

Monday 15 May 2023

Appendix 4D and Financial Statements for the Financial Period Ended 31 March 2023

Elders Limited (**ASX:ELD**) today reports its results for the half-year ended 31 March 2023.

Attached are the Appendix 4D (Results for Announcement to the market), Directors' Report and Financial Statements for the 6-month period ended 31 March 2023, which should be read in conjunction with the 2022 Annual Financial Report.

Further Information:

Mark Allison, Managing Director and Chief Executive Officer, 0439 030 905

Authorised by:

Peter Hastings, Company Secretary

FOR AUSTRALIAN AGRICULTURE



**2023 Elders
Half Year Report**

Elders Limited ABN 34 004 336 636

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Appendix 4D (Rule 4.2) Results for Announcement to the Market for the Half Year ended 31 March 2023

Attached is the report for the half year ended 31 March 2023. The consolidated profit after tax attributable to parent entity members was \$48.8 million (2022: \$91.2 million).

Additional Appendix 4D disclosure requirements and further details on the results and operations are included in the 31 March 2023 half year financial statements provided to the Australian Securities Exchange.

It is recommended that the half year financial report be read in conjunction with the annual report for the year ended 30 September 2022 and considered together with public announcements made by Elders Limited during the half year ended 31 March 2023 in accordance with the continuous disclosure obligations of the ASX listing rules.

Result				6 months March 2023
\$000				
Revenue	up	9%	to	1,657,340
Profit from continuing operations after tax attributable to members	down	46%	to	48,845
Profit after tax for the half year attributable to members	down	46%	to	48,845

Dividends

	Amount per security	Franked amount per security
Interim dividend	23 cents	6.9 cents
Previous corresponding period	28 cents	8.4 cents

Net tangible assets

	March 2023	September 2022
	\$	\$
Net tangible assets backing per ordinary security (156,476,574) ¹	2.72	2.84

¹

Assets for the purpose of net tangible assets include right-of-use assets associated with leases recognised in accordance with AASB 16

Directors' Report

The Board of Directors of Elders Limited submits its report in respect of the half year ended 31 March 2023.

Directors

The Directors of Elders in office during the half year and at the date of this report are:

Mr Ian Wilton	Chair and Non-Executive Director
Mr Mark Allison	Managing Director and Chief Executive Officer
Ms Robyn Clubb	Non-Executive Director
Ms Diana Eilert	Non-Executive Director
Mr Matthew Quinn	Non-Executive Director
Ms Raelene Murphy	Non-Executive Director

Principal Activities

Elders is focused on creating value for all its people, customers, community and shareholders in Australia and internationally. We achieve this with the expertise and commitment of more than 2,700 employees.

In Australia, Elders works closely with primary producers to provide products, marketing options and specialist technical advice across rural, wholesale, agency and financial product and service categories.

Elders is also a leading Australian rural and residential property agency and management network. This network includes both company owned and franchised offices operating throughout Australia in both major population centres and regional areas.

Our feed and processing business operates a top-tier beef cattle feedlot in New South Wales.

Rounding of Amounts

The operating and financial review is presented in Australian dollars and is rounded in millions, unless otherwise stated. Rounding differences may be present in the Financial Report due to individual amounts rounded to the nearest thousand dollars.

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

Auditor's Independence

The Auditor's review of the financial report is in accordance with the declaration on page 25 - "Auditor Independence Declaration."

Operating and Financial Review

A review of the entity's operations during the half-year and the results of those operations is included on page 6 - "Operating and Financial Review".

The report has been made in accordance with a resolution of Directors.



I Wilton
Chair



M C Allison
Managing Director

Adelaide
15 May 2023





Operating and Financial Review

Elders reported a resilient HY23 performance against a volatile agricultural industry backdrop, impacted by softened livestock trading conditions, weaker crop input prices and unseasonably wet weather.

This contrasts with the exceptionally favourable HY22 trading conditions which saw firmer livestock prices, a strong real estate market and ahead-of-season client procurement for winter crop, in response to the global supply chain uncertainty.

HY23 continued the similar trajectory seen in 4Q22 with the industry reverting to a more normalised trading environment.

Key metrics for the half year ended 31 March 2023:

- **Underlying earnings before interest and tax** declined 38% to \$82.8m, amidst weakening crop input and livestock prices.
- **Gross margin** reduced \$20.7m, predominantly due to lower livestock price and volumes.
- **Costs** up 15% in support of strategic margin and growth initiatives, the benefits of which are expected from FY24 onwards.
- **Return on capital** of 16.9%, exceeding our 15% hurdle rate, impacted by weaker Agency earnings and inventory build up in preparation for a promising winter crop.
- Conservative debt management, with **leverage ratio** of 1.6 times (incl AASB 16) and 1.0 times (excl AASB 16), below our target range which pre-dates AASB 16.
- **Underlying earnings per share** declined 45% to 32.3 cents, following weaker gross margins and investment in strategic growth initiatives.
- **Interim dividend** of 23.0 cents per share.
- **Total recordable injury frequency rate** reduction of 0.7 from 12.6 to 11.9 since September 2022.
- Winning market share and expanding our footprint via **acquisition** of six new businesses and 26 additional points of presence.
- Strong customer satisfaction with a **net promoter score** of 51.
- 43% Female **workforce** to support an inclusive working environment.
- Remained committed to industry leading **sustainability** outcomes through on-going implementation of initiatives.
- Continued to strive to be the **most trusted agribusiness brand**, supported by excellent customer service and retention of the best people.

