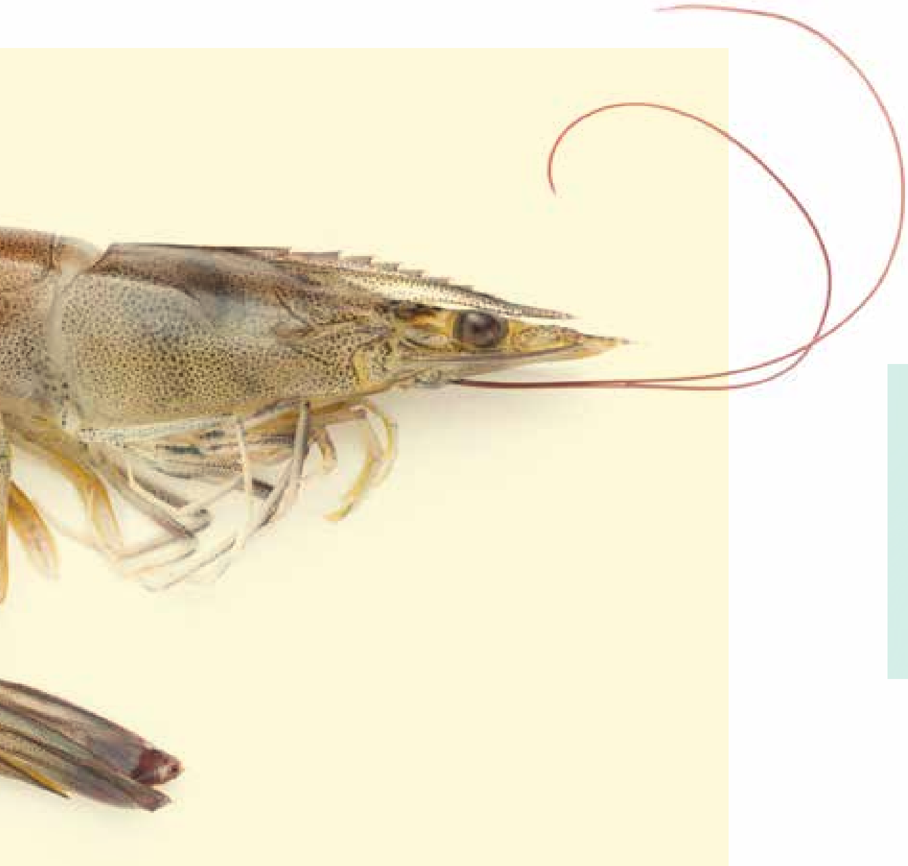
Enhanced capability for growth

Annual Report 2019






RIDLEY

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RIDLEY

Ridley AgriProducts

As one of the largest domestic consumers of Australian-grown cereal grains and a significant employer in farming communities, Ridley is continually providing support to primary producers and rural Australia. The Ridley operation is a pivotal and trusted supplier of high-performance nutrition to the major food producers in the dairy, poultry, pig, aquaculture, sheep and beef industries, to the laboratory animals in the research sector, and to the equine and canine markets in the recreational sector.

Ridley's product range includes finished products, in bulk or in bags, and mostly in pellet form, the exceptions being a mash offering in certain markets, raw materials, additives and supplements, and animal meals. The Ridley animal meals, which include meat and bone meal, poultry meal, hydrolysed feather meal, blood meal, fish meal and animal fats, are an important and valuable source of protein produced from otherwise surplus by-products, which are subjected to a process called rendering.

With major brands including Barastoc, Rumevite, Cobber and Primo, and with a product range to accommodate starter feed solutions, Ridley has developed a portfolio that provides a first class lifecycle solution.

BARASTOC Rumevite COBBER primo AQUACULTURE

ABN 33 006 708 765

About the Company

Ridley Corporation proudly stands as an Australian-based agribusiness focused on being the country's leading producer of premium quality, high-performance animal nutrition solutions.

2019 Features

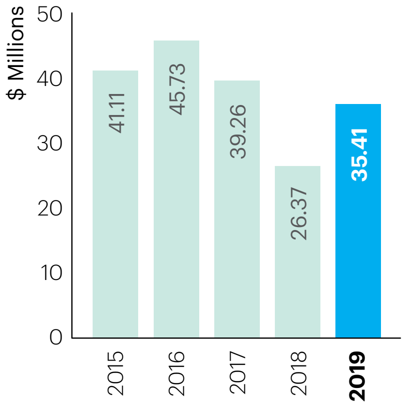
- First year of Novacq™ commercial operations at Yamba.
- Full utilisation of Thailand Novacq™ production capacity, awaiting installation of dewatering and drying approvals.
- Record result for Ruminant and third highest for Packaged Products.
- Strong performances for Laverton Rendering and positive response at Maroota Rendering from prior year loss of major poultry raw material supplier.
- Poultry result impacted by volume reduction due to industry shortening of bird life cycle, feed conversion improvements and October 2018 expiry of Ingham's supply agreement.
- Pig result impacted by industry-wide reduction in sow numbers.
- Positive result for Supplements from a return to a 'normal' dry season, and from Aquafeed as it transitions to a twin extrusion plant structure.
- New extrusion plant in Tasmania opened on 24 July 2019, and construction of new 350kt capacity feedmill in Bendigo, central Victoria well advanced by year end.
- $6.2 million net pre-tax profit for Property segment from property sales at Lara.
- Corporate and finance costs normalised at prior year levels, with reduction in effective tax rate reflective of tax shelter on property capital gains.

