factor that is considered in the calculation of certain borrowing covenants.

Property, plant and equipment commitments

Capital expenditure contracted for but not otherwise provided for in these accounts:

- Within one year	11,213	24,454
- After one year but not later than five years	7,230	34,800
Total property, plant and equipment commitments	18,443	59,254

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 27. Contingent Liabilities

	2012	2011
	\$000	\$000
<i>Contingent liabilities at balance date, not otherwise provided for in the financial statements, are as follows:</i>		
Claims lodged for damages resulting from the use of products or services	525	1,625
Guarantees issued to third parties arising in the normal course of business	35,520	19,241
	36,045	20,866

Unquantifiable contingent liabilities

- The Group has contingent obligations in respect of real property let or sub-let by entities within the Group.
- Benefits are payable under service agreements with executive Directors and officers of the Group under certain circumstances such as termination or achievement of prescribed performance hurdles.
- The Group has provided a guarantee to a third party in relation to certain obligations of Caversham Property Developments Pty Limited, a former subsidiary of Elders Limited. The Directors are of the view that the Group's liability under the guarantee is unquantifiable and remote.
- A member of the Group is party to a put option, exercisable from August 2013, in connection with a third party's holding in B&W Rural Pty Ltd, an incorporated joint venture in which the Group is the 75% shareholder. If exercised, the Group will own all the issued capital in B&W Rural Pty Ltd. It is not known whether the third party will exercise its rights pursuant to that put option, nor is it presently ascertainable what the consideration for the option shares might be.
- Members of the Group have, from time to time and in the ordinary course, provided parent company guarantees in respect of certain contractual obligations of their subsidiaries.
- There have been various legal claims lodged for damages resulting from the use of products or services of the Group for which no provision has been raised as it is not currently probable that these claims will succeed or it is not practical to estimate the potential effect of these claims. The Directors are of the view that none of these claims based on the net exposure are likely to be material.

Other guarantees

As disclosed in note 31, 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 company's party to the Deed in the event of any of those companies being wound up.

The parent entity and certain entities in the Group are parties to various guarantees and indemnities pursuant to bank facilities and operating lease facilities extended to the Group.

Note 28. Segment Information

Identification of reportable segments

The Group has identified its operating segments to be the four segments of Rural Services, Forestry, Automotive Components and Investment & Other. This is the basis on which internal reports are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining allocation of resources. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis. The Group operates predominantly within Australia. All other geographical operations are not material to the financial statements.

Type of product and service

- Rural Services include the provision of a range of agricultural products and services through a common distribution channel.
- Forestry includes the Group's interests in forestry plantations and forestry related investments.
- Automotive Components include the manufacturing and sales of automotive components of which the key components are seating, interior trim, and insulation packages.
- The Investment & Other segment includes the general investment activities not associated with the other business segments and the administrative corporate office activities.

Accounting policies and intersegment transactions

The accounting policies used by the group in reporting segments internally are the same as those contained in note 2 to the accounts. Segment results have been determined on a consolidated basis and represent the earnings before corporate net financing costs and income tax expense.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 28. Segment Information (continued)

	Rural Services \$000	Forestry \$000	Automotive Components \$000	Investment & Other \$000	Total \$000
2012					
External sales	1,813,205	14,611	344,742	-	2,172,558
Other revenues	13,338	1,127	19,565	1,130	35,160
Share of profit of associates and joint ventures	13,603	(5,263)	(568)	-	7,772
Profit/(loss) on sale of non current assets	(114)	27,249	-	-	27,135
Interest revenue	10,038	286	188	21,541	32,053
Total revenue	1,850,070	38,010	363,927	22,671	2,274,678
Earnings before interest, tax, depreciation and amortisation	25,095	(74,014)	18,915	(30,713)	(60,717)
Depreciation and amortisation	(6,439)	-	(14,571)	(7)	(21,017)
Segment result	18,656	(74,014)	4,344	(30,720)	(81,734)
Corporate net interest expense					(8,489)
Profit from ordinary activities before tax					(90,223)
Segment result	18,656	(74,014)	4,344	(30,720)	(81,734)
Less discontinued operations results	(2,220)	(32,726)	-	-	(34,946)
Continuing profit/(loss) before net borrowing costs and tax expense	20,876	(41,288)	4,344	(30,720)	(46,788)
Corporate net interest expense					(7,194)
Continuing profit/(loss) before tax expense					(53,982)
Segment assets	692,071	77,821	327,736	230,730	1,328,358
Unallocated assets (including tax assets)	-	-	-	-	181,544
Total assets	692,071	77,821	327,736	230,730	1,509,902
Segment liabilities	345,481	81,130	101,394	7,998	536,003
Unallocated liabilities (including tax liabilities)	-	-	-	-	422,117
Total liabilities	345,481	81,130	101,394	7,998	958,120
Net assets	346,590	(3,309)	226,342	222,732	551,782
Carrying value of equity investments	65,542	-	438	14,559	80,539
Acquisition of non current assets	23,099	-	30,469	-	53,568
Non cash income/(expense) other than depreciation and amortisation	(14,777)	(86,309)	(29,154)	(24,261)	(154,501)
Profit/(loss) on sale of non current assets and controlled entities	(114)	27,249	-	-	27,135

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 28. Segment Information (continued)

2011	Rural Services \$000	Forestry \$000	Automotive Components \$000	Investment & Other \$000	Total \$000
External sales	1,986,121	57,384	315,174	-	2,358,679
Other revenues	9,006	9,608	17,582	907	37,103
Share of profit of associates and joint ventures	2,382	1,233	(451)	-	3,164
Profit/(loss) on sale of non current assets	9,782	(7,160)	9	(95)	2,536
Interest revenue	10,530	285	180	11,089	22,084
Total revenue	2,017,821	61,350	332,494	11,901	2,423,566
Earnings before interest, tax, depreciation and amortisation	12,619	(388,067)	31,823	(17,925)	(361,550)
Depreciation and amortisation	(8,378)	(2,479)	(16,566)	(14)	(27,437)
Segment result	4,241	(390,546)	15,257	(17,939)	(388,987)
Corporate net interest expense					(55,637)
Profit from ordinary activities before tax					(444,624)
Segment result	4,241	(390,546)	15,257	(17,939)	(388,987)
Less discontinued operations results	(1,751)	(337,052)	-	-	(338,803)
Continuing profit/(loss) before net borrowing costs and tax expense	5,992	(53,494)	15,257	(17,939)	(50,184)
Corporate net interest expense					(55,596)
Continuing profit/(loss) before tax expense					(105,780)
Segment assets	774,238	198,864	286,056	229,721	1,488,879
Unallocated assets (including tax assets)	-	-	-	-	201,097
Total assets	774,238	198,864	286,056	229,721	1,689,976
Segment liabilities	420,238	83,015	71,388	7,196	581,837
Unallocated liabilities (including tax liabilities)	-	-	-	-	503,456
Total liabilities	420,238	83,015	71,388	7,196	1,085,293
Net assets	354,000	115,849	214,668	222,525	604,683
Carrying value of equity investments	61,822	-	11,262	21,004	94,088
Acquisition of non current assets	11,034	117	13,491	27,404	52,046
Non cash income/(expense) other than depreciation and amortisation	(27,939)	(360,350)	(9,143)	5,156	(392,276)
Profit/(loss) on sale of non current assets and controlled entities	9,782	(7,160)	9	(95)	2,536

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 29. Supplementary Statement of Net Debt

(a) Statement of Net Debt

This Supplementary Statement of Net Debt has been prepared to provide additional disclosure of segmental cash flows and the resultant impact on net debt for the period. This non-IFRS disclosure is provided as a supplementary disclosure to IFRS reporting contained in the Consolidated Statement of Cash Flows to provide illumination of cash performance of individual segments within the Consolidated Statement. The Directors consider this to be particularly useful given the diverse nature of the Group's operating segments. The Supplementary Statement of Net Debt should not be used as replacement for the Consolidated Statement of Cash Flows which appears in this report but should be read in conjunction with.

	Rural Services	Forestry	Automotive Components	Investment & Other	Total
2012	\$000	\$000	\$000	\$000	\$000
Earnings before interest & tax	18,656	(74,014)	4,344	(30,720)	(81,734)
Depreciation and amortisation	6,439	-	14,571	7	21,017
Share of associates and joint venture (profit)	(13,603)	5,263	568	-	(7,772)
Dividends received from associates	9,028	-	-	-	9,028
Fair value adjustments on financial assets	(6,078)	(114)	-	-	(6,192)
Other fair value adjustments	(5,266)	-	-	-	(5,266)
Impairment of assets	3,704	43,363	9,360	19,236	75,663
Movement in provision for:					
- doubtful debts	2,311	1,177	(145)	-	3,343
- employee entitlements	21,961	559	13,669	1,303	37,492
- other provisions	2,894	36,854	10,036	2,798	52,582
Other writedowns	2,771	-	(112)	-	2,659
Profit/(loss) on sale of non-current assets	114	(16,620)	-	-	(16,506)
Profit/(loss) on sale of controlled entity	-	(10,629)	-	-	(10,629)
Cost of share based payments	-	-	-	2,139	2,139
Interest received	10,038	286	188	21,541	32,053
Interest and other costs of finance paid	(2,002)	(101)	(139)	(34,389)	(36,631)
Tax (paid)/refund	(4,188)	44	252	27,747	23,855
Other non cash items	6,083	(793)	(4,222)	(1,215)	(147)
	52,862	(14,725)	48,370	8,447	94,954
Movement in working capital	(3,491)	(41,212)	(24,073)	(23,650)	(92,426)
Operating cash flow	49,371	(55,937)	24,297	(15,203)	2,528
Payment for property, plant and equipment	(3,213)	-	(16,398)	-	(19,611)
Payment for intangibles	(18,314)	-	-	-	(18,314)
Payment for controlled entities, net of cash acquired	(1,572)	-	1,791	-	219
Payment for design and development capitalised	-	-	(15,862)	-	(15,862)
Proceeds from sale of non current assets held for sale	-	73,240	-	-	73,240
Proceeds from sale of equity accounted investments	925	-	-	-	925
Proceeds from sale of property, plant and equipment	684	-	-	-	684
Proceeds from sale of investment properties	2,730	-	-	-	2,730
Proceeds from disposal of controlled entity	-	28,168	-	-	28,168
Payment for acquisition of non-controlling interest	(3,232)	-	-	-	(3,232)
Loans repaid by growers	-	2,875	-	-	2,875
Investing cash flow	(21,992)	104,283	(30,469)	-	51,822
Proceeds from sale of reserved shares	-	-	-	36	36
Intercompany movement	(26,662)	(44,783)	11,764	59,681	-
Partnership profit distributions/dividends paid	(2,796)	-	-	-	(2,796)
Other flows	(29,458)	(44,783)	11,764	59,717	(2,760)
Total Flows	(2,079)	3,563	5,592	44,514	51,590
Opening net debt					(345,450)
Total flows					51,590
Derivatives recognised in relation to net debt					(1,505)
Closing net debt					(295,365)