Elders expects a stronger second half of FY23:

- **Gross margin** improvement driven by:
 - Favourable 2023 **winter crop** outlook to generate greater demand for cropping inputs.
 - Stabilisation in **sheep** prices and improved **cattle** volumes compared to the first half.
 - Strong market conditions continue to support our **Financial Services** portfolio, while the **Real Estate Services** business is expected to benefit from reduced monetary policy uncertainty.
- Continued investment in **innovation and our Systems Modernisation program** to enhance customer experiences and streamlined business processes.
 - Benefits expected to be achieved from FY24 onwards.
- **Winning market share** via our acquisition pipeline, continued points of presence expansion and recruitment of high quality personnel.
- Growth and development of product lines and brands to **strengthen and expand our service offerings**.
- **Capturing more gross margin in Rural Products** via continued investment in the backward integration strategy.

Profit and Loss

Profit: Reported and Underlying

\$million	HY23	HY22	Change	Change %
Sales	1,657.3	1,514.8	142.5	9%
Gross margin				
Retail Products	145.5	140.8	4.7	3%
Wholesale Products	32.7	37.8	(5.1)	(13%)
Agency Services	64.0	82.2	(18.2)	(22%)
Real Estate Services	28.9	33.3	(4.4)	(13%)
Financial Services	26.5	23.3	3.2	14%
Feed and Processing Services	8.2	9.1	(0.9)	(10%)
Total gross margin	305.8	326.5	(20.7)	(6%)
Costs (distribution and administration)	(223.0)	(193.6)	(29.4)	(15%)
Underlying earnings before interest and tax	82.8	132.8	(50.0)	(38%)
Finance Costs	(10.8)	(3.4)	(7.4)	(218%)
Underlying profit before tax	72.0	129.4	(57.4)	(44%)
Tax	(18.2)	(35.5)	17.3	49%
Non-Controlling Interests	(3.2)	(2.8)	(0.4)	(14%)
Underlying profit to shareholders	50.6	91.2	(40.6)	(45%)
Items excluded from underlying profit	(1.7)	-	(1.7)	100%
Reported profit after tax to shareholders	48.8	91.2	(42.4)	(46%)
Total gross margin to sales (%)	18%	22%	(3%)	n/a
Cost to earnings (%)	73%	59%	14%	n/a
Number of full-time equivalent employees	2,701	2,451	250	10%

Items Excluded from Underlying Profit

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

\$ million	HY23	HY22	Commentary
One-off costs	(1.7)	-	Relates to System Modernisation costs that are one-off in nature and cannot be capitalised
Total	(1.7)	-	

Sales

Sales increased \$142.5m (+9%) to \$1,657.3m led by the strong performance from Retail and Wholesale Products, which represented \$136.1m or 96% of the upside, supported by our organic growth initiatives. Growth was achieved despite the unseasonally wet conditions and delayed market activity.

Gross margin

Retail Products

Retail Products gross margin improvement was mainly due to increased sales (+\$125.9m or +13%), driven by strong demand across the portfolio but more so for animal health, fertiliser and crop protection products. Crop inputs were subject to a downward-trending market, resulting in margin pressure, in stark contrast to the 1H22 ahead-of-season purchasing due to supply chain concern.

Wholesale Products

Wholesale Products gross margin was impacted by falling crop input prices offsetting the sales uplift of \$10.2m (+5%) which was supported by our backward-integration initiatives and increasing wholesale footprint. Margin pressure is expected to abate in 2H23 with crop input prices having stabilised in recent months.

Agency Services

Agency Services gross margin experienced market headwinds, in particular our Livestock business which decreased \$17.4m to \$54.8m (-24%). The decline is due to softer prices, both cattle and sheep, and subsequent reduction in cattle volumes, whilst sheep volumes remained similar. Wool margin declined \$0.8m to \$8.5m (-9%) due to earnings pressure from weaker global demand.

Real Estate Services

Real Estate Services gross margin decrease was experienced across our farmland sales business, partially offset by continued improvement in property management earnings (+24%) due to a strong residential rental market. Sales declined on the previous half, impacted by rising interest rates and reduced broadacre turnover. Recent acquisitions in key geographical locations contributed to a +24% improvement in property management earnings.