Five Year Summary

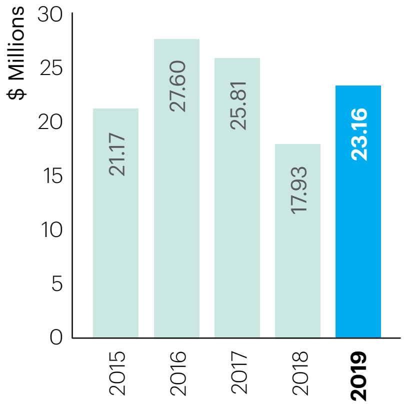
A$'000 unless otherwise stated	2019 Actual	2018 Actual	2017 Actual	2016 Actual	2015 Actual
Operating results					
Revenue	**1,002,583**	917,660	852,923	912,561	909,850
Other income	**7,300**	6,248	8,581	12,121	4,649
EBITDA	**54,315**	43,629	54,484	60,723	51,061
Depreciation and amortisation (DA)	**18,903**	17,262	15,220	14,989	14,920
Earnings Before Interest and Tax (EBIT)[1]	**35,412**	26,367	39,264	45,734	41,108[1]
Net interest expense/finance charge	**5,073**	4,648	4,977	5,419	5,059[1]
Operating profit before tax[1]	**30,339**	21,719	34,287	40,315	36,049[1]
Tax expense	**6,774**	4,310	8,472	13,112	10,306[1]
Net profit before significant items	**23,565**	17,409	25,815	27,203	25,743[1]
Loss from discontinued operation (net of tax)	**-**	-	-	403[1]	(4,572)
Other comprehensive income	**(403)**	520	-	-	-
Profit/loss attributable to members	**23,162**	17,929	25,815	27,606	21,171[1]
Financial position					
Ridley shareholders' funds	**277,499**	263,107	259,823	247,884	229,834
Intangible assets	**85,670**	82,485	79,284	76,355	78,194
Total assets	**573,754**	510,319	490,603	484,850	476,553
Total liabilities	**296,255**	247,212	230,780	236,966	246,719
Net debt	**101,443**	52,781	51,544	40,967	32,702
Market capitalisation	**366,875**	423,248	426,327	430,944	384,771
Enterprise value	**468,318**	476,029	477,871	471,911	417,473
Operating cash flow	**36,824**	50,900	29,655	17,612	47,059
Closing share price (cents)	**119.00**	137.50	138.50	140.00	125.00
Weighted average number of shares on issue – non-diluted (thousands)	**308,298**	307,817	307,817	307,817	307,817
Number of employees (number)	**697**	710	697	676	685
Key profitability ratios					
Return on shareholders' funds (%)[1]	**8.5**	6.7	10.2	11.4	9.4
Earnings per share (EPS) (cents)[1]	**7.6**	5.7	8.4	8.8	6.9
Total shareholder returns (%)	**(10.4)**	2.3	1.8	15.2	61.6
EPS growth (%)	**33.3**	(32.6)	(6.6)	28.5	20.2
EBIT growth (%)	**34.3**	(32.8)	(14.1)	11.3	31.7
Operating cash flow/EBITDA (times)	**0.7**	1.2	0.5	0.3	0.9
Operating cash flow per share (cents)	**11.9**	16.5	9.6	5.7	15.3
Share price/operating cash flow (times)	**10.0**	8.3	14.4	24.5	8.2
EBIT per employee (A$'000)	**50.8**	37.1	56.3	67.7	52.8
Capital market and structure ratios					
EBITx (market cap/EBIT) (times)[1]	**10.4**	16.1	10.9	9.4	10.6
EBITDA per share (cents)[1]	**17.6**	14.2	17.7	19.7	16.6
EBITDA growth (%)[1]	**24.5**	(19.9)	(72.1)	18.9	(70.8)
EBITDAx (market cap/EBITDA) (times)[1]	**6.8**	9.7	7.8	7.1	7.5
Enterprise value/EBITDA (times)[1]	**8.6**	10.9	8.8	7.8	8.2
P/E ratio (times)[1]	**15.7**	24.1	16.5	15.8	18.1
Net debt/shareholders' equity (%)	**36.6**	20.1	19.8	16.5	14.2
Equity/total assets (%)	**48.4**	51.6	53.0	51.1	48.2
Net debt/EBITDA (times)[1]	**1.9**	1.2	0.9	0.7	0.6
EBIT/net interest (times)[1]	**7.0**	5.7	7.9	8.4	7.1
Net tangible asset backing per share (cents)	**62.2**	58.7	58.7	55.7	49.3
Dividends per share (cents)	**4.25**	4.25	4.0	4.0	3.5
Dividend payout ratio (%)	**56.5**	73.0	48.0	44.0	51.0
Percentage franked (%)	**100.0**	100.0	100.0	100.0	100.0

1. Before discontinued operations.

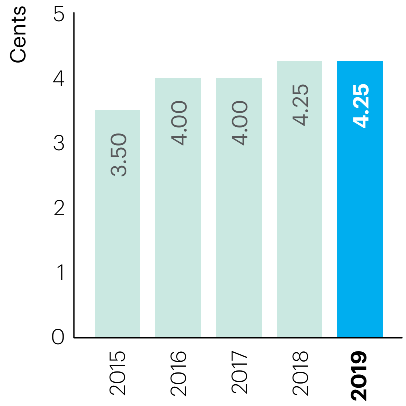
EBIT from continuing operations[1]