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 29. Supplementary Statement of Net Debt (continued)

(a) Statement of Net Debt (continued)

2011	Rural Services \$000	Forestry \$000	Automotive Components \$000	Investment & Other \$000	Total \$000
Earnings before interest and tax	4,241	(390,546)	15,257	(17,939)	(388,987)
Depreciation and amortisation	8,378	2,479	16,566	14	27,437
Share of associates and joint venture (profit)	(2,382)	(1,233)	451	-	(3,164)
Dividends received from associates	6,835	592	-	-	7,427
Fair value adjustments on financial assets	(194)	(146)	-	-	(340)
Other fair value adjustments	(209)	(8,572)	-	(5,319)	(14,100)
Impairment of assets	14,161	314,738	93	4,194	333,186
Movement in provision for:					
- doubtful debts	4,033	8,338	610	-	12,981
- employee entitlements	17,805	688	6,958	(537)	24,914
- other provisions	2,887	54,727	52	-	57,666
Other writedowns	1,217	1,724	(1,544)	-	1,397
Profit/(loss) on sale of non-current assets	(9,782)	7,160	(9)	95	(2,536)
Cost of share based payments	-	-	-	1,845	1,845
Interest received	9,916	285	180	5,770	16,151
Interest and other costs of finance paid	(13,068)	(333)	(4,802)	(36,205)	(54,408)
Tax (paid)/refund	(2,150)	-	(83)	13,267	11,034
Other non cash items	403	(18,307)	2,532	(4,201)	(19,573)
	42,091	(28,406)	36,261	(39,016)	10,930
Movement in working capital	17,421	188	(20,840)	(31,459)	(34,690)
Operating cash flow	59,512	(28,218)	15,421	(70,475)	(23,760)
Payments for property, plant and equipment	(9,113)	(102)	(3,522)	-	(12,737)
Purchase of equity accounted investment	-	-	(1,050)	-	(1,050)
Payments for investment properties	-	(15)	-	-	(15)
Purchase of controlled entity, net of cash acquired	(751)	-	-	(27,404)	(28,155)
Payment for intangibles	(1,170)	-	(163)	-	(1,333)
Payment for design and development capitalised	-	-	(8,756)	-	(8,756)
Proceeds from sale of non current assets held for sale	-	1,081	-	-	1,081
Proceeds from sale of equity accounted investments	-	-	-	163,910	163,910
Proceeds from sale of property, plant and equipment	6,209	1,088	9	51	7,357
Proceeds from sale of investment property	500	14,050	-	-	14,550
Proceeds from sale of intangibles	2,745	-	-	-	2,745
Payment for acquisition of non-controlling interest	(10,005)	-	-	-	(10,005)
Loans to associated entities	(1,307)	-	-	-	(1,307)
Repayment of loans by associated entities	2,120	-	-	1,371	3,491
Loans repaid by growers	-	4,053	-	-	4,053
Investing cash flow	(10,772)	20,155	(13,482)	137,928	133,829
Proceeds from sale of reserved shares	-	-	-	421	421
Intercompany movement	(51,618)	4,565	14,929	32,124	-
Partnership profit distributions/dividends paid	(2,842)	-	-	-	(2,842)
Other flows	(54,460)	4,565	14,929	32,545	(2,421)
Total Flows	(5,720)	(3,498)	16,868	99,998	107,648
Opening net debt					(435,173)
Total flows					107,648
Fair value adjustment to debt					(17,925)
Closing net debt					(345,450)

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 29. Supplementary Statement of Net Debt (continued)

(b) Reconciliation of net debt balance to balance sheet

	2012 \$000	2011 \$000
Cash and cash equivalents	91,969	81,614
Interest bearing loans and borrowings	(385,829)	(427,064)
Derivatives on interest bearing loans and borrowings	(1,505)	-
	(295,365)	(345,450)

Note 30. Auditors Remuneration

The auditor of Elders Limited is Ernst & Young.

	2012 \$	2011 \$
<i>Amounts received or due and receivable by Ernst & Young (Australia) for:</i>		
- auditing or review of financial statements	1,494,063	1,427,871
- tax services (primarily compliance)	213,407	204,795
- other compliance and assurance services	432,492	45,413
	2,139,962	1,678,079
<i>Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:</i>		
- auditing or review of financial statements	298,600	13,460
- other services	29,675	-
	328,275	13,460
<i>Amounts received or due and receivable by non Ernst & Young audit firms for:</i>		
- auditing or review of financial statements	-	-
- tax services	-	-
- internal audit	-	-
- other services	-	-
	-	-

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 31. Investments in Controlled Entities

(a) Schedule of controlled entities

	Country of Incorporation		% Held by Group	
			2012	2011
A Top Pty Ltd	Australia	(i)	-	100
Abbino Pty Ltd	Australia	(i)	-	100
Acehill Investments Pty Ltd	Australia	(f)	100	100
ACN 073 323 038 Pty Ltd	Australia	(i)	-	100
Active Leisure (Sports) Pty Ltd	Australia	(i)	-	100
Agricultural Land Management Limited	Australia		100	100
AI Asia Pacific Operations Holding Limited	Hong Kong SAR		100	100
AI China Operations Holding Limited	Hong Kong SAR	(i)	-	100
AIM Metals Pty Ltd	Australia	(i)	-	100
Air International (China) Pty Ltd	Australia	(i)	-	100
Air International (India) Pty Ltd	Australia	(i)	-	100
Air International (Malaysia) Pty Ltd	Australia	(i)	-	100
Air International (Ventures) No 2 Pty Ltd	Australia	(i)	-	100
Air International Asia Pacific Operations Pty Ltd	Australia	(f)	100	100
Air International Vehicle Air Conditioning (Shanghai) Co Ltd	China		100	100
Albany Woolstores Pty Ltd	Australia	(f)	66	66
Aldetec Pty Ltd	Australia	(i)	-	100
Aldetec Unit Trust	Australia	(e)	100	100
APO Administration Limited	Hong Kong SAR		100	100
APT Finance Pty Ltd	Australia	(a)	100	100
APT Forestry Pty Ltd	Australia	(a)	100	100
APT Land Pty Ltd	Australia	(a)	100	100
APT Nurseries Pty Ltd	Australia	(a)	100	100
APT Projects Ltd	Australia	(f)	100	100
Argo Trust No. 2	Australia	(h)	100	100
Artreal Pty Ltd	Australia	(i)	-	100
Ashwick (Vic) No 102 Pty Ltd	Australia	(f)	100	100
Austech Ventures Pty Ltd	Australia	(i)	-	100
Australian Combined Meat Processors Pty Ltd	Australia	(i)	-	100
Australian Plantation Timber Pty Ltd	Australia	(a)	100	100
Australian Retirement Managers Pty Ltd	Australia	(f)	100	100
Australian Topmaking Services Pty Ltd	Australia	(f)	100	100
B & W Rural Pty Ltd	Australia		75.5	75.5
Banks Marsden Pty Ltd	Australia	(i)	-	100
BWK Australia Pty Ltd	Australia	(f)	100	100
BWK Holdings Pty Ltd	Australia	(a)	100	100
Canosac Limited	Hong Kong SAR	(i)	-	100
Carbon Bid Co Pty Ltd	Australia	(f)	100	100
Caversham Investments Pty Ltd	Australia	(i)	-	100
Caversham Landscape D. & C. Pty Ltd	Australia	(i)	-	100
Caversham Projects Pty Ltd	Australia	(i)	-	100
Caversham Property (Sales) Pty Ltd	Australia	(i)	-	100
Caversham Property Holdings Pty Ltd	Australia	(i)	-	100
Charlton Feedlot Pty Ltd	Australia	(a)	100	100
CP Ventures Pty Ltd	Australia	(i)	-	100
Danny F11 Investments Pte Ltd	Singapore		100	100
Agsure Pty Ltd (formerly Dawley Pty Ltd)	Australia	(a)(b)	100	100
E Globulus Pty Ltd	Australia	(f)	100	100
E. & R. Steeden Pty Ltd	Australia	(i)	-	100
Elders Australia Aktien Holding GmbH & Co KG	Germany		100	100
Elders Australia Beteiligungs GmbH	Germany		90	90
Elders Burnett Moore WA Pty Ltd	Australia	(f)	100	100
Elders Card Ltd	New Zealand	(g)	50	50
Elders China Trading Company	China		100	100
Elders Communications Pty Ltd	Australia	(f)	100	100
Elders Direct Ltd	New Zealand	(g)	50	50
Elders Esperance Woodchip Terminal Pty Ltd	Australia	(f)	100	100
Elders Finance Pty Ltd	Australia	(a)	100	100