Financial Services

Financial Services margin improvement of \$3.2m was most noticeable across our Insurance and Agri Finance products. Insurance increased \$3.1m to \$12.5m, corresponding to a +27% growth in gross written premiums and mitigating lower returns from our equity-accounted investment (-16%). LIT margin declined \$1.3m to \$3.9m, in line with lower livestock activity, but the LIT product continued to improve penetration rates.

Feed and Processing Services

Feed and Processing Services margin declined, as the supply chain adjusts to lower cattle prices. Killara Feedlot's margin decreased by \$0.5m or -6% to \$8.2m impacted by weaker demand (-17% cattle exits) and marginally lower residency levels (-3%).

Costs

Costs grew \$29.4m to \$223.0m (+15%) driven by 250 additional full-time equivalents (FTEs) to facilitate transformational projects and network growth (57 relating to acquisitions). Higher costs and weaker earnings contributed to the increase in the cost to earn ratio from 59% to 73%.

Net profit after tax

Net profit after tax includes the recognition of underlying company tax expense of (\$18.2m), which Elders began recognising from 1 October 2021.

Capital Management¹

\$million	HY23	HY22	Change	Change %
Trade and other receivables	891.9	884.4	7.5	1%
Inventory	614.5	520.5	94.0	18%
Livestock	64.8	75.9	(11.1)	(15%)
Trade and other payables	(776.2)	(831.9)	55.7	7%
Working capital	794.9	648.9	146.0	22%
Net operating assets	1,412.4	1,146.1	266.3	23%
Net debt	(581.7)	(384.5)	(197.2)	(51%)
Tax assets	25.9	68.2	(42.3)	(62%)
Shareholders' equity	856.6	829.8	26.8	3%
Return on capital (%)	16.9%	27.8%	(10.9%)	n/a
Leverage ratio (times) - incl AASB 16	1.6	1.2	0.4	33%
Leverage ratio (times) - excl AASB 16	1.0	0.7	0.3	43%
Interest cover ratio (times)	15.1	35.0	(19.9)	(57%)
Gearing ratio (%)	46.2%	37.9%	8.3%	n/a
Underlying earnings per share (cents)	32.3	58.3	(26.0)	(45%)
Dividends per share (cents)	23.0	28.0	(5.0)	(18%)

Working capital

Working capital at balance date closed at \$794.9m, which is \$146.0m or +22% higher than 1H22:

- Trade and other receivables uplift of \$75m is largely in line with increased Rural Products sales activity, while maintaining stable debtor days, recoverability and ageing profile.
- Inventory increased \$94.0m or +18%, mostly in Rural Products in anticipation of strong winter crop activity and improved supply chain lead times.
- Livestock decreased \$11.1m or -15% with lower head on hand (-3%) and prices at the Killara Feedlot.
- Trade and other payables decreased \$55.7m or -7%, in line with lower Agency volumes and lower crop input prices in core categories.

Net operating assets

Net operating assets at balance date increased \$266.3m to \$1,412.4m (+23%) predominantly comprised of:

- Working capital (+\$146m or +22%), driven by higher inventories and lower trade and other payables.
- Right-of-use assets (+\$39.2m or +34%), due to an increased number of renegotiated lease contracts, points of presence and vehicles.
- Intangibles (+\$43.2m or +12%), driven by goodwill on acquisitions for six businesses purchased in HY23.

Rolling 12 months net operating assets grew \$269.4m to \$1,077.5m (+33%) compared to the prior half. This is largely driven by Rural Products, which is due to increased inventory and debtors in line with higher sales activity and an increased net paid stock position (inventory less trade and other payables).

Net debt

Net debt at balance date was \$581.7m, an increase of \$197.2m or +51%. The main drivers were:

- Operating cash outflow movement of \$86.9m, with increases in Rural Products working capital.
- Acquisitions and investment in other financial assets contributing to investing cash outflow movement of \$99.7m.
- Additional \$10.2m of financing cash outflow, relating to higher dividends paid to shareholders.

¹ Leverage ratio = average net debt / EBITDA on a rolling twelve month basis

Net tax assets

Tax assets decreased \$42.3m or +62% to \$25.9m at the half, impacted by the recognition of underlying tax expense (\$18.2m), effective from 1 October 2021, which is due to all tax losses now recorded on balance sheet.

Ratios

Our key metrics reflect the challenging half experienced, compounded by the strong corresponding period:

- Return on capital of 16.9%, with lower EBIT and higher net operating asset growth.
- Elevated net debt, with significant headroom in our banking covenants and undrawn facilities (\$92m out of \$550m total available facilities).