Consolidated net profit

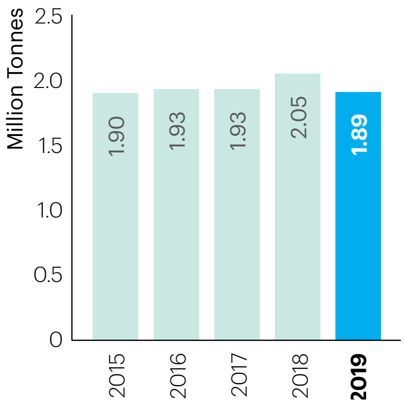


Dividends per share

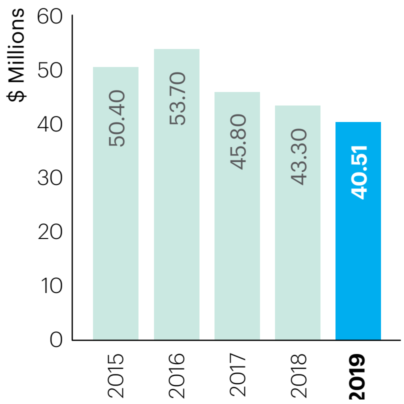


1. Inclusive of non-recurring items.

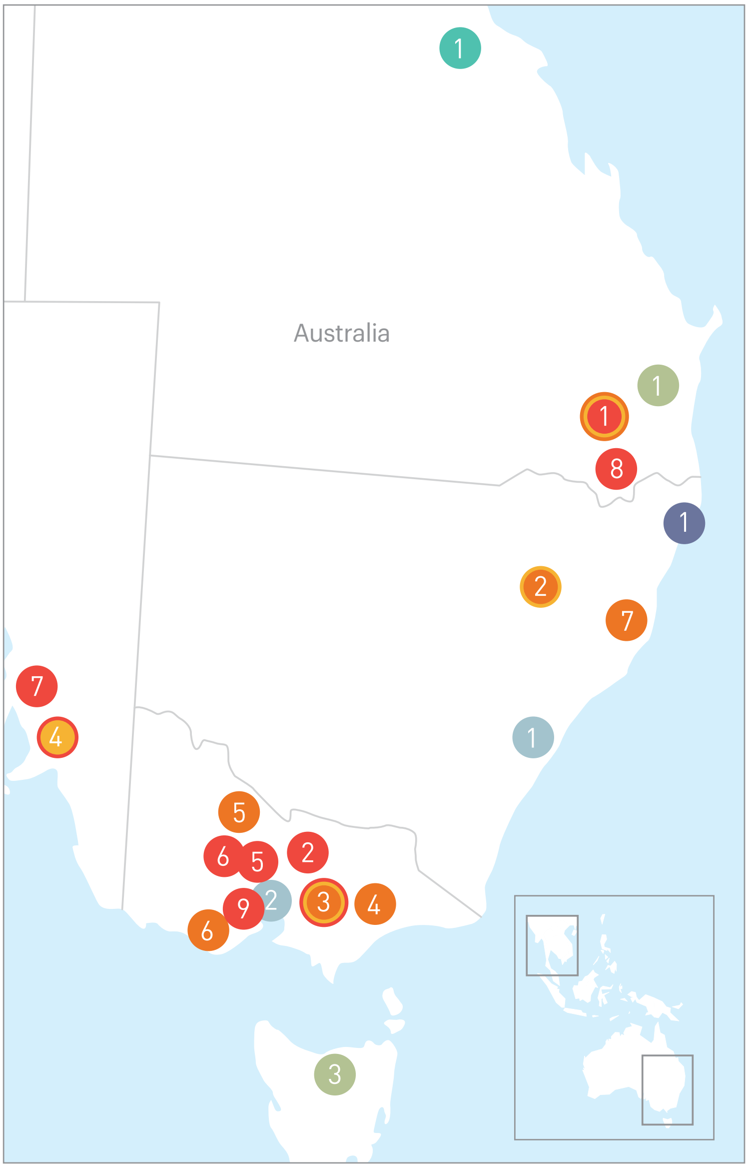
Operating volume



Operating EBIT



Ridley Locations and Sectors



Business Unit	Structure
Monogastric	Pellets, meals, concentrates and pre-mixes for poultry and pigs
Ruminant	Pellets, meals, blends, concentrates and pre-mixes for dairy cattle, beef cattle and sheep
Packaged Products	Bagged poultry, dairy, dog, horse and lifestyle animal feed
Extrusion Plants	Extruded and steam pelleted products for all major fin fish and prawns, and specialist pet foods
Supplements	Block and loose lick supplements
Rendering	Rendered poultry, red meat and fish products for the pet food, stock feed and aquaculture sectors
Ingredients	Unique and sustainable value adding raw material ingredients for stock feed and animal wellbeing

100% Owned Business Units

Ridley Assets

Ingredients	Monogastric	Ruminant	Packaged	Extrusion Plants	Supplements	Rendering
1 Yamba*	1 Toowoomba	1 Toowoomba	1 Toowoomba	1 Narangba	1 Townsville	1 Maroota
2 Chanthaburi#	2 Mooroopna	2 Tamworth	2 Tamworth	2 Chanthaburi		2 Laverton
* Novacq™ production site. # 100% interest in Novacq™ production site.	3 Pakenham	3 Pakenham	3 Pakenham	3 Westbury		
	4 Murray Bridge	4 Maffra	4 Murray Bridge			
	5 Bendigo*	5 Gunbower				
	6 St Arnaud	6 Terang				
	7 Wasleys	7 Taree				
	8 Clifton					
	9 Lara					
	* Existing old mill and new mill under construction.					

Chairman's Report

"One of the highlights of the year was the start of commercial feed production at our new extrusion plant at Westbury in northern Tasmania."