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Note 31. Investments in Controlled Entities (continued)

(a) Schedule of controlled entities (continued)

	Country of Incorporation		% Held by Group	
			2012	2011
Elders Financial Services Group Pty Ltd	Australia	(f)	100	100
Elders Financial Solutions Pty Ltd	Australia	(i)	-	100
Elders Fine Foods (Shanghai) Company	China		100	100
Elders Forestry Finance Pty Ltd	Australia	(a)	100	100
Elders Forestry Holdings Pty Ltd	Australia	(a)(b)	100	100
Elders Forestry Land Holdings	Australia	(f)	100	100
Elders Forestry Management Ltd	Australia		100	100
Elders Forestry Pty Ltd	Australia	(a)	100	100
Elders Global Wool Holdings Pty Ltd	Australia	(a)	100	100
Elders Hycube Pty Ltd	Australia	(i)	-	100
Elders Insurance Limited	New Zealand	(g)	50	50
Elders International Australia Pty Ltd	Australia	(a)	100	100
Elders Management Services Pty Ltd (formerly FGSF Pty Ltd)	Australia	(f)	100	100
Elders Meat Processing Pty Ltd	Australia	(f)	100	100
Elders Merchandise Limited	New Zealand	(g)	50	50
Elders Mortgage Brokers Pty Ltd	Australia	(f)	100	100
Elders Primary Wool Limited	New Zealand	(g)	25	25
Elders Project Management Pty Ltd	Australia	(i)	-	100
Elders Property Management Pty Ltd	Australia	(i)	-	100
Elders PT Indonesia	Indonesia		100	100
Elders Real Estate (NSW) Pty Ltd	Australia	(f)	100	100
Elders Real Estate (Qld) Pty Ltd	Australia	(f)	100	100
Elders Real Estate (Tasmania) Pty Ltd	Australia	(f)	100	100
Elders Real Estate (WA) Pty Ltd	Australia	(f)	100	100
Elders Real Estate Franchise (Vic) Pty Ltd	Australia	(f)	100	100
Elders Real Estate Ltd	New Zealand	(g)	50	50
Elders Rural Holdings Limited	New Zealand	(g)	50	50
Elders Rural Services Australia Limited	Australia		100	100
Elders Rural Services Limited	Australia	(a)	100	100
Elders Services Company Pty Ltd	Australia	(f)	100	100
Elders Stock (SI) Ltd	New Zealand	(g)	35	35
Elders Tasmanian Fibre Pty Ltd	Australia	(a)	100	100
Elders Telecommunications Infrastructure Pty Ltd	Australia	(f)	100	100
Elders Trustees Pty Ltd	Australia	(f)	100	100
Elders Underwriting Agency Pty Ltd	Australia	(i)	-	100
Elders Wairarapa Vet Service Ltd	New Zealand	(i)	-	50
Elders Webster Pty Ltd	Australia	(f)	100	100
Elders Wool International Pty Ltd	Australia	(a)	100	100
Elderstock Limited	New Zealand	(g)	35	35
EREF Pty Ltd	Australia	(i)	-	100
EVIA Rural Finance Ltd	New Zealand	(g)	50	50
EWI Pty Ltd	Australia	(f)	100	100
Family Hospitals Pty Ltd	Australia	(f)	100	100
Fares Exports Management Mexico, S.A. de C.V.	Mexico		100	100
Fares Exports Pty Ltd	Australia	(f)	100	100
Fares Exports Trading Mexico, S.A. de C.V.	Mexico		100	100
Futuris Agencies Pty Ltd	Australia	(i)	-	100
Futuris Automotive (CA) LLC	USA	(e)	100	100
Futuris Automotive (DE) LLC	USA	(e)	100	100
Futuris Automotive Group Ltd	Australia	(a)	100	100
Futuris Automotive Interiors (Australia) Pty Ltd	Australia	(a)	100	100
Futuris Automotive Interiors (Barbados) Inc	Barbados		100	100
Futuris Automotive Interiors (Hong Kong) Inc	Hong Kong SAR		100	100
Futuris Automotive Interiors (Mauritius) Inc	Mauritius		100	100
Futuris Automotive Interiors Trading (Shanghai) Co Ltd	China		100	100
Futuris Automotive Interiors (US) Inc	USA		100	100
Futuris Automotive Interiors Holdings Pty Ltd	Australia	(a)	100	100

Notes to the Consolidated Financial Statements

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Note 31. Investments in Controlled Entities (continued)

(a) Schedule of controlled entities (continued)

	Country of Incorporation		% Held by Group	
			2012	2011
Futuris Automotive Thailand Co Ltd	Thailand		100	100
Futuris Feltex (proprietary) Limited	South Africa		50	50
Futuris Huaxiang Automotive Component (Mianyang) Co Ltd	China		60	60
Futuris Pty Ltd (formerly Futuris Automotive Pty Ltd)	Australia	(a)	100	100
Futuris Ventures Pty Ltd	Australia	(i)	-	100
Futuris/Tamper Joint Venture Unit Trust	Australia	(i)	-	100
Geelong Wool Combing Pty Ltd	Australia	(f)	100	100
George Moss (Qld) Pty Ltd	Australia	(i)	-	100
George Moss Pty Limited	Australia	(i)	-	100
Gisborne Farmers Ltd	New Zealand	(g)	50	50
Grouville Pty Ltd	Australia	(i)	-	100
Halette Pty Ltd	Australia	(i)	-	100
Hollymont Pty Ltd	Australia	(f)	100	100
Hose & Pipe Pty Ltd	Australia	(i)	-	100
IMA Investment Management Australia (ADF) Pty Ltd	Australia	(i)	-	100
IMA Investment Management Australia Pty Ltd	Australia	(i)	-	100
Innerhadden Pty Ltd	Australia	(i)	-	100
ITC Portland Woodchip Terminal Pty Ltd	Australia	(f)	100	100
ITC Timerlands Pty Ltd	Australia	(a)	100	100
J.A. Gilmour & Sons (NSW) Pty Ltd	Australia	(i)	-	100
J.S. Brooksbank Pty Ltd	Australia	(f)	100	100
Jetoleaf Pty Ltd	Australia	(i)	-	100
JS Brooksbank & Co Australasia Ltd	New Zealand		100	100
JSB New Zealand Limited	New Zealand		100	100
Kentlake Holdings Pty Ltd	Australia	(i)	-	100
Keratin Holdings Pty Ltd	Australia	(a)	100	100
Killara Feedlot Pty Ltd	Australia	(a)	100	100
Kojonup Farm Pty Ltd	Australia	(i)	-	100
Leisure Industries International Pty Ltd	Australia	(i)	-	100
Manor Hill Pty Ltd	Australia	(f)	100	100
Marybrook Development Company Pty Ltd	Australia	(f)	100	100
Marybrook Investment Ltd	Australia	(i)	-	100
Masterfund (WA) Pty Ltd	Australia	(f)	100	100
MCK Group Pty Ltd	Australia	(a)	100	100
MCK Holdings (Australia) Pty Ltd	Australia	(a)	100	100
MCK Holdings Pty Ltd	Australia	(a)	100	100
MCK Pacific Pty Ltd	Australia	(a)	100	100
Milltoc Pty Ltd	Australia	(f)	100	100
Mutual Benefit Consulting Pty Ltd	Australia	(f)	100	100
New Ashwick Pty Ltd	Australia	(f)	100	100
North Australian Cattle Company Pty Ltd	Australia	(a)	100	100
Pitt Son & Keene Pty Ltd	Australia	(f)	100	100
Plantation Pulpwood Terminals Pty Ltd	Australia	(i)	-	100
Plexicor Pty Ltd (formerly Domeni Pty Ltd)	Australia	(f)	100	100
Prestige Property Holdings Pty Ltd	Australia	(a)	100	100
Primac Elders Real Estate Pty Ltd	Australia	(i)	-	100
Primac Exports Pty Ltd	Australia	(f)	100	100
Primac Holdings Pty Ltd	Australia	(f)	100	100
Primac Pastoral Co Pty Ltd	Australia	(i)	-	100
Primac Pty Ltd	Australia	(f)	100	100
Primac Travel Pty Ltd	Australia	(f)	100	100
Rachid Fares Enterprises of Australia Pty Ltd	Australia	(f)	100	100
Redray Enterprises Pty Ltd	Australia	(f)	100	100
Relatran Pty Ltd	Australia	(i)	-	100
SA Bid Co Pty Ltd	Australia	(f)	100	100
Seed Production Limited	New Zealand	(g)	50	50
Steeden Holdings Pty Ltd	Australia	(i)	-	100

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 31. Investments in Controlled Entities (continued)

(a) Schedule of controlled entities (continued)

	Country of Incorporation		% Held by Group	
			2012	2011
Steering Systems Australia Pty Ltd	Australia	(i)	-	100
Sydney Woolbrokers Limited	Australia	(f)	53	53
Tashmore Pty Ltd	Australia	(i)	-	100
Therm Air Australia Pty Ltd	Australia	(i)	-	100
Tomkins Financial Services Pty Ltd	Australia	(i)	-	100
Topsoils of Australia Pty Ltd	Australia	(i)	-	100
Torrens Investments Pte Ltd	Singapore		100	100
Treecrop Pty Ltd	Australia	(f)	100	100
Trend-to-Zero Pty Ltd	Australia	(c)(i)	-	100
Ultrasound Australia Pty Ltd	Australia	(a)	100	100
Ultrasound International Pty Ltd	Australia	(i)	-	100
Ultrasound Technical Services Pty Ltd	Australia	(i)	-	100
United Alliance Group Pty Ltd	Australia	(i)	-	100
Vickner Pty Ltd	Australia	(i)	-	100
Victorian Investment Corporation Pty Ltd	Australia	(i)	-	100
Victorian Producers Co-operative Company Pty Ltd	Australia	(f)	100	100
Vision Group of Companies Pty Ltd	Australia	(f)	100	100
Vockbay Pty Limited	Australia	(f)	100	100
WA Bid Co Pty Ltd	Australia	(f)	100	100
Windoware 2000 Pty Ltd	Australia	(i)	-	100
Wool Exchange (WA) Pty Ltd	Australia	(f)	67	67
Wool Marketing Enterprises Pty Ltd	New Zealand	(g)	25	25
Yenley Pty Ltd	Australia	(i)	-	100

- The parties that comprise the Closed Group are denoted by (a). Parties added to the Closed Group during the year are denoted by (b). Parties removed from the Closed Group during the year are denoted by (c).
- Entities acquired or registered during the period are denoted by (d).
- Entities exempted from audit requirements due to overseas legislation or non-corporate status are denoted by (e).
- Entities classified by the Corporations Act 2001 as small proprietary companies relieved from audit requirements are denoted by (f).
- Entities denoted by (g) are controlled entities, as the Group has the capacity to control via a dominance of financial, management and technological control.
- Entity denoted by (h) is a controlled special purpose entity related to trade receivable financing program.
- Entities denoted by (i) are entities that were disposed of, deregistered or liquidated during the year.