Cash Flow

<i>\$million</i>	HY23	HY22	Change	Change %
Operating cash flows	(86.9)	(55.4)	(31.5)	(57%)
Investing cash flows	(99.7)	(46.2)	(53.5)	(116%)
Financing cash flows	182.8	66.5	116.3	175%
Net cash flow	(3.8)	(35.1)	31.3	(89%)
Cash conversion (%)	(172%)	(61%)	(111%)	n/a
Working capital to sales (%)	19%	17%	2%	n/a

Operating cash flow

Net operating cash outflow of \$86.9m, with movements in assets and liabilities between 30 September 2022 and 31 March 2023 of \$217.0m.

Of the \$217.0m movements in assets and liabilities, \$170.0m related to working capital, which increased from \$624.9m at 30 September 2022 to \$794.9m at 31 March 2023:

- Trade and other receivables increased \$72.3m or 9%, largely in line with increased Rural Products sales activity, while maintaining stable debtor days, recoverability and ageing profile.
- Total inventory grew \$121.5m or +22%, comprised of:
 - +\$130.0m in inventory, as additional volume on hand was purchased in anticipation of a positive outlook for 2H23.
 - -\$8.5m in livestock, largely relating to lower prices and flat volume at Killara Feedlot.
- Trade and other payables increased \$23.8m or +3%, in line with the higher inventory balances.
- Remaining \$47.0m, which includes movements in provisions and balances acquired via business acquisitions.

The movement on the prior period mostly relates to the Rural Products inventory build ahead of the 2023 winter crop which was exaggerated by quickening supply chains and a comparatively later start year on year.

Cash conversion for the half ending 31 March 2023 was (172%), corresponding to an operating cash outflow of \$86.9m on underlying net profit of \$50.6m. This is compared to a cash conversion of (61%) in the prior half, resulting from an operating cash outflow of \$55.4m on underlying net profit of \$91.2m.

Working capital as a percentage of sales² increased 2% to 19% on the prior half, affected by the inventory build ahead of the 2023 winter crop. This is expected to improve in 2H23.

Investing cash flow

Investing cash flow was a net outflow of \$99.7m at balance date, due to six acquisitions in HY23 and our investment in shares in PGG Wrightson Limited.

Financing cash flow

Financing cash flow closed at the half as an inflow of \$182.8m, representing draw-downs on trade receivables funding of \$259.5m, partially offset by dividends paid to shareholders of \$43.2m, post FY22 dividend declaration of 28.0 cents per share.

² Rolling 12 months

Outlook

Elders expects a more favourable 2H23, compared to 1H23, benefitting from a strong winter crop, improving Rural Products margins following the stabilisation of crop input prices and an improved outlook for livestock turnover.

Elders has made significant strides in delivering on its Eight Point Plan strategy.

Rural Products

- Positive winter crop outlook is expected to drive strong demand in the second half for cropping inputs.
- Normalisation of a volatile commodity price environment should provide margin relief over time.
- Summer crop underpinned by full water allocations in irrigated areas.

Agency Services

- Cattle volumes are expected to recover, underpinned by strong US import prices and demand.
- Lamb prices are forecast to remain under pressure, due to improved volumes and mixed quality.
- Mutton prices have shown early improvements.
- Wool prices are expected to hold firm.

Real Estate Services

- Residential demand is expected to remain resilient despite interest rate and inflation pressure.
- Broadacre turnover is expected to soften as a result of market headwinds.

Financial Services

- Favourable market conditions support demand for Insurance and other Agri Finance offerings.
- Continued uptake of livestock funding product forecast to provide margin upside.

Feed and Processing Services

- Supply chain continues to be supported by our backgrounding and irrigated farming operations to ensure high utilisation and throughput at the feedlot.
- Some headwinds expected regarding higher cost of goods, in particular the premium branded beef programs.

Costs and Capital

- Continued focus on cost to earnings.
- Interest rates and inflation pressure expected to persist.
- Continued investment in our transformational projects, footprint and acquisition growth to drive cost and capital efficiency over time.

External impacts

There are a number of current events which may have an impact on global and domestic markets, input prices, supply chain and geopolitical environments.



Elders Limited Half Year Financial Report

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For half year ended 31 March 2023

	Note	6 months March 2023 \$000	6 months March 2022 \$000
Sales revenue	4	1,657,340	1,514,837
Cost of sales		(1,357,626)	(1,195,620)
Gross profit		299,714	319,217
Equity accounted profits		6,119	7,235
Distribution expenses		(180,433)	(156,150)
Administrative expenses		(42,599)	(37,452)
Finance costs		(10,775)	(3,405)
Other items of expense		(1,737)	-
Profit before income tax expense		70,289	129,445
Income tax expense	5	(18,236)	(35,464)
Net profit for the period		52,053	93,981
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		79	(567)
Net losses on cash flow hedges		(2)	(53)
Other comprehensive profit/(loss) for the period, net of tax		77	(620)
Total comprehensive income for the period		52,130	93,361
Profit for the period is attributable to:			
Non-controlling interest		3,208	2,826
Owners of the parent		48,845	91,155
Net profit for the period		52,053	93,981
Total comprehensive income for the period is attributable to:			
Non-controlling interest		3,208	2,826
Owners of the parent		48,922	90,535
Total comprehensive income for the period		52,130	93,361
Reported operations			
Basic earnings per share (cents per share)	11	31.2¢	58.3¢
Diluted earnings per share (cents per share)	11	31.2¢	58.3¢