Dr Gary H Weiss AM
Chair

Ridley's Dairy, Beef and Sheep, Laverton Rendering, Packaged Products, Supplements and Aquafeed sectors all recorded positive year on year earnings improvements in the 2019 financial year (**FY19**), while market share was preserved in a pig industry in cyclical downturn for much of the year. As previously forecast, Poultry volumes were lower following the expiry of the Ingham's supply agreement in October 2018, and Maroota Rendering poultry raw material intake volumes were down following the prior year closure of the Red Lea business. Against a backdrop of high raw material prices throughout the year, Ridley operations (excluding property earnings and corporate costs) generated Earnings Before Interest and Tax (**EBIT**) for the year of $40.5 million.

The Interim Chief Executive Officer's (**CEO**) Review sets out the details of the key performance drivers for the year, so I will comment on some of the other features of another busy year.

Feedmill portfolio

One of the highlights of the year was the start of commercial feed production at our new extrusion plant at Westbury in northern Tasmania. The facility at Westbury is a demonstrable commitment by Ridley to the Tasmanian salmon industry with a significant capital outlay. The plant commissioning process and transitioning of salmon feed production from our Narangba plant in Brisbane started in the fourth quarter of FY19 and culminated with the official opening by the Premier of Tasmania on 24 July 2019. We are proud of this new facility and the team of professionals we have at the plant to produce the highest quality salmon and other fin fish feed available in the market.

Another highlight for FY19 was the ceremonial turning of the soil for our new feedmill at Wellsford in central Victoria. In September 2017, we announced our intention to build a new feedmill in the Bendigo region and started the process to identify and secure the most appropriate site. Having done so and undertaken an extensive development approval process, we were pleased to finally commence construction at our site in Wellsford, just outside Bendigo in Central Victoria in FY19. As you will see from the progress photo included in the Interim CEO's review, there has been a great deal of activity on site during the second half of the year as we work towards a targeted commissioning for this new plant in the fourth quarter of FY20. The final look of this 350,000 tonne annual capacity state-of-the-art plant is shown in the following image.

The new feedmill at Wellsford will produce high-performance, high-quality feed for the Poultry and Pig sectors, and is underpinned by a 10-year supply agreement with

$40.5m

Operating EBIT

Hazeldene's Chickens, our key customer in the region. The new feedmill will be the largest feedmill in the Ridley portfolio at nearly twice the size of the Lara mill commissioned in January 2017. The latest technological advancements are being incorporated into the mill design, with a strong focus on efficiency and low running costs and with sufficient on-site bulk storage and warehousing facilities to accommodate the anticipated long-term growth in livestock production for the region. The total budgeted capital outlay will be between $45–$50 million, of which over $21 million had been incurred at balance date. Following the transition of feed production and staff relocation to the new Wellsford feedmill, the existing Bendigo feedmill will be closed and the site remediated as appropriate in preparation for sale.

Aquafeed produced at Westbury

Raw material samples

Design image for the Wellsford feedmill, Bendigo, Victoria

Chairman's Report continued

Rendering

Last year I made reference to the initiatives at Laverton Rendering to improve the quality of the raw material supply, and consequently the quality of the rendered product, through the segregation of raw material inputs. Further progress has been made this year, not only in respect of the supply of raw material to Ridley, but also for supply throughout the rendering industry following the adoption by the Australian Renderers Association of a minimum set of raw material supply standards.

The new business development initiatives at Maroota to generate new earnings streams to cover the loss of Red Lea raw material supply have had mixed success during the year, however all projects are continuing into FY20. The rendering of whole birds is now being successfully undertaken at Maroota and a market has been established for the rendered products. The volumes of available birds and seasonality of the supply place an effective earnings ceiling on this revenue stream.

While markets have also been established at premium prices for the rendered meals and oils generated from the processing of whole mackerel, the ability to secure long-term, uninterrupted fishing agreements has to date proven to be problematic. Nevertheless, we continue to pursue this business opportunity, which has the potential to enable Ridley to be self-sufficient in its fish meal and fish oil requirements from a wholly sustainable source, with the sustainability of the fishery evidenced by the Marine Stewards Council certification issued to Ridley in mid-August 2019.

Novacq™

We have had a productive year of continuous improvement for Novacq™, both at our commercial operation at Yamba and at our applied research and development (**R&D**) site at Chanthaburi in Thailand. Dewatering and drying equipment has been installed, tested and commissioned during the year at Yamba, and the same equipment has been delivered to Chanthaburi. We are working through the approval process required to install and operate this plant within the Chanthaburi feedmill, and this has taken longer than anticipated due to the local political landscape in this mainly rural region in the south east of Thailand.

Commercial sales of Novacq™-inclusive prawn feed have been made from Yamba and also Chanthaburi, noting that prawn farmers are very cautious with regard to change given the delicate balance between success and failure and noting the history and financial impacts of disease.

The project to explore options to accelerate the growth of Novacq™ as announced in May 2018 continued for much of FY19, and while not resulting in any investment or divestment transaction, provided an opportunity for Ridley to demonstrate the merits of the product and educate a large number of interested parties, many of whom expressed their desire to be kept informed of new developments and to stay in contact.

Property

The property sales in the last two years have generated, and will continue to generate through the deferred consideration structures, an inflow of funds to assist with the financing of the major capital program centreing on the new plants at Westbury and Wellsford.