(b) Deed of cross guarantee

Pursuant to Australian Securities and Investments Commission Class Order 98/1418 (as amended) dated 13 August 1998, relief has been granted to these controlled entities of Elders Limited from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' reports.

As a condition of the Class Order, Elders Limited, and the controlled entities subject to the Class Order, entered into a Deed of Cross Guarantee. The effect of the deed is that Elders Limited has guaranteed to pay any deficiency in the event of the winding up of any member of the Closed Group, and each member of the Closed Group has given a guarantee to pay any deficiency, in the event that Elders Limited or any other member of the closed group is wound up.

Certain members of the Closed Group, in addition to certain controlled entities, are guarantors in connection with the consolidated entity's borrowings facilities disclosed at note 17.

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and the controlled entities which are a party to the deed, after elimination of all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 September is set out as follows:

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 31. Investments in Controlled Entities (continued)

(b) Deed of cross guarantee (continued)

	2012 \$000	2011 \$000
<i>Statement of comprehensive income and retained earnings of the Closed Group</i>		
Profit/(loss) from continuing operations before income tax	(279,365)	(149,375)
Income tax benefit/(expense)	36,785	(9,896)
Profit/(loss) after income tax from continuing operations	(242,580)	(159,271)
Profit/(loss) after tax from discontinued operation (refer note 38)	(10,582)	(241,230)
Net profit for the period	(253,162)	(400,501)
Other comprehensive income	(683)	2,301
Total comprehensive income for the period	(253,845)	(398,200)
Retained earnings at the beginning of the period	(695,078)	(285,996)
Impact of acquisitions/disposals	-	214
Impact of entities exiting or joining closed group	-	(8,795)
Transfers to and from reserves	(9,907)	-
Retained earnings at the end of the period	(958,147)	(695,078)
<i>Consolidated statement of financial position of the Closed Group</i>		
Current assets		
Cash and cash equivalents	14,115	7,230
Trade and other receivables	1,550,899	537,822
Livestock	27,268	24,293
Inventories	32,255	43,928
Derivative financial instruments	53	482
Non current asset classified as held for sale	54,927	83,573
Other assets	2,936	13,867
Total current assets	1,682,453	711,195
Non current assets		
Receivables	10,319	18,413
Other financial assets	318,343	147,083
Investments in associates and joint ventures	79,463	81,719
Property, plant and equipment	48,881	47,429
Intangibles	117,995	178,700
Deferred tax assets	99,687	106,926
Other assets	95,880	24,237
Total non current assets	770,568	604,507
Total assets	2,453,021	1,315,702
Current liabilities		
Trade and other payables	1,719,449	123,581
Derivative financial instruments	2,010	917
Interest bearing loans and borrowings	129,061	45,313
Current tax liabilities	4,502	84,299
Provisions	48,915	79,168
Total current liabilities	1,903,937	333,278

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 31. Investments in Controlled Entities (continued)

(b) Deed of cross guarantee (continued)

	2012 \$000	2011 \$000
Non current liabilities		
Payables	-	496
Interest bearing loans and borrowings	81,078	229,025
Deferred tax liabilities	9,941	16,746
Provisions	4,788	14,318
Total non current liabilities	95,807	260,585
Total liabilities	1,999,744	593,863
Net assets	453,277	721,839
Equity		
Contributed equity	1,270,323	1,271,493
Hybrid equity	145,151	145,151
Reserves	(4,050)	273
Retained earnings	(958,147)	(695,078)
Total equity	453,277	721,839

Note 32. Key Management Personnel

(a) Details of Key Management Personnel

Directors

JC Ballard	Chairman
MG Jackman	Managing Director and Chief Executive Officer
MC Allison	Non Executive Director
A Buduls	Non Executive Director (appointed 15 November 2011, retired 30 July 2012)
RG Grigg	Non Executive Director (retired 30 July 2012)
IG MacDonald	Non Executive Director
JH Ranck	Non Executive Director
JM Rozman	Non Executive Director (appointed 15 November 2011)
RH Wylie	Non Executive Director (retired 15 August 2012)

Other Key Management Personnel

M De Wit	Managing Director – Futuris Automotive Group Ltd
V Erasmus	Chief Operating Officer and Managing Director – Elders Forestry (redundancy 18 May 2012)
M Hosking	Chief Financial Officer
S McClure	Group General Manager Strategy and Development (redundancy 15 June 2012)
S Hughes	Chief Information Officer (redundancy 2 August 2012)
A Dage	Group General Manager Trading
D Goodfellow	Group General Manger Australian Network

(b) Remuneration of specified Directors and other Key Management Personnel

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

	2012 \$	2011 \$
Short term	6,206,195	5,840,988
Long term	212,570	108,380
Post employment	223,042	231,216
Termination benefits	1,026,155	532,698
Share based payments	1,256,790	1,083,737
	8,924,752	7,797,019

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 32. Key Management Personnel (continued)

(c) Option holdings of Directors and other Key Management Personnel

(Number)	Balance at beginning of period	Options exercised	Options granted	Options lapsed / forfeited	Balance at end of period	Vested and exercisable at end of period
2012						
M De Wit	30,000	-	-	(30,000)	-	-
V Erasmus	150,000	-	-	(150,000)	-	-
S McClure	22,500	-	-	(22,500)	-	-
S Hughes	15,000	-	-	(15,000)	-	-
Total	217,500	-	-	(217,500)	-	-
2011						
M De Wit	40,000	-	-	(10,000)	30,000	30,000
V Erasmus	150,000	-	-	-	150,000	75,000
S McClure	22,500	-	-	-	22,500	12,500
S Hughes	15,000	-	-	-	15,000	-
Total	227,500	-	-	(10,000)	217,500	117,500

As at balance date there are \$nil options (2011: \$nil) which have vested but are unexercisable.

(d) Retention Rights of Directors and other Key Management Personnel

(Number)	Balance at beginning of period	Rights exercised	Rights granted	Rights lapsed / forfeited	Balance at end of period	Vested at end of period
2012						
M Hosking	1,518,839	-	555,746	-	2,074,585	-
S McClure	490,702	-	179,549	(670,251)	-	-
S Hughes	560,802	-	205,199	-	766,001	-
A Dage	889,077	-	325,314	-	1,214,391	-
Total	3,459,420	-	1,265,808	(670,251)	4,054,977	-
2011						
M Hosking	-	-	1,518,839	-	1,518,839	-
S McClure	-	-	490,702	-	490,702	-
S Hughes	-	-	560,802	-	560,802	-
A Dage	-	-	889,077	-	889,077	-
R Tanti	-	-	390,171	(390,171)	-	-
Total	-	-	3,849,591	(390,171)	3,459,420	-

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 32. Key Management Personnel (continued)

(e) Long Term Incentive Rights held by Directors and other Key Management Personnel

(Number)	Balance at beginning of period	Rights exercised	Rights granted	Rights lapsed / forfeited	Balance at end of period	Vested at end of period
2012						
MG Jackman	2,570,425	-	-	(285,603)	2,284,822	-
M Hosking	696,325	-	700,000	-	1,396,325	-
S McClure	352,809	-	350,000	(702,809)	-	-
S Hughes	467,559	-	450,000	(917,559)	-	-
A Dage	603,482	-	600,000	-	1,203,482	-
Total	4,690,600	-	2,100,000	(1,905,971)	4,884,629	-

2011

MG Jackman	2,570,425	-	-	-	2,570,425	-
M Hosking	-	-	696,325	-	696,325	-
S McClure	-	-	352,809	-	352,809	-
S Hughes	-	-	467,559	-	467,559	-
A Dage	-	-	603,482	-	603,482	-
Total	2,570,425	-	2,120,175	-	4,690,600	-

(f) Shareholdings of Directors and other Key Management Personnel

(Ordinary shares)	Balance at beginning of period	On exercise of options	Granted as remuneration	Net change other	Balance at end of period*
2012					
JC Ballard	250,000	-	-	750,000	1,000,000
MG Jackman	107,168	-	-	81,508	188,676
MC Allison	-	-	-	100,000	100,000
RG Grigg*	16,490	-	-	45,200	61,690
IG MacDonald	52,668	-	-	-	52,668
JH Ranck	128,334	-	-	301,666	430,000
JM Rozman	-	-	-	20,000	20,000
RH Wylie*	6,000	-	-	-	6,000
M De Wit	18,537	-	-	-	18,537
V Erasmus*	1,998	-	-	-	1,998
S McClure*	7,697	-	-	-	7,697
S Hughes*	17,087	-	-	-	17,087
A Dage	90,000	-	-	-	90,000
D Goodfellow	173,356	-	-	-	173,356
Total	869,335	-	-	1,298,374	2,167,709

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 32. Key Management Personnel (continued)

(f) Shareholdings of Directors and other Key Management Personnel (continued)

(Ordinary shares) 2011	Balance at beginning of period	On exercise of options	Granted as remuneration	Net change other	Balance at end of period*
JC Ballard	250,000	-	-	-	250,000
MG Jackman	107,168	-	-	-	107,168
CE Bright*	21,479	-	-	-	21,479
RG Grigg	16,490	-	-	-	16,490
IG MacDonald	52,668	-	-	-	52,668
JH Ranck	128,334	-	-	-	128,334
RH Wylie	6,000	-	-	-	6,000
M De Wit	18,537	-	-	-	18,537
V Erasmus	1,998	-	-	-	1,998
S McClure	7,697	-	-	-	7,697
S Hughes	17,087	-	-	-	17,087
A Dage	90,000	-	-	-	90,000
Total	717,458	-	-	-	717,458
(Hybrid equity)					
2012					
MG Jackman	1,000	-	-	-	1,000
2011					
MG Jackman	1,000	-	-	-	1,000

* Balance at period end represents balance at date of cessation of services.