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Note	March 2023 \$000	September 2022 \$000
Current assets			
Cash and cash equivalents		14,016	17,840
Trade and other receivables		891,853	819,504
Livestock		64,824	73,371
Inventory		614,485	484,482
Total current assets		1,585,178	1,395,197
Non current assets			
Other financial assets		37,203	1,269
Equity accounted investments		47,205	47,547
Property, plant and equipment		57,381	46,953
Right-of-use assets		153,115	119,304
Intangibles		396,818	364,320
Deferred tax assets		30,414	45,406
Total non current assets		722,136	624,799
Total assets		2,307,314	2,019,996
Current liabilities			
Trade and other payables		774,130	736,373
Interest bearing loans and borrowings	6	438,681	179,210
Lease liabilities		38,549	32,716
Current tax payable		4,548	5,869
Provisions		69,678	94,348
Total current liabilities		1,325,586	1,048,516
Non current liabilities			
Other payables		2,087	16,059
Lease liabilities		118,446	90,827
Provisions		4,552	3,877
Total non current liabilities		125,085	110,763
Total liabilities		1,450,671	1,159,279
Net assets		856,643	860,717
Equity			
Contributed equity		1,645,311	1,646,630
Reserves	7	(30,263)	(27,705)
Retained earnings		(761,442)	(764,066)
Total parent entity equity interest		853,606	854,859
Non-controlling interests		3,037	5,858
Total equity		856,643	860,717

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For half year ended 31 March 2023

	6 months March 2023	6 months March 2022
	\$000	\$000
Cash flows from operating activities		
Receipts from customers	5,723,420	6,771,921
Payments to suppliers and employees	(5,801,385)	(6,828,050)
Dividends received	6,460	6,184
Interest and other finance costs paid	(9,529)	(2,803)
Income tax paid	(5,829)	(2,701)
Net operating cash flows	(86,863)	(55,449)
Cash flows from investing activities		
Payments for property, plant and equipment	(14,664)	(8,996)
Payments for equity accounted investments	-	(100)
Payments for intangibles	(5,262)	-
Payments for acquisitions through business combinations, net of cash acquired	(42,878)	(37,500)
Proceeds from sale of property, plant and equipment	-	423
Payments for other financial assets	(36,935)	-
Net investing cash flows	(99,739)	(46,173)
Cash flows from financing activities		
Purchase of shares	(6,266)	(7,429)
Proceeds of borrowings	259,471	124,787
Payments of lease liabilities	(21,157)	(14,631)
Dividends paid	(43,241)	(33,079)
Partnership profit distributions/dividends paid	(6,029)	(3,130)
Net financing cash flows	182,778	66,518
Net increase/(decrease) in cash held	(3,824)	(35,104)
Cash at the beginning of the financial period	17,840	48,063
Cash at the end of the financial period	14,016	12,958

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For half year ended 31 March 2023

	Issued capital	Reserves	Retained earnings	Non-controlling interest	Total equity
	\$000	\$000	\$000	\$000	\$000
As at 1 October 2022	1,646,630	(27,705)	(764,066)	5,858	860,717
Profit for the period	-	-	48,845	3,208	52,053
<i>Other comprehensive income/(loss):</i>					
Exchange differences on translation of foreign operations	-	79	-	-	79
Cash flow hedge and fair value of derivatives, net of tax	-	(2)	-	-	(2)
Total comprehensive income/(loss) for the period	-	77	48,845	3,208	52,130
<i>Transactions with owners in their capacity as owners:</i>					
Dividends paid	-	-	(43,834)	-	(43,834)
Dividend reinvestment plan	1,873	-	(1,873)	-	-
Other movements in retained earnings	-	-	(515)	-	(515)
Partnership profit distributions/dividends paid	-	-	-	(6,029)	(6,029)
Cost of share based payments	-	439	-	-	439
Reallocation of equity	3,074	(3,074)	-	-	-
Shares purchased	(6,266)	-	-	-	(6,266)
As at 31 March 2023	1,645,311	(30,263)	(761,443)	3,037	856,643
As at 1 October 2021	1,651,006	(26,887)	(848,694)	3,167	778,592
Profit for the period	-	-	91,155	2,826	93,981
<i>Other comprehensive income/(loss):</i>					
Exchange differences on foreign operations	-	(567)	-	-	(567)
Cash flow hedge and fair value of derivatives, net of tax	-	(53)	-	-	(53)
Total comprehensive income/(loss) for the period	-	(620)	91,155	2,826	93,361
<i>Transactions with owners in their capacity as owners:</i>					
Dividends paid	-	-	(33,079)	-	(33,079)
Dividend reinvestment plan	1,344	-	(1,344)	-	-
Partnership profit distributions/dividends paid	-	-	-	(3,130)	(3,130)
Cost of share based payments	-	1,530	-	-	1,530
Reallocation of equity	1,715	(1,715)	-	-	-
Shares purchased	(7,429)	-	-	-	(7,429)
As at 31 March 2022	1,646,636	(27,692)	(791,962)	2,863	829,844