Achievements in the year

In June 2018, agreement was reached with Tassal for Ridley to participate in salmon feed trials, which provide Ridley the opportunity to showcase our feed quality and nutrition expertise. The production of feed for these trials, which at balance date was approximately halfway through a full term which expires in the second quarter of FY21, has recently been seamlessly switched from Narangba to Westbury. The trial sampling results to date have been very encouraging, and we look forward to continuing our performance in the coming year. Over the full course of the trials, we will have provided and sold approximately 3,300 tonnes of the full range of Ridley salmon feed from the hatchery through to the grow out stage.

It was pleasing in February 2019 for Ridley's Packaged Products team to be recognised by one of its largest customers, Ruralco/CRT, as their Supplier of the Year – Animal Nutrition. This award was based on a comprehensive service assessment comprising sales support, product quality, customer service, innovation, marketing and supply chain, and was great recognition of the team's effort in striving to be a value-adding business partner to our customer base. The Packaged Products team is confident that the new customer engagement model will continue to resonate with our partners, and provide a platform for ongoing growth and business development.

Another acknowledgement I would like to make for the Packaged Products team is in respect of Ridley's engagement with the Equine sector, where the Ridley team has been dedicated to making the Horse of the Year Show such a success. Ridley has sponsored this event for 50 years and was awarded with the status of Event of the Year in the 2019 Equestrian Victoria Awards. Our entry into the horse racing feed market is also another exciting development in FY19 for our Equine business within Packaged Products.

While Ridley's performance overall reflects a team effort, there are two members of our team who deserve particular mention.

Andrew Westlake, Ridley's representative on the Australian Renderers Association, was instrumental in the Association's adoption of industry-wide minimum specifications for raw material supply mentioned above, which will elevate the standards for raw material supply for all industry participants and consequently improve the quality of the rendered product outputs.

Dr Richard Smullen, Ridley's prawn and aquafeed nutrition expert, recently received an award from the Australian Prawn Farmers' Association to recognise his 'service and contribution to the Australian prawn farming industry'. This is a wide-reaching and industry acknowledgment of the work Richard has put into leading prawn aquaculture nutrition and R&D over many years.

People

On behalf of the Board, I would like to take this opportunity to thank all our shareholders, suppliers and customers for their continuing support throughout the year. I would also like to acknowledge and thank all members of our Ridley team for their dedication and hard work over the last 12 months, and look forward to their continuing contribution to the long-term success of Ridley.

I would also like to thank fellow Director Mr David Lord for not only agreeing to become Ridley's Interim CEO while we recruited and transitioned to a new CEO, but also for the leadership and commitment he provided during that period.

Finally, the Ridley team welcomes our newly appointed CEO and Managing Director Mr Quinton Hildebrand. Quinton has extensive experience and background in the agriculture industry, and will focus Ridley on its domestic growth plans, leverage the investment in our state-of-the-art facilities and accelerate the commercialisation of our Novacq™ franchise internationally.

Dr Gary H Weiss AM
Chair

Interim CEO's Review

"In FY19, positive year on year earnings improvements have been recorded in Dairy, Beef and Sheep, Laverton Rendering, Supplements, Packaged Products and Aquafeed."

David Lord
Interim Chief Executive Officer

The 2019 financial year was an eventful one in many respects, not least of which was the senior management restructure at the end of the financial year, which saw the departure of the Chief Executive Officer and Managing Director (**CEO**) on 27 June 2019 after six years in the role. I was appointed as Interim CEO from 28 June 2019 and charged with the responsibility of managing the business and the executive search process to identify and secure a successor capable of leading the Company into a new era of growth as we approach a new decade.

Following the departure of the CEO and Managing Director in late June 2019, the Company embarked on a search program to identify and secure a new CEO. The Board leveraged its extensive network of industry and professional relationships to identify potential candidates and then conducted an independent evaluation process of a shortlist of both external and internal candidates. As announced through the ASX Announcements Platform on 19 August 2019, the Board has appointed Mr Quinton Hildebrand as its new Chief Executive Officer and Managing Director effective from 26 August 2019. The Board regards Mr Hildebrand as the ideal person to refocus Ridley on its domestic growth plans, leverage the investment in its state-of-the-art facilities, and accelerate the commercialisation of its Novacq™ franchise internationally.

Having managed the transition to new leadership, I stepped down from the role of Interim CEO and have resumed my former duties as a Ridley Non-Executive Director and Chair of the Ridley Remuneration and Nominations Committee. Notwithstanding the timing of this transition, I am presenting the full year result and giving the 'Managing Director's' address within this report.

Having spent most of the year as a Non-Executive Director, my brief period as Interim CEO has provided me with valuable insights into the complexities of the operations and a deeper understanding of the business. I have gained a great deal of confidence in the commitment and abilities of the Ridley management team and in the significant capital investment program in place to construct and operate two new plants in Tasmania and central Victoria.

The Ridley Operations Earnings Before Interest and Tax (**EBIT**) result for the 2019 financial year (**FY19**) is $40.5 million (**m**), and there are no non-recurring items to report for the year.

We started the 2019 financial year knowing that the Ingham's poultry feed supply agreement was to expire in October 2018 and that there was no prospect of a resumption, due to insolvency, of Red Lea poultry raw material supply to the Maroota Rendering site. This, together with the increase in energy pricing, meant that we needed at least $5m of growth throughout the business just to maintain earnings at the prior year level.

In FY19, positive year on year earnings improvements have been recorded in Dairy, Beef and Sheep, Laverton Rendering, Supplements, Packaged Products and Aquafeed. Volume reductions in Poultry and Pig sectors and the known reduction in poultry raw material supply to Maroota Rendering have adversely impacted the result, together with the loss on the first year of Novacq™ operations at Yamba. Each of these sectors will be covered in more detail later in this review.