All equity transactions with directors and key executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arms length.

(g) Loans to and transactions with Directors and other Key Management Personnel

As at 30 September 2012, a loan balance of \$nil (2011: \$7,000) was owing by V Erasmus.

During the 2011 and 2012 financial years, JC Ballard purchased immaterial amounts of livestock and merchandise products from the Group, and sold immaterial amounts of livestock to the Group. All transaction between Directors and Key Management Personnel are made at arm's length.

Other than those disclosed above, no other loans were granted to, and no other transactions were entered into, with Directors and other Key Management Personnel in either the 2011 or 2012 financial years.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 33. Share Based Payment Plans

(a) Employee Option Ownership Scheme

The parent entity issues from time to time options over ordinary shares to senior employees of the Group. These options are issued at the sole discretion of the Directors as part of employees' remuneration packages. The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued, during the year:

	2012	2012	2011	2011
	No. ('000)	WAEP \$	No. ('000)	WAEP \$
Outstanding at the beginning of the year	953	18.79	1,380	19.27
Lapsed during the year	(838)	19.30	(427)	20.34
Outstanding at the end of the year	115	15.11	953	18.79

The range of exercise prices for options outstanding at the end of the year was \$13.70 - \$25.40. The weighted average remaining contractual life for the share options outstanding as at 30 September 2012 is 0.65 years (2011: 1.08 years).

(b) Retention Plan (General)

The parent entity issues from time to time rights over ordinary shares to senior employees of the Group. The rights are issued at the sole discretion of the Directors as part of the employee's remuneration packages.

The Plan is designed to retain the services of certain key employees during the period of Company "turn-around". The Plan recognises that Australian economic conditions are generally good and quality employees have alternative employment options. It is important for Elders to preserve its senior management team to ensure successful execution of its business strategies.

This scheme provides for the issue of service rights to selected executives in 3 tranches in August 2010, August 2011 and August 2012 for vesting on 1 August 2013. Shares will automatically issue on the vesting date assuming continued employment (or earlier termination of employment for a reason other than resignation or dismissal for poor performance or misconduct) and may vest earlier in the case of takeover.

As there are no vesting conditions other than continued employment, the fair value of the rights is equal to the share price on the day of issue, less any expected future dividends between the issue date and the vesting date. As at 30 September 2012 6,572,589 rights were outstanding, all with a maturity date of 1 August 2013. An expense of \$1.7 million was recognised in profit and loss during the year in relation to the issue of service rights.

(c) Elders Long Term Incentive Rights Plans

The parent entity issues from time to time rights over ordinary shares to senior employees of the Group. The rights are issued at the sole discretion of the Directors as part of the employee's remuneration packages. Each right will convert to one ordinary share automatically on the vesting date assuming satisfaction of certain performance conditions as determined by the Board at the time of grant, continued employment (or earlier termination of employment for reason other than resignation or dismissal for poor performance or misconduct), and may vest earlier in the event of a takeover.

(i) CEO Long Term Incentive Plan

As at 30 September 2012 2,284,822 CEO rights were outstanding, with maturity dates between 10 November 2012 and 10 November 2015. An expense of \$0.1 million was recognised in profit and loss during the year in relation to the rights issue.

(ii) Executive Long Term Incentive Plan

As at 30 September 2012 7,409,031 executive rights were outstanding, with maturity dates between 10 November 2012 and 10 November 2015. An expense of \$0.4 million was recognised in profit and loss during the year in relation to the rights issue.

The fair value of the equity settled share rights was measured using the Monte Carlo simulation model, taking into account the terms and conditions upon which the instruments were granted.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 33. Share Based Payment Plans (continued)

(d) Employee Share Plan (ESP)

Shareholders approved the implementation of an ESP at a general meeting in November 1989 and October 1998. Within the ESP, two schemes exist. The general terms and conditions of these schemes comprise:

- (i) General Employee Scheme under which permanent employees may acquire shares in the parent company with a market value ranging from \$3,000 to \$17,500 per year per employee; and
- (ii) Incentive Scheme under which selected employees will be eligible to acquire shares in the parent company on such terms as the Directors decide are appropriate in the circumstances of the employee.

During the financial year no ordinary shares (2011: nil) in the parent company were transferred to eligible employees for nil consideration under the Incentive Scheme.

Shares are issued to eligible employees by way of an interest free loan and are subject to holding restrictions, which prevent the employee dealing in the shares until the restriction period has expired. All shares issued under the plan rank equally with other shares of their class and participants enjoy all rights attaching to that class of shares. Any loan is repayable from dividends and the proceeds of sale of shares issued under the plan but is otherwise non-recourse to the employee, the shares being held by the Trustee as security for repayment of loan. This plan is accounted for and valued as an option plan, with the contractual life of each option equivalent to the estimated loan life.

The ESP was suspended in 2009 and no new shares have since been issued.

Note 34. Related Party Disclosures

(a) Ultimate controlling entity

The ultimate controlling entity of the Group is Elders Limited.

(b) Transactions between Elders Limited (Parent Entity) and related parties in the wholly owned group

	2012 \$000	2011 \$000
<i>Transactions with related parties in the wholly owned group:</i>		
Intercompany loan movements	104,230	(865,741)
Interest recharged	1,357	34,322
Recharges – other	3,000	4,500
Impairment of intercompany loans	(532,674)	-
<i>Balances with related parties in the wholly owned group:</i>		
Owing to the Parent Entity	401,379	527,680
Owing from the Parent Entity	(686,866)	(389,080)
	(285,487)	138,600

Transactions with related parties in the wholly owned group are made in arms length transactions both at normal market prices and on normal commercial terms.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 34. Related Party Disclosures (continued)

(c) Transactions between controlled entities wholly owned and controlled entities not wholly owned

Details of entities not wholly owned are set out in note 31.

	2012 \$000	2011 \$000
<i>Transactions with controlled entities not wholly owned:</i>		
Intercompany loan movements	(14,067)	(14,946)
Dividends received	4,836	2,286
Amounts converted to loan balances upon consolidation	760	-
<i>Balances with controlled entities not wholly owned:</i>		
Owing to the Group	2,779	334
Owing from the Group	(11,809)	(893)
	(9,030)	(559)

Transactions with controlled entities not wholly owned are made in arms length transactions both at normal market prices and on normal commercial terms.

(d) Transactions between controlled entities and partly owned entities (associates and joint ventures)

Details of associates and joint ventures are set out in note 11.

<i>Transactions with partly owned entities:</i>		
Loan movements	(1,468)	(2,792)
Interest charged	1,524	1,747
Dividends received	9,028	7,427
Entity no longer partly owned	(4,502)	(7,932)
<i>Balances with partly owned entities:</i>		
Owing to the Group	18,462	23,356
Owing from the Group	(4,301)	(4,749)
	14,161	18,607

Loans made to partly owned entities are priced on an arms length basis. None of the balances are secured.

Transactions with partly owned entities are made in arms length transactions both at normal market prices and normal commercial terms.

Notes to the Consolidated Financial Statements

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Note 35. Earnings Per Share

	2012	2011
Weighted average number of ordinary shares ('000) used in calculating basic EPS	448,598	448,598
Dilutive share options ('000)	628,343	471,306
Adjusted weighted average number of ordinary shares used in calculating dilutive EPS ('000)	1,076,941	919,904

Hybrid notes have been included in the calculation of dilutive EPS, as they are believed to be dilutive when a statutory profit is made.

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

	2012	2011
	\$000	\$000
Reported operations		
<i>Basic</i>		
Net profit/(loss) attributable to members (after tax)	(60,600)	(395,350)
<i>Dilutive</i>		
Net profit/(loss) attributable to members (after tax)	(60,600)	(395,350)
<i>Reported operations earnings per share:</i>		
Basic earnings per share (cents per share)	(13.5)c	(88.1)c
Diluted earnings per share (cents per share)	(13.5)c	(88.1)c
Continuing operations		
<i>Basic</i>		
Net profit/(loss) attributable to members (after tax)	(60,600)	(395,350)
Less: Net loss/(profit) of discontinued operations (net of tax)	36,241	297,462
Net profit/(loss) of continuing operations (net of tax)	(24,359)	(97,888)
<i>Dilutive</i>		
Net profit/(loss) of continuing operations (net of tax)	(24,359)	(97,888)
<i>Continuing operations earnings per share:</i>		
Basic earnings per share (cents per share)	(5.4)c	(21.8)c
Diluted earnings per share (cents per share)	(5.4)c	(21.8)c
Discontinued operations		
Net profit/(loss) of discontinued operations (net of tax)	(36,241)	(297,462)
<i>Discontinued operations earnings per share:</i>		
Basic earnings per share (cents per share)	(8.1)c	(66.3)c
Diluted earnings per share (cents per share)	(8.1)c	(66.3)c

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 36. Financial Instruments

The Group's principle financial instruments comprise receivables, payables, loans, finance leases, cash and other short term deposits and derivatives.