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 March 2023

NOTE 1: CORPORATE INFORMATION

The consolidated financial report of Elders Limited for the half year ended 31 March 2023 was authorised for issue on 15 May 2023 in accordance with a resolution of the Directors. Elders Limited (the Parent) is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the company are described in the Directors' Report and note 10. References in this consolidated financial report to 'Elders' are to Elders Limited and each of its controlled entities unless the context requires otherwise.

NOTE 2: BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

(a) Basis of preparation

The half year consolidated financial statements for the six months ended 31 March 2023, have been prepared in accordance with AASB 134 Interim Financial Reporting.

The half year consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with Elders' annual financial statements as at 30 September 2022.

(b) Changes to Elders accounting policies

The accounting policies adopted in preparation of the half year consolidated financial statements are consistent with those followed in the preparation of Elders' annual financial statements for the year ended 30 September 2022.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 March 2023

NOTE 3: SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Management has identified the following critical accounting policies for which significant judgement, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial result or the financial position reported in future periods.

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.

Accounting for rebates

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

Elders pays rebates associated with the sales of wholesale goods to suppliers. These vary in nature and include price and volume rebates. Rebates paid, in line with the relevant contractual arrangements, are recognised as a reduction to sales revenue when the sale of the particular product occurs.

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

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

Impairment of brand names and goodwill

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

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

Accounting for leases

In determining the lease term, Elders considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Elders holds leases of operational importance (e.g. rural cornerstone property leases) which are expected to be extended for the maximum available lease term. Leases of this nature have been assessed using the extended lease term. For all other leases, the lease term excluding extension and termination options has been applied. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of Elders.

Accounting for inventory

Inventory is valued at the lower of cost or net realisable value (NRV). The NRV calculation includes management judgements and estimates. A significant change in the assumptions and judgement used in the calculation of provision for obsolescence may result in material changes in the carrying values of the inventory.

Accounting for livestock

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 March 2023

NOTE 4: REVENUE AND EXPENSES

	6 months March 2023	6 months March 2022
	\$000	\$000
Sales revenue		
Sale of goods and biological assets	1,464,920	1,295,065
Debtor interest associated with sales	5,615	5,165
Interest revenue from related party advances	856	1,122
Commission revenue	185,949	213,485
Total sales revenue	1,657,340	1,514,837
Specific expenses: depreciation and amortisation		
Depreciation and amortisation	(5,850)	(5,737)
Depreciation on right-of-use assets	(21,166)	(14,927)
Total depreciation and amortisation	(27,016)	(20,664)

NOTE 5: INCOME TAX

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at Elders' effective income tax rate is as follows:

	6 months March 2023	6 months March 2022
	\$000	\$000
Accounting profit before tax	70,289	129,445
Income tax expense at 30% (2022: 30%)	(21,087)	(38,834)
Adjustments in respect of current income tax of previous periods	(390)	596
Share of equity accounted profits	1,836	2,170
Non-deductible other expenses	(770)	(719)
Other	2,175	1,323
Income tax expense as reported in the statement of comprehensive income	(18,236)	(35,464)
Current tax payable	4,548	1,544

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 March 2023

NOTE 6: INTEREST BEARING LOANS AND BORROWINGS

	March 2023	September 2022
	\$000	\$000
Current		
Unsecured loans	2,590	4,230
Trade receivables and other working capital funding	436,091	174,980
Total interest bearing loans and borrowings	438,681	179,210

Asset pledged as security

Secured loans are secured by various fixed and floating charges over all the assets of Elders (either directly or indirectly). Trade receivables and other working capital funding is secured over the underlying debtors. This facility expires on 31 December 2024.

Elders notes that whilst the scheduled termination date of the debtor financing facility is currently 31 December 2024, the liability is classified as current as Elders does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, pursuant to AASB 101 Presentation of Financial Statements.

