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HD **Elders sell-off targets debt**

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THE sell-off of Elders' business assets continues at pace, with the **company** poised to offload its 19-store New Zealand farm services, livestock and wool operations and its large 20,000-head northern Victorian feedlot within months.

Debt-heavy Elders has factored in the sales as part of its second half-year strategy to further cut its $236.6 million debt, having already slashed net debt 25 per cent in the past 12 months.

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Other divestments made since December include a $15m (20pc) stake in southern Queensland's Kilcoy abattoir, insurance assets and a $1m half-share in a West Australian diningware supplier, Australian Fine **China**.

Last August, Elders also **sold** its car interiors business Futuris Automotive to a US private equity **firm** for $69m.

Also set to go is Elders' valuable half share in the diverse logistics and storage business, AWH, (formerly Australian Wool Holdings) owned in partnership with farm services rival Landmark.

AWH, one of Australia's biggest warehousing companies, has about 40pc of its 630,000 square metres of space dedicated to wool bales, but also stores everything from cotton, grain and fertiliser, to mining machinery and pallets of soft drink bottles.

Elders' 50pc of the business, which has 16 warehouse sites in regional and capital cities nationwide, has a book value of $30m.

The **sale** processes for all three business interests are considered well advanced.

They are expected to follow close behind this month's divestment of Elders final 10pc stake in Elders Insurance (Underwriting Agency) to QBE Insurance.

QBE, which also bought 15pc last September, has paid an undisclosed sum to now own 100pc of the insurance agency, but will continue to use Elders' brand until 2033.

Although edging within striking distance of returning to profitability for the first time in six years, Elders this week booked an after-tax statutory loss of $10.2m for the six months to March 31 - much improved from the 2012-13 first-half loss of $303.2m.

The latest figure included losses of $16.8m written down from various items such as its final links to ill-fated forestry investments and adjustments for the assets now classified as "held for **sale**".

Despite its lingering debt and write-down costs, the now fully agribusiness-focused Elders pleased sharemarket analysts with its six-monthly underlying profit of $6.7m - well up from a $23.7m loss in the same period last year.

Underlying earnings before interest and tax were in the black at $12.4m - a big improvement on the $16m loss reported 12 months ago.

Restructuring initiatives implemented last September had also achieved $15m in savings and were on track to cut a further $10m from annual operating costs.

Elders' overall sales revenue of $650.4m was marginally below a year ago, but its traditional rural agency operations at the centre of the restructured and slimmed-down business, were major contributors to the underlying profit recovery.

"We've moved from generating losses to generating (underlying) profit and it is pleasing that every part of the business delivered improved results - despite variable seasonal conditions," said newly-appointed chief executive officer and former chairman Mark Allison.

He described the half-year results as an "early milestone" in the journey to becoming a profitable and sustainable agribusiness.

"Our rural agency operations, including livestock, wool, grain and real **estate**, made the greatest contribution to margin growth due to drought induced volume growth, strong sheep prices and higher turnover in broadacre and **residential** real **estate** markets," he said.

"Good demand in both long-haul and short-haul live export markets and increased feedlot demand due to dry conditions also contributed to margin growth."

Mr Allison said although return on capital was still not acceptable, and the **company** knew further improvement was required, good cost control and capital management progress had been made.

The latest results were encouraging, showing the business was responding to management and it proved staff were working hard to turn the business around.

Working capital levels reduced, cash flow was up and the progress made in debt reduction had pruned financing costs by 41pc to benefit the business' bottom line.

Mr Allison foreshadowed a new eight-point strategy for release in June to focus on rebuilding growth around the **company**'s sustainable capital advantages.

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