Risk exposures and responses

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The group enters into derivative transactions, principally interest rate swap and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group 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

The Group's exposure to market interest rates relates primarily to the Groups short term and long term debt obligations. The level of debt is disclosed in note 17.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	2012 \$000	2011 \$000
<i>Financial assets</i>		
Cash and cash equivalents	91,969	81,614
Amounts receivable from associated entities	9,510	10,060
	101,479	91,674
<i>Financial liabilities</i>		
Secured loans	(263,533)	(424,596)
Unsecured loans	(1,555)	(1,828)
	(265,088)	(426,424)
Net exposure	(163,609)	(334,750)

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt. The Group 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.

To manage this, the Group enters into interest rate swaps, in which the group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. At 30 September 2012, 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	(1,636)	(3,348)
- 100 basis points	1,636	3,348

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 36. Financial Instruments (continued)

(b) Liquidity risk

Liquidity risk arises from the financial liabilities of the group and the group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and committed available lines of credit. The Group manages its liquidity risk by monitoring the total cash inflows and outflows expected in a weekly basis. Elders Limited has established comprehensive risk reporting covering its business units that reflect expectations of management of the expected settlement of financial assets and liabilities.

A. 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 2012. 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 the Group can be required to pay. When the Group is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the Group is required to pay. For financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows of non-derivative financial instruments.

	Carrying amount \$000	Contractual cash flows \$000	6 months or less \$000	6-12 months \$000	1-5 years \$000	> 5 years \$000
2012						
<i>Non derivative financial assets:</i>						
Cash and cash equivalents	91,969	91,969	91,969	-	-	-
Trade and other receivables	531,157	533,362	513,435	281	19,646	-
	623,126	625,331	605,404	281	19,646	-
<i>Non derivative financial liabilities:</i>						
Secured loans	(383,533)	(402,239)	(312,691)	(3,582)	(85,966)	-
Unsecured loans	(1,555)	(1,867)	(78)	(78)	(1,711)	-
Finance leases	(741)	(840)	(247)	(248)	(345)	-
Trade and other payables	(388,019)	(388,019)	(386,606)	-	(1,413)	-
Financial guarantees	-	(35,520)	(35,520)	-	-	-
	(773,848)	(828,485)	(735,142)	(3,908)	(89,435)	-
Net inflow/(outflow)	(150,722)	(203,154)	(129,738)	(3,627)	(69,789)	-
2011						
<i>Non derivative financial assets:</i>						
Cash and cash equivalents	81,614	81,614	81,614	-	-	-
Trade and other receivables	580,877	587,719	566,189	1,924	19,606	-
	662,491	669,333	647,803	1,924	19,606	-
<i>Non derivative financial liabilities:</i>						
Secured loans	(424,596)	(473,514)	(173,513)	(52,007)	(247,994)	-
Unsecured loans	(1,828)	(2,216)	-	-	(2,216)	-
Finance leases	(640)	(721)	(199)	(198)	(324)	-
Trade and other payables	(436,499)	(436,499)	(433,916)	-	(2,583)	-
Financial guarantees	-	(19,241)	(19,241)	-	-	-
	(863,563)	(932,191)	(626,869)	(52,205)	(253,117)	-
Net inflow/(outflow)	(201,072)	(262,858)	20,934	(50,281)	(233,511)	-

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 36. Financial Instruments (continued)

(b) Liquidity risk (continued)

B. Derivative financial instruments

Due to the unique characteristics and inherent risks to derivative instruments, the Group (through the Group Treasury Function) separately monitors liquidity risk arising from transacting in derivative instruments.

The table below details the liquidity risk arising from derivative financial liabilities held by the group at balance date. Net settled derivative liabilities comprise forward commodity contracts that are used as economic hedges of commodity purchases and forward exchange and interest rate hedges that are used to hedge future principle and interest repayments of interest bearing loans and borrowings.

	Carrying amount \$000	Contractual cash flows \$000	6 months or less \$000	6-12 months \$000	1-5 years \$000	> 5 years \$000
2012						
Derivative assets – net settled	1,593	1,593	1,593	-	-	-
Derivative liabilities – net settled	(2,010)	(2,010)	(2,010)	-	-	-
Total inflow/(outflow)	(417)	(417)	(417)	-	-	-
2011						
Derivative assets – net settled	664	664	664	-	-	-
Derivative liabilities – net settled	(6,916)	(6,916)	(6,916)	-	-	-
Total inflow/(outflow)	(6,252)	(6,252)	(6,252)	-	-	-

(c) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, and derivative instruments. The Group's exposures to credit risk arise from potential default of the counterparty, with the maximum exposure equal to the carrying amount of the financial assets.

The ageing of the Groups' 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.

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

	2012 \$000	2011 \$000
Cash and cash equivalents	91,969	81,614
Trade and other receivables	531,157	580,877
Derivative financial assets	1,593	664
	624,719	663,155
<i>Location of credit risk</i>		
Australia	459,436	494,207
New Zealand	43,096	47,629
Asia (excluding China)	12,891	8,553
China	11,566	25,326
Europe	352	1,130
North America	2,511	1,765
Other	1,305	2,267
Total gross receivables	531,157	580,877

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 36. Financial Instruments (continued)

(c) Credit risk (continued)

	2012 \$000	2011 \$000
<i>Industry classification</i>		
Rural	416,692	476,891
Forestry	13,401	16,058
Automotive	87,139	67,193
Investment and other	13,925	20,735
Total gross receivables	531,157	580,877

(d) Foreign currency risk

The Group is exposed to movements in the exchange rates of a number of currencies, in the ordinary course of business operations. The predominant exposure is to movements in the AUD/USD, AUD/NZD, AUD/CNY and AUD/EUR exchange rates. These are primarily generated from the following activities:

- Purchase and sale contracts written in foreign currency, or priced in AUD but determined from a foreign currency value at a future date;
- Receivables and payables denominated in foreign currencies;
- Commodity cash prices that are partially determined by movements in exchange rates;
- Costs of sale such as transportation and commission denominated in foreign currency; and
- Funding raised in foreign currency.

Foreign exchange risk is managed within Board approved limits using forward foreign exchange and foreign currency option contracts. Where possible, exposures are netted off against each other to minimise the cost of hedging.

In managing foreign exchange risk, hedge accounting will be applied for financial reporting purposes for selected exposures based upon the size and duration of the exposure. Where hedge accounting is not applied, foreign currency contracts are fair valued at balance date with gains and losses recognised immediately through the statement of comprehensive income.

At 30 September 2012, the Group had the following AUD exposures to foreign currencies that were not designated in cash flow hedges:

<i>Financial assets</i>		
Cash and cash equivalents – EUR	8,242	5,594
Cash and cash equivalents – USD	17,185	3,906
Cash and cash equivalents – NZD	9,361	5,101
Cash and cash equivalents – CNY	9,943	1,747
Cash and cash equivalents – Other	9,090	5,746
Receivables – EUR	454	1,701
Receivables – USD	6,156	21,334
Receivables – NZD	39,239	50,821
Receivables – CNY	11,454	3,173
Receivables – ZAR	1,330	1,444
Receivables – Other	12,528	8,752
	124,982	109,319
<i>Financial liabilities</i>		
Payables – EUR	(4,319)	(8,445)
Payables – USD	(8,657)	(5,293)
Payables – NZD	(19,867)	(24,489)
Payables – CNY	(24,428)	(1,478)
Payables – ZAR	(5,297)	(2,531)
Payables – Other	(16,024)	(6,587)
Interest bearing loans and borrowings – NZD	(4,172)	(10,642)
Interest bearing loans and borrowings – CNY	-	(1,320)
Interest bearing loans and borrowings – ZAR	(221)	(945)
Interest bearing loans and borrowings – other	(230)	-
	(83,215)	(61,730)
Net exposure	41,767	47,589

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 36. Financial Instruments (continued)

(d) Foreign currency risk (continued)

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

	Post Tax Profit/Equity Higher/(Lower)	
	2012 \$000	2011 \$000
EUR	(438)	115
USD	(1,468)	(1,995)
NZD	(2,456)	(2,079)
CNY	303	(212)
ZAR	419	203
Other	(536)	(791)

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.

(e) Fair value of financial assets and liabilities

The Group uses 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.

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

	2012			2011		
	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique – non market observable inputs (Level 3)	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique – non market observable inputs (Level 3)
	\$000	\$000	\$000	\$000	\$000	\$000
<i>Financial assets</i>						
Derivatives	-	1,593	-	-	664	-
<i>Financial liabilities</i>						
Derivatives	-	(2,010)	-	-	(6,916)	-
	-	(417)	-	-	(6,252)	-

Quoted market prices represent the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs.

For financial instruments not quoted in active markets, the group uses valuation techniques such as present value technologies, comparison to similar instruments for which active market observable prices exist and other relevant models used by market participants.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 37. Business Combinations – Changes in the Composition of the Entity

(a) Controlled entities acquired

The Group holds a 70% interest in Futuris Automotive Interiors (Anhui) Company Ltd, which in prior reporting periods was considered to be a jointly controlled entity due to the control provided in the shareholders' agreement to the minority parties. As at 1 October 2011 it was determined that the relationship between the Group and the minority shareholders had changed to an extent that it was appropriate to account for the investment as a controlled entity rather than as a jointly controlled entity. The business combination resulted in the recognition of \$10.8 million of goodwill. During the 2012 financial year the Anhui entity contributed \$29.5 million of sales revenue and \$1.4 million of profit before tax to the Group's continuing results.