NOTE 7: RESERVES

Reconciliation of carrying amounts at beginning and end of period:

	Business combination reserve	Employee equity benefits reserve	Hedge reserve	Foreign currency translation reserve	Total
	\$000	\$000	\$000	\$000	\$000
As at 1 October 2022	(29,730)	6,675	577	(5,227)	(27,705)
Exchange differences on translation of foreign operations	-	-	-	79	79
Fair value movement in cash flow hedge	-	-	225	-	225
Reclassified to inventory	-	-	(228)	-	(228)
Less deferred tax impact	-	-	1	-	1
Cost of share based payments	-	439	-	-	439
Transfer to issued capital	-	(3,074)	-	-	(3,074)
As at 31 March 2023	(29,730)	4,040	575	(5,148)	(30,263)
As at 1 October 2021	(27,495)	4,819	933	(5,144)	(26,887)
Exchange differences on translation of foreign operations	-	-	-	(567)	(567)
Fair value movement in cash flow hedge	-	-	(955)	-	(955)
Reclassified to inventory	-	-	879	-	879
Less deferred tax impact	-	-	23	-	23
Cost of share based payments	-	1,530	-	-	1,530
Transfer to issued capital	-	(1,715)	-	-	(1,715)
As at 31 March 2022	(27,495)	4,634	880	(5,711)	(27,692)

NOTE 8: DIVIDENDS

On 16 December 2022, Elders paid a partially franked (30%) dividend of 28 cents per share. These distributions totalled \$43.8 million (December 2021: \$33.9 million).

NOTE 9: CONTINGENT LIABILITIES

There are no additional contingent liabilities other than those disclosed in note 24 of the 30 September 2022 financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 March 2023

NOTE 10: SEGMENT INFORMATION

Identification of reportable segments

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

Type of product and service

- Branch Network includes the provision of a range of products and services through a common distribution channel, including agricultural retail products, agency and real estate services and financial services.
- Wholesale Products includes the AIRR business based in Shepparton, Victoria, supported by a network of warehouses to supply independent retail stores throughout Australia.
- Feed and Processing Services includes Killara feedlot, a beef cattle feedlot near Tamworth in New South Wales.
- Corporate Services and Other Costs segment includes the general investment activities not associated with the other business segments and the administrative corporate office activities, including centrally held costs not allocated to the other segments.

Accounting policies and intersegment transactions

The accounting policies used by Elders in reporting segments internally are the same as those contained in note 2 to the financial statements. Segment results have been determined on a consolidated basis and represent the earnings before corporate financing costs and income tax expense. The majority of Elders revenue is recognised at a point in time and attributable to the sale of retail products, wholesale products, provision of agency services and real estate services, with the exception being certain financial services revenue which is recognised over a period of time.

	Branch Network	Wholesale Products	Feed and Processing Services	Corporate Services and Other Costs	Total
	\$000	\$000	\$000	\$000	\$000
6 months ended March 2023					
Sale of goods and biological assets	1,102,360	232,821	129,160	579	1,464,920
Debtor interest associated with sales	5,615	-	-	-	5,615
Interest revenue from related party advances	856	-	-	-	856
Commission revenue	185,949	-	-	-	185,949
Sales revenue	1,294,780	232,821	129,160	579	1,657,340
Equity accounted profits	6,119	-	-	-	6,119
Earnings before interest, tax, depreciation and amortisation	127,551	17,579	5,300	(42,350)	108,080
Depreciation and amortisation	(2,861)	(2,193)	(609)	(187)	(5,850)
Depreciation on right-of-use assets	(16,883)	(2,630)	(297)	(1,356)	(21,166)
Segment result	107,807	12,756	4,394	(43,893)	81,064
Interest expense					(9,121)
Interest on lease liabilities					(1,654)
Finance costs					(10,775)
Profit before income tax expense					70,289
As at 31 March 2023					
Segment assets	1,645,647	408,140	101,995	151,532	2,307,314
Segment liabilities	739,713	110,692	11,142	589,124	1,450,671
Net assets	905,934	297,448	90,853	(437,592)	856,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 March 2023

NOTE 10: SEGMENT INFORMATION

	Branch Network	Wholesale Products	Feed and Processing Services	Corporate Services and Other Costs	Total
	\$000	\$000	\$000	\$000	\$000
6 months ended March 2022					
Sale of goods and biological assets	976,776	222,647	94,845	797	1,295,065
Debtor interest associated with sales	5,165	-	-	-	5,165
Interest revenue from related party advances	1,122	-	-	-	1,122
Commission revenue	213,485	-	-	-	213,485
Sales revenue	1,196,548	222,647	94,845	797	1,514,837
Equity accounted profits	7,235	-	-	-	7,235
Earnings before interest, tax, depreciation and amortisation	156,672	25,401	5,454	(34,014)	153,514
Depreciation and amortisation	(2,149)	(2,233)	(780)	(575)	(5,737)
Depreciation on right-of-use assets	(11,021)	(1,928)	(27)	(1,951)	(14,927)
Segment result	143,502	21,240	4,647	(36,539)	132,850
Interest expense					(2,186)
Interest on lease liabilities					(1,219)
Finance costs					(3,405)
Profit before income tax expense					129,445
As at 30 September 2022					
Segment assets	1,397,501	338,188	105,500	178,807	2,019,996
Segment liabilities	679,887	109,369	5,606	364,417	1,159,279
Net assets	717,614	228,819	99,894	(185,610)	860,717