Beyond Ridley operations, corporate costs have been contained to be consistent with prior years except for c.$2.0m in respect of the termination costs associated with the departure of the CEO and Managing Director as announced on 28 June 2019, plus the legal costs incurred and expensed in respect of defending the ongoing Baiada legal claim.

New extrusion plant at Westbury, Tasmania

The $6.2m net profit recorded for the Property segment reflects the sale of Lots A and C at Lara in July 2018 for total proceeds of $9.5m, and brings the total proceeds of surplus land holding sales at Lara in the last two years to $14.5m. If the land purchase option for Lot D is exercised in the coming year for sale proceeds of $1.5m, then we will have completely exited the Lara site, leaving Moolap as the single surplus landholding to be divested. The third party option holder is continuing its due diligence on Lot D to secure the development approvals and funding necessary to facilitate the exercise of the option prior to its expiry on 2 July 2020.

To complete the high level summary of profit and loss items, net finance costs for the year of $5.0m reflect interest on higher levels of bank debt than last year incurred to finance the construction of the new extrusion plant at Westbury in Tasmania, and the 350,000 tonne capacity feedmill at Wellsford, Bendigo. This incremental interest cost has been partially offset by interest revenue of $0.8m recorded on the unwinding of the discount on the deferred consideration payable in respect of current and prior year Lara land sales.

The $6.8m income tax expense and 22.3% effective tax rate for FY19 includes the application of $4.5m of capital losses against the July 2018 Lara Lot A and C property sales, a $0.2m overprovision in the prior year, and the tax benefit from the sustained levels of research and development (**R&D**) activity across the business.

There are no non-recurring items reported in FY19 and there have been no negative impacts on the FY19 operating result associated with the disposal of the Huon legacy inventory which was written down to a nil carrying value last year.

The last item in the profit or loss, being an other comprehensive income reversal of $0.4m, is an entry to adjust the carrying value of the investment in a UK-listed specialist ingredients business to the last traded value prior to balance date. This investment had been written up by $0.5m in the prior year.

Safety

The Ridley Board is committed to ensuring that the safety and wellbeing of our people remains our number one priority at all times when conducting business at Ridley, and the sharing of these values was an important attribute in the selection and appointment of our new CEO. Safety is one of our five core values and one of our six strategic platforms.

The journey to an injury-free environment is a long and continuous one, and there will always be scope for further improvement. Nonetheless, our change of leadership coinciding with our annual reporting commitments does provide an opportunity to step back and reflect on the progress of our journey to date, and to refocus on the direction and priorities ahead.

From the perspective of our core KPIs of Lost Time Injury Frequency Rate (**LTIFR**) and Total Recordable Frequency Rate (**TRFR**), we are pleased to report a record low TRFR of 5.6, which was largely driven by a record low number of Medically Treated Injuries (**MTIs**) of just three during the year, down from greater than 10 in prior years.

The safety results for FY19 are the culmination of a dedicated strategy which is overseen by the Health & Safety team and then adopted throughout the organisation, noting that ownership for safety must originate and be held at the individual sites, with fellow operatives and colleagues all looking out for each other.

Data is also critical in identifying the most common causes of hazards and injuries, and in recent years we have allocated resources and expended great effort in capturing and analysing data to identify and rectify root causes of injury. By way of example, in FY19, we adopted a Safe Hands program in response to the observation that many of our MTIs were the result of cuts to fingers, hands and wrists. Consequently, we invested in a new, wider range of latest technology, cut-resistant gloves throughout the business, together with an education program for our operators, and changes to the relevant Standard Operating Procedures. The Safe Hands program feedback from staff has been very positive, with workers not only reporting a more comfortable fit from the new gloves, but also witnessing a real reduction in actual injuries.

A critical lead indicator for safety performance is the reporting of hazards, and FY19 was yet another record number of hazard identification logs. At Ridley, we recognise the strong correlation between elevated hazard reporting activity and decrease in injuries. In this context, we were delighted to see a total of 4,643 logs in FY19, compared with 2,954 in FY18, an increase of 57%. Particularly pleasing is the embracing of Ridley safety standards at our operations in Thailand, where the introduction of workplace safety has been well received.

Core business operating performance for the 2019 financial year

The following is a sector-by-sector summary of operating performance for the year.

(i) Dairy, Beef and Sheep

Total sales volumes for Dairy, Beef and Sheep, referred to as the Ruminant sector, were marginally up on the prior year, boosted by the beef and sheep feeding in drought-affected regions. A combination of these favourable feeding conditions, a strategy to support and retain customers in the main milk producing regions, good commodity management, and strong cost control within the feedmills has generated a strong full year result for this sector.

(ii) Poultry and Pig

Poultry volumes were down on the prior year due to a combination of the expiry of the Ingham's supply agreement in October 2018, record feed conversion ratios being enjoyed by customers on Ridley feed and Ridley diets, and an industry-wide shortening of the bird lifecycle, which results in a drop in finisher feed sales volumes. Notwithstanding these conditions, all ongoing major poultry broiler customers enjoyed growth in bird numbers while poultry layer sales volumes fell slightly in line with an industry reduction in bird placements. The year on year impact of the expiry of the Ingham's supply agreement was 169,000 tonnes. Mill efficiencies and effective commodity management supported margins during the year.

Pig volumes were down 25,000 tonnes on the prior year, which is reflective of a combination of high raw material prices and low sow numbers. The contraction in sow numbers is an outworking of the industry readjustment to the fall in meat prices driven by the over-supply conditions that prevailed in the prior year.