	Date Control Acquired	2012 \$000
	1 Oct 2011	
Fair value of initial investment		15,984
Non-controlling interest - share of fair value of net assets		2,216
Total consideration		18,200
Fair value of identifiable net assets acquired (see below)		7,386
Goodwill on acquisition		10,814

The aggregate amounts of assets and liabilities acquired by major class:

	Acquiree's carrying amount \$000	Fair value \$000
Cash and cash equivalents	1,791	1,791
Trade and other receivables	7,439	7,439
Inventories	1,376	1,376
Property, plant and equipment	6,733	6,733
Intangibles	938	938
Other assets	8,001	1,297
Trade and other payables	(11,928)	(11,928)
Provisions	(260)	(260)
Net identifiable assets acquired	14,090	7,386
Outflow of cash to acquire the entities, net of cash acquired:		
Cash balance acquired		1,791
Net Inflow/(outflow) of cash		1,791

Prior Period acquisitions

During the prior period there were immaterial business combinations that resulted in \$1.8 million of goodwill being recognised.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 37. Business Combinations – Changes in the Composition of the Entity (continued)

(b) Controlled entities disposed

The Group disposed of Plantation Pulpwood Terminals Pty Ltd on 18 July 2012 to a fund managed by Global Forest Partners.

	2012 \$000	2011 \$000
<i>Proceeds received on disposal of assets/shares:</i>		
Cash	28,168	-
<i>The carrying amounts of assets and liabilities disposed of by major class are:</i>		
Property, plant and equipment	18,666	-
Tax assets and liabilities	(1,010)	-
Provisions	(117)	-
Net assets/(liabilities) of entity sold	17,539	-
Total profit/(loss) on disposal of controlled entities	10,629	-

Prior period disposals

There were no controlled entities disposed of in prior period.

Note 38. Discontinued Operations

Financial period 30 September 2012

The Group's investment in Seed Technology and Marketing Pty Ltd ('Seedmark'), which forms part of the Rural Services segment, was disposed of during the period.

As required by AASB 5 Non-current Assets Held for Sale and Discontinued Operations the 2011 comparative discontinued operations disclosed below have been re-presented to show the effects of this classification.

Financial period 30 September 2011

Operations within the Group's Forestry division, the Torrens, Wool Processing, New Zealand Real Estate, and the Group's investments in Rural Bank Limited, Elders Toepfer Grain Pty Ltd ('ETG') and ELF Pty Ltd (Hi-Fert), were classified as discontinued operations, or were disposed of during the period ended 30 September 2011 and reported as discontinued operations.

The Group's Forestry division continues to be classified as discontinued operations in the current financial year.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 38. Discontinued Operations (continued)

	Continuing 2012 \$000	Discontinued 2012 \$000	Total 2012 \$000	Continuing 2011 \$000	Discontinued 2011 \$000	Total 2011 \$000
Sales revenue	2,157,947	14,611	2,172,558	2,263,116	95,563	2,358,679
Cost of sales	(1,724,359)	(19,922)	(1,744,281)	(1,816,539)	(82,067)	(1,898,606)
Other revenues	34,033	1,127	35,160	20,912	16,191	37,103
Other expenses	(522,854)	(57,224)	(580,078)	(525,783)	(366,080)	(891,863)
Share of profit of associates and joint ventures	8,266	(494)	7,772	12,046	(8,882)	3,164
Profit/(loss) on sale of non current assets	179	26,956	27,135	(3,936)	6,472	2,536
Profit/(loss) before net borrowing costs and tax expense	(46,788)	(34,946)	(81,734)	(50,184)	(338,803)	(388,987)
Interest revenue	31,767	286	32,053	21,792	292	22,084
Finance costs	(38,961)	(1,581)	(40,542)	(77,388)	(333)	(77,721)
Profit/(loss) before tax expense	(53,982)	(36,241)	(90,223)	(105,780)	(338,844)	(444,624)
Income tax benefit/(expense)	32,850	-	32,850	12,074	41,382	53,456
Net profit/(loss) for year	(21,132)	(36,241)	(57,373)	(93,706)	(297,462)	(391,168)
Net profit/(loss) attributable to non-controlling interest	3,227	-	3,227	4,182	-	4,182
Net profit/(loss) attributable to members of the parent entity	(24,359)	(36,241)	(60,600)	(97,888)	(297,462)	(395,350)
Revenue and expenses						
<i>Sales revenue:</i>						
Sale of goods and biological assets	1,938,260	11,656	1,949,916	2,022,859	75,637	2,098,496
Commission and other selling charges	190,540	1,658	192,198	209,569	2,100	211,669
Other sales related income	29,147	1,297	30,444	30,688	17,826	48,514
	2,157,947	14,611	2,172,558	2,263,116	95,563	2,358,679
<i>Other expenses:</i>						
Distribution expenses	263,170	-	263,170	263,829	9,423	273,252
Marketing expenses	9,446	388	9,834	7,960	818	8,778
Occupancy expenses	36,397	945	37,342	36,999	980	37,979
Administrative expenses	131,544	10,408	141,952	130,088	18,699	148,787
Forestry fair value adjustments	36,025	44,050	80,075	54,727	325,583	380,310
Write down of assets to be divested or discontinued	-	1,433	1,433	-	10,577	10,577
Impairment of assets retained	21,794	-	21,794	7,252	-	7,252
Restructuring, redundancy and other writeoffs	22,549	-	22,549	18,253	-	18,253
Change in fair value of financial and other assets	1,929	-	1,929	6,675	-	6,675
	522,854	57,224	580,078	525,783	366,080	891,863
<i>Profit/(loss) on sale of non current assets</i>						
Non current assets held for sale	-	16,620	16,620	-	588	588
Equity accounted investments	-	(293)	(293)	-	12,667	12,667
Property, plant and equipment	179	-	179	(403)	500	97
Investment property	-	-	-	-	(7,283)	(7,283)
Intangibles	-	-	-	(3,533)	-	(3,533)
Controlled entities	-	10,629	10,629	-	-	-
	179	26,956	27,135	(3,936)	6,472	2,536

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 38. Discontinued Operations (continued)

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

	2012 \$000	2011 \$000
Operating activities	(55,937)	(23,476)
Investing activities	107,013	24,035
Financing activities	(44,783)	5,157
Net cash inflow / (outflow)	6,293	5,716

(a) Assets and liabilities – held for sale operations

Forestry assets ⁽ⁱ⁾		
Receivables	12,260	44,031
Investments in associates and joint ventures	1,726	1,726
Property, plant and equipment	340	21,030
Investment property	52,637	114,561
	66,963	181,348
Other ⁽ⁱⁱ⁾	4,511	4,511
Fair value less costs to sell at the end of the period	71,474	185,859

(i) Forestry assets

As announced by the Company on 3 October 2011, the Board of Directors have resolved that all operations of the Group's Forestry division would be held for sale, effective 30 September 2011. It is considered that shareholder value is better served by withdrawal from the Forestry sector to release and redirect capital to debt reduction and reinvestment in other operations.

The Forestry division comprises a number of separate disposal groups. The remaining disposal groups are Pulpwood Esperance, Sandalwood, Red Mahogany, Teak, Central Queensland land, the investment in Smartfibre and the Grower loan book. The major classes of assets within the disposal groups are receivables, accrued income and investment properties. There may be factors beyond the Group's control that impact the timing of the ultimate sale of these disposal groups however at present it is expected all disposal groups will be sold within twelve months.

Liabilities have also been recognised as a result of classifying the Forestry division as held for sale. Where it is expected that these liabilities will be settled and not sold to third parties they have been treated as part of continuing operations as they do not meet the accounting standard requirements of held for sale.

All disposal groups are reported in the Forestry segment as detailed in note 28 of the financial report.

During the 12 months ended 30 September 2012, the Group received proceeds of \$101.4 million from asset and controlled entity disposals which had a carrying amount of \$74.2 million. The Group also recognised fair value losses of \$43.4 million to revalue remaining assets to the lower of their carrying value or fair value less costs to sell. In addition, further provisions of \$37.1 million for onerous leases and other obligations have been raised during the period.

(ii) Other assets

The Group's investments in Seafood Delicacies Ltd is held for sale and has been classified in the statement of financial position as a 'Non current assets held for sale' totalling \$4.5 million.

Notes to the Consolidated Financial Statements

For the Year ended 30 September 2012

Note 39. Parent Entity

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

	2012 \$000	2011 \$000
<i>Results:</i>		
Net profit/(loss) for the period after income tax expense	(509,986)	(679,561)
Total comprehensive income/(loss)	(509,986)	(679,561)
<i>Financial position:</i>		
Current assets	402,763	529,242
Non current assets	354,077	568,732
Total assets	756,840	1,097,974
Current liabilities	555,777	373,506
Total liabilities	555,777	373,506
Net assets	201,063	724,468
Issued capital	1,270,323	1,271,493
Hybrid equity	145,151	145,151
Retained earnings	(1,212,620)	(700,527)
Employee equity reserve	399	11,345
Reserved shares reserve	(2,190)	(2,994)
Total equity	201,063	724,468

Guarantees

As disclosed in note 31, 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 company's 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 and commitments under unsecured notes.

Note 40. Subsequent Events

The Group announced on 29 October 2012 that it would commence a process to sell its Rural Services business. This is in addition to the withdrawal from the Forestry sector announced in 2011 and the intended sale of Futuris Automotive announced on 15 August 2012.

As a result of these announcements, and as set out in Note 2(a), the group is presently renegotiating its finance facilities so as to provide sufficient funding through to the sale of these assets. At the date of this report, the Group has received an in principle funding agreement from its financiers, subject to credit approvals, which provides for the continuation of funding and the provision of incremental facilities through to anticipated sale dates. As a result it is expected that finance facilities will now be timed to mature in line with the Forestry, Futuris Automotive and Rural Services divestments planned before 30 June 2013, inclusive of \$81.0 million of debt recorded as non-current at 30 September 2012.