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 March 2023

NOTE 11: EARNINGS PER SHARE

	March 2023	March 2022
Weighted average number of ordinary shares ('000) used in calculating basic EPS	156,477	156,477
Dilutive performance rights ('000)	-	-
Adjusted weighted average number of ordinary shares used in calculating dilutive EPS ('000)	156,477	156,477
	March 2023	March 2022
	\$000	\$000
Reported operations		
<i>Basic and dilutive</i>		
Net profit attributable to members (after tax)	48,845	91,155
Reported operations earnings per share:		
Basic earnings per share (cents per share)	31.2¢	58.3¢
Diluted earnings per share (cents per share)	31.2¢	58.3¢

Under the LTIP scheme, shares are purchased on market and not considered dilutive.

NOTE 12: BUSINESS COMBINATIONS – CHANGES IN THE COMPOSITION OF THE GROUP

During the current period, Elders acquired a number of small retail and real estate businesses for a total consideration of \$37.2 million, including \$13.3 million of deferred consideration. These transactions resulted in the recognition of \$27.5 million of goodwill. Amounts stated are provisional pending finalisation of the fair values of net assets acquired.

The cash outflow for payments for acquisitions through business combinations, net of cash acquired of \$42.9 million represents cash paid in respect of businesses acquired during the period of \$23.9 million and payment of deferred consideration relating to acquisitions from prior periods of \$19.0 million.

NOTE 13: RELATED PARTIES

There are no additional Related Party relationships other than that disclosed in note 25 of the 30 September 2022 financial statements.

NOTE 14: SUBSEQUENT EVENTS

There is no matter or circumstance that has arisen since 31 March 2023, which is not otherwise dealt with in this report or in the consolidated financial statements, that has significantly affected or may significantly affect the operations of Elders, the results of those operations or the state of affairs of Elders in subsequent financial periods.

DIRECTORS' DECLARATION

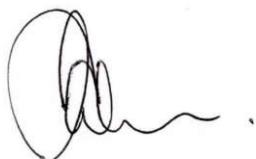
For the half year ended 31 March 2023

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

In the opinion of the Directors:

1. the financial statements and notes of Elders are in accordance with *the Corporations Act 2001*, including:
 - (a) giving a true and fair view of its financial position as at 31 March 2023 and of its performance for the half year ended on that date; and
 - (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



I Wilton
Chair



M C Allison
Managing Director

Adelaide
15 May 2023



Auditor's Independence Declaration

As lead auditor for the review of Elders Limited for the half-year ended 31 March 2023, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'M. T. Lojszczyk', is written over a faint circular stamp.

M. T. Lojszczyk
Partner
PricewaterhouseCoopers

Adelaide
15 May 2023



Independent auditor's review report to the members of Elders Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Elders Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 March 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Elders Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 March 2023 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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

Responsibilities of the directors for the half-year financial report

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

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 March 2023 and of its performance for the



half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'M. T. Lojszczyk'.

M. T. Lojszczyk

Partner

Adelaide

15 May 2023

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Company Directory

Directors	Mr Ian Wilton — <i>MSC, FCCA, FCPA, FAICD, CA</i>
	Mr Mark C Allison — <i>BAgrSc, BEcon, GDM, AMP (HBS), FAICD</i>
	Ms Robyn Clubb AM — <i>BEC, CA, F Fin, MAICD</i>
	Ms Diana Eilert — <i>BSc (Syd), MCom (UNSW), GAICD, Member of Chief Executive Women</i>
	Mr Matthew Quinn — <i>BSc, ACA</i>
	Ms Raelene Murphy — <i>BBus, FCA, GAICD</i>
Secretaries	Mr Peter G Hastings — <i>BA, LLB, GDLP, FGIA, Grad Dip Applied Corporate Governance, GAICD</i>
	Ms Shannon Doecke — <i>BAcc, Grad Dip Applied Corporate Governance, MAICD, AGIA</i>
Registered Office	Level 10, 80 Grenfell Street, Adelaide, South Australia, 5000
	P +61 8 8425 4000
	F +61 8 7131 0118
	CompanySecretary@elders.com.au
	elders.com.au
Share Registry	Boardroom Pty Limited, Level 8, 210 George Street Sydney NSW 2000
	P 1300 737 760
	F +61 2 9279 0664
	boardroomlimited.com.au
Auditor	PricewaterhouseCoopers
Bankers	Australia & New Zealand Banking Group
	National Australia Bank
	Coöperative Centrale Raiffeisen - Boerenleenbank (Rabobank Australia)
Stock Exchange Listing	Elders Limited ordinary shares are listed on the Australian Securities Exchange under the ticker code "ELD".