Biofilter at Westbury

(iii) Aquafeed

While Aquafeed sales volumes were nearly 6,000 tonnes above the prior year, increases in energy, labour and mill cleaning costs, and a change in overall product mix have trimmed some of the upside to generate a full year result c.$1.0m ahead of last year, exclusive of last year's write off of Huon inventory legacy. Two new senior appointments were made during the year to the Sales and Nutrition team, which now has a full complement and an enviable expertise in Southern Hemisphere salmon nutrition.

Recruitment for the new extrusion plant in Tasmania was also undertaken and the new team put in place prior to the first commercial production runs in late June 2019.

(iv) Rendering

Laverton Rendering raw material intake volumes were up 55,000 tonnes on the prior year, however the price paid to secure these tonnes was increased in accordance with the supply and demand conditions within a highly competitive market. The segregation of raw material streams and a concerted effort to improve the quality of raw materials being delivered through the removal of paunch, water and foreign objects have delivered positive returns for the year. Partially offsetting these gains is a combination of energy costs, product mix and lower poultry meal sales prices, however the overall result is a significant improvement on the prior year.

Ridley's Dr Matt Briggs with local Ridley employees at the mangrove planting day

The results from the prior year site restructure and the raw material intake levels at Maroota Rendering have been pleasing following the prior year cessation of poultry raw material supply from Red Lea.

A number of business development initiatives have supported raw material receival volumes, and supplemented by an increase in product trading activity, have produced a result ahead of internal expectations and budget.

(v) Packaged Products

The high raw material prices impacted the margins for Packaged Products, particularly in the first half year until a pass through price adjustment was processed to address the imbalance. The generation of annualised sales volumes only 2,000 tonnes below the prior year was a considerable achievement in the context of the high feed prices and discretionary nature of spending on companion animals. FY19 has been an exciting year in Equine, marking the 50th anniversary of Ridley's sponsorship of the Barastoc Horse of the Year Show, with Ridley's launch into horse racing with a new concentrated high-performance feed, and the new partnership with British Horse Feeds to exclusively distribute Speedi-Beet and Fibre-Beet in Australia and New Zealand.

(vi) Supplements

Supplements enjoyed a normal dry season across northern Australia in FY19, which generated a strong first half year of sales and a full year result 5,900 tonnes ahead of the prior year. The full year result is pleasing given the impact on sales and the damage to Ridley's operations and inventory arising from the February 2019 Townsville floods and the first half year shortage of key raw materials in northern Queensland, which compromised production capacity.

(vii) Thailand feedmill

The Thai prawn market continues to be beset with the problem of eradicating the diseases that continue to affect prawn production activity, farmer confidence and the availability of working capital to facilitate any large-scale restocking programs. Witnessing these experiences through the fortunes of our feedmill partner, we have refocused our attention on securing sustainable fin fish supply arrangements both in Thailand and overseas and on exports of prawn feed.

(viii) Novacq™

In the first 12 months of operation since transitioning from an applied R&D project to full commercial status, the Novacq™ domestic operations recorded an operating loss. Commercial sales of prawn feed with a 5% Novacq™ inclusion rate commenced with a number of domestic prawn farmers on a conservative proportion of their available ponds. The dewatering and drying equipment was installed and commissioned at Yamba, together with a power upgrade, which will facilitate a higher level of oxygenation and fertilisation to improve production output.

CSIRO Alliance

At balance date we were two and a quarter years into the five-year CSIRO Alliance, and both organisations are working well together to endeavour to understand how and why Novacq™ works, and how we can produce it more effectively and cost-efficiently, and with greater bioactivity.

The development of an assay to test and provide a real-time measure (as opposed to measurement of live animals over periods of time in tank trials) of the level of bioactivity of the Novacq™ produced is of vital importance as we need to ensure there is a consistent level of bioactive ingredient in the feed being supplied to generate a predictable and reliable result for the prawn farmer. Although there are several other work packages being conducted concurrently by other teams within CSIRO, this remains the prioritised package of work being undertaken. The output from this work package is considered to be a critical component of the work ahead to identify the most likely applications for Novacq™ beyond the known monodon and vannamei species of prawn.

Property

With the successful sales of surplus land at Lara in recent years and the lack of positive engagement by the State Government of Victoria towards a commercial development of the Ridley-owned and Crown-leased land at Moolap, the outlook for FY20 in respect of Property is primarily a minimal cost holding pattern while providing all possible support for the land-based aquaculture project envisaged for Lot D at Lara. The 12 month option agreement for the sale of Lot D to a land-based aquaculture company has been extended for a further year, such that it now expires on 2 July 2020.

As a consequence of the above, the Property segment will no longer be separately reported from 1 July 2019 and the associated costs and revenues will be absorbed within the corporate reporting cost centre.

Our people and communities

There have been no changes to the executive lead team in FY19 following the appointment of Jody Scaife as General Manager Commercial Feeds in late June 2018. The executive lead team is able to provide a solid platform of Ridley knowledge and industry experience to the incoming CEO and thereby maintain the momentum on all the new business development and quality initiatives currently in progress.

FY19 was a busy year for Ridley in working with its local communities, many of which were dealing with the hardship and stress associated with severe drought conditions. Our work with Aussie Helpers continues to provide valuable support for farmers in need, whether in the form of animal feed, cash or donation of second hand office equipment. Supplementary feed support has been particularly welcome in areas where the farmers have been unable to grow or acquire supplies of hay.