Should divestment transactions proceed for the sale of the remainder of Forestry operations, Futuris Automotive and Elders Rural Services, this will significantly affect the state of affairs of the Group. As the Directors do not know what form or quantum any sales transaction will take, the Directors are unable at the date of this report to assess the impact of the divestments proposed on the affairs of the Group.

There is no other matter or circumstance that has arisen since 30 September 2012 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 the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Directors' Declaration

In accordance with a resolution of the Directors of Elders Limited, I state that:

1. In the opinion of the Directors:
 - (a) the financial statements and notes of Elders Limited for the financial year ended 30 September 2012 are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of its financial position as at 30 September 2012 and of its performance for the year ended on that date; and
 - (ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001
 - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b)
 - (c) subject to the material uncertainties set out in note 2(a), 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 2012.
3. In the opinion of the Directors, as at the date of this declaration but subject to the material uncertainties set out in note 2(a), there are reasonable grounds to believe that the members of the Closed Group identified in note 31 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the deed of cross guarantee.

On behalf of the Board



J C Ballard
Chairman



M G Jackman
Director

Adelaide
19 November 2012

Independent auditor's report to the members of Elders Limited

Report on the financial report

We have audited the accompanying financial report of Elders Limited, which comprises the consolidated statement of financial position as at 30 September 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2b, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

- a. the financial report of Elders Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 September 2012 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

Material Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to Note 2(a) within the financial report. Note 2(a) discloses the reliance on the ability of Elders Limited to obtain continued financing in order to meet its funding requirements and the reliance on the achievement, timing and quantum of proceeds received from the sale of assets to meet debt repayment obligations. Given the matters set out above and other matters set out in Note 2(a), there is material uncertainty over whether Elders Limited will continue as a going concern and meet its obligations as and when they fall due. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Material Uncertainty Regarding Carrying Values of Assets

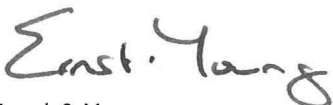
Further, we draw attention to the accounting policy note at Note 3 which discloses that assets have been tested for impairment using the higher of value in use and fair value less cost to sell. Further, Notes 3 and 5 set out the key judgements being applied in assessing the recoverable amount of deferred tax assets. Following the announced divestment of the three core divisions of Elders Limited, there is material uncertainty the ultimate realisable values will recover the amounts reflected in the financial statements, including deferred tax assets.

Report on the remuneration report

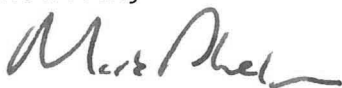
We have audited the Remuneration Report included in pages 38 to 55 (excluding table 1) of the directors' report for the year ended 30 September 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Elders Limited for the year ended 30 September 2012 complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Mark Phelps
Partner
Adelaide
19 November 2012

ASX Additional Information

(a) Distribution of Equity Securities as at 31 October 2012

	No of Shares	No. of Holders	No. of Hybrids	No. of Holders
1 – 1,000	4,948,214	17,959	513,131	1,966
1,001 – 5,000	18,055,172	6,815	284,775	136
5,001 – 10,000	21,810,468	2,812	110,234	15
10,001 – 100,000	119,439,686	4,479	408,883	16
100,001 – maximum	284,344,940	372	182,977	1
	448,598,480	32,437	1,500,000	2,134

	Ordinary Shares	Hybrids
The number of holders holding less than a marketable parcel	22,572	9

(b) Voting rights

- (i) Ordinary Shares: all ordinary shares carry one vote per share without restriction.
(ii) Elders Hybrids: Hybrids do not carry any voting rights under the Company's Constitution.

(c) Stock Exchange quotation

The Company's ordinary shares and Elders Hybrids are listed on the Australian Securities Exchange. The Home Exchange is Melbourne.

(d) Twenty Largest Shareholders as at 31 October 2012

The twenty largest holders of Elders Ordinary Shares were as follows:	No. of Shares	% of Shares
Ruralco Holdings Limited <Ruralco Holdings Limited A/C>	54,029,638	12.04
Citicorp Nominees Pty Limited	51,605,498	11.50
Australian Food & Agriculture Company Limited	18,266,713	4.07
HSBC Custody Nominees (Australia) Limited	12,818,282	2.86
HSBC Custody Nominees (Australia) Limited - A/C 2	11,671,223	2.60
National Nominees Limited	9,211,089	2.05
J P Morgan Nominees Australia Limited	6,315,266	1.41
Comsec Nominees Pty Limited	3,495,173	0.78
Pacific Agrifoods Investments Pty Ltd	3,354,557	0.75
Heytesbury Pty Ltd	2,833,055	0.63
J P Morgan Nominees Australia Limited <Cash Income A/C>	2,666,979	0.59
Hishenk Pty Ltd	2,500,000	0.56
Netherhill Pty Ltd	2,000,000	0.45
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	1,812,043	0.40
Mr Rodney George Trustum	1,600,000	0.36
M F Custodians Ltd	1,591,270	0.35
Mr Kevin David Pfeiffer	1,500,330	0.33
Hyecorp Property Fund No 1 Pty Ltd	1,300,000	0.29
Buttonwood Nominees Pty Ltd	1,203,075	0.27
Ocean View Nominees Pty Ltd <The PT Lionetti Family A/C>	1,150,000	0.26
Total	190,924,191	42.56

Total held by twenty largest ordinary shareholders as a percentage of this class is 42.56%

The twenty largest holders of Elders Hybrids were as follows:	No. of Hybrids	% of Hybrids
J P Morgan Nominees Australia Limited <Cash Income A/C>	182,977	12.20
Ayersland Pty Ltd	51,506	3.43
The Australian National University	50,000	3.33
Sandhurst Trustees Ltd <JMFG Consol A/C>	48,619	3.24
BNP Paribas Noms Pty Ltd <Master Cust Drp>	37,416	2.49
M F Custodians Ltd	27,808	1.85
Brazil Farming Pty Ltd	26,000	1.73
Gwynvill Trading Pty Limited	25,711	1.71
National Nominees Limited	22,376	1.49
Masfen Securities Limited	19,827	1.32
Luton Pty Ltd	19,000	1.27
HSBC Custody Nominees (Australia) Limited	15,589	1.04
Ayersland Pty Ltd	15,000	1.00
J P Morgan Nominees Australia Limited	14,256	0.95
RBC Investor Service Australia Nominees Pty Limited <GSENI A/C>	13,952	0.93
OPITO Investments Pty Ltd	11,000	0.73
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	10,823	0.72
Di Iulio Homes Pty Limited <Di Iulio Super Fund A/C>	10,000	0.67
Mr Guthrie John Williamson	10,000	0.67
Citicorp Nominees Pty Limited	9,442	0.63
Total	621,302	41.42

Total held by twenty largest hybrid holders as a percentage of this class is 41.42%

(e) The number of shares held by the substantial shareholders listed on the Company's register of substantial shareholders as at 31 October 2012 were:

Shareholder	Number of shares
Ruralco Holdings Limited	54,029,638
QBE Insurance Group Limited	45,882,132

Shareholder Information

Share Registry

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street,
Adelaide, South Australia, 5000
Telephone: 1300 55 61 61
Facsimile: +61 (0)8 8236 2305
Website: www.computershare.com.au

Enquiries and share registry address

Shareholders with enquiries about their shareholdings should contact the Company's share registry, Computershare Investor Services Pty Ltd, on telephone: 1300 55 61 61.

Online shareholder information

Shareholders can obtain information about their holdings or view their account instructions online, as well as download forms to update their holder details. For identification and security purposes, you will need to know your Holder Identification 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 Computershare website.

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 Computershare. A notification form is available from either the Company's or Computershare's website.

Change of address

Shareholders who have changed their address should advise Computershare in writing. Written notification can be mailed or faxed to Computershare at the address given above and must include both old and new addresses and the security holder reference number (SRN) of the holding.

Change of address forms are available for download from either the Company's or Computershare's website. Alternatively, holders can amend their details on-line via Computershare'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 Computershare 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. Report election forms can be downloaded from either the Company's or Computershare's website.

Forms for download

All forms relating to amendment of holding details and holder instructions to the Company are available for download from either the Company's or Computershare's website.

Investor information

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

- Website: www.elderslimited.com
- E-news: Shareholders can nominate to receive company information electronically. This service is hosted by Computershare and holders can register via the Investor Centre on the Company's website or direct via Computershare'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 Open Briefings. All publications can be obtained either through the Company's website or by contacting the Company.

Company Directory

Directors

Mr John C Ballard MBA, FAICD, Chairman
Mr Malcolm G Jackman BSc Bcom, Managing Director
Mr Mark C Allison, BAgrSC, BEcon, GDM, FAICD
Mr Ian G MacDonald SF, Fin
Mr James H Ranck BS Econ FAICD
Ms Josephine M Rozman BEc, CA, GAICD

Secretary

Mr Peter G Hastings BA LLB GDLP

Registered Office

Level 3, 27 Currie Street
Adelaide, South Australia, 5000
Telephone: (08) 8425 4999
Facsimile: (08) 8410 1597
Email: information@elders.com.au
Website: www.elderslimited.com

Share Registry

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide, South Australia, 5000
Telephone: 1300 55 61 61
Facsimile: +61 (0)8 8236 2305
Website: www.computershare.com.au

Auditors

Ernst & Young

Bankers

Australia & New Zealand Banking Group
Commonwealth Bank of Australia
National Australia Bank
Rural Bank Limited
Coöperative Centrale Raiffeisen – Boerenleenbank
(Rabobank Australia)

Stock Exchange Listings

Elders Limited ordinary shares and subordinated convertible unsecured notes (Elders Hybrids) are listed on the Australian Securities Exchange under the ticker codes “ELD” and “ELDPA”

Trustee for Elders Hybrids

The Trust Company (Australia) Limited (formerly known as Permanent Trustee Company Limited)
Level 3, 530 Collins Street
Melbourne, Victoria, 3000



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