We have now provided seven consecutive years of support for Aussie Helpers, where the focus is on providing assistance to rural Australia, and for the Garvan Institute. The Garvan Institute's *Healthy Families, Healthy Communities* program supported by Ridley continues to advocate the importance of medical research to rural and regional Australia, sharing important health information with rural and regional Australia and conveying messages supporting healthy living and risk mitigation.

The Ridley Ken Davies Award, which honours a former colleague, continues as an annual award presented to a Garvan Institute researcher with a $75,000 prize as part of the *Healthy Families, Healthy Communities* program. Ridley has a Workplace Giving program to assist with ongoing support for the Ridley Ken Davies Award.

The third annual Cobber Challenge was launched in August 2018, and the fourth Cobber Challenge was run from 12 August 2019. The Cobber Challenge is designed to showcase the unsung heroes of Australian farms, our working dogs and their owners. The challenge is a three-week competition during which the competing dogs wear GPS collars that provide live data on their movements, with points accrued for speed, duration and distance. The dog that has the most points at the close of the campaign is declared the winner of the coveted Cobber Challenge trophy. The Cobber Challenge provides an opportunity to show the important role that nutrition plays in enabling working dogs to perform day in and day out.

2019 marked the 50th anniversary of Ridley's sponsorship of the Horse of the Year Show. The show was held in February at Werribee Equestrian Centre west of Melbourne, and attracted well over 1,000 entries from competitors in Equestrian Victoria events as well as breed societies and the Horse Riding Club Association of Victoria. Following the success of the show, at the 2019 Equestrian Victoria Awards, the 50th Barastoc Horse of the Year won the Event of the Year.

Our engagement with local communities where we operate also extended to Thailand and a mangrove planting day near the joint venture feedmill. We are also working with local oyster farmers to provide disease analysis and water quality testing, data and insights to assist them in addressing the incidence of oyster mortalities in their overcrowded estuaries.

Outlook

The overall outlook for the coming year for the business is positive, with another strong year expected for the Ruminant business driven by high milk prices, which will help support positive dairy farmer sentiment. The high Beef and Sheep volumes of FY19 driven by drought conditions are not expected to be repeated in FY20, but a positive performance is nevertheless expected against historical sales volumes.

Poultry volumes are expected to improve in FY20 as the industry reverts to its traditional bird lifecycle, the shortening of which by several days in the second half of FY19 led to a reduction in bird size and overall feed volumes.

Managing Director's Review continued

August 2019 progress at the Wellsford site, Bendigo, Victoria

Construction of the new state-of-the-art Monogastric feedmill to service key customer Hazeldene's Chickens and other poultry and pig farmers in central Victoria was in progress at balance date, and is expected to be commissioned in the fourth quarter of FY20. The existing 160,000 tonne capacity feedmill in East Bendigo will be retired once the new feedmill at Wellsford is commissioned and fully operational. The new facility will be similar in design and construction to the last Ridley feedmill constructed at Lara, Geelong. With an annual production capacity in excess of 350kt, the Wellsford feedmill will be significantly the largest in the Ridley network.

The outlook for the Pig sector in FY20 is for Australian pig meat production to grow in line with population growth. Much of this increase will occur in the later part of the year as supply increases to meet demand following a reduction in pig production in preceding years. On a global scale, the past 12 months have seen African Swine Fever substantially reduce the population of pigs in China, neighbouring Asian countries and various European Union countries, generating pressure on global pig meat supply and pricing.

From a Ridley pig feed perspective, breeder inventories are expected to increase during FY20 with feed production volumes expected to increase from the later part of FY20 and beyond.

The outlook for Rendering is positive, with the benefits of last year's improvements in plant efficiency and segregation of higher value raw material intake to be enjoyed for a full year despite an expected pull back in raw material input volumes following a reduction in red meat slaughter rates. Continuing improvement to the Overall Equipment Effectiveness (**OEE**) of both Rendering plants and initiatives to reduce energy consumption are also expected to contribute positively in FY20.

For Aquafeed, the long-term outlook for the domestic salmon industry continues to be positive, with sustainable fishery solutions being developed for Tasmania and New Zealand, continuing growth in domestic salmon consumption, and further investment in technology, automation and biomass by the Tasmanian salmon producers. Ridley has committed to playing an important role in supplying locally produced feed to the salmon industry and officially opened its new feedmill at Westbury in northern Tasmania on 24 July 2019. In addition to salmon, production for other fin fish is currently being transitioned to Westbury from the Narangba plant in Brisbane, which will now concentrate on prawn feed and extruded pet food.

The two salmon feed trials being conducted as part of Tassal's research and development program as announced last year are proceeding well. Production for all ensuing stages of the trial has now been switched to the new extrusion plant at Westbury and provides incremental trial volume sales.

The prospect of volume growth in barramundi and yellow tail king fish is positive, but potentially eclipsed by the current expansion of the domestic prawn industry, led by Tassal following its September 2018 acquisition of prawn producer the Fortune Group. Effective management of working capital and a seamless transfer of feed volumes will be critical in the coming year as the Aquafeed business unit transitions from a single location to a tandem site production model at Westbury and Narangba. The return of Ridley's extruded dog feed production to Narangba from an outsourced supply agreement is an important component of this strategy.

We are expecting and managing towards another year of growth and consolidation in both Packaged Products and Supplements, through a new range and product mix, improved store coverage and presence, a focus on raising the profile of our Petfood and Equine products, and on the assumption that we experience a traditional 12 month dry and wet season weather pattern in northern Australia, which is conducive to the consumption of supplementary feeding blocks.

Novacq™ operations at Yamba went live from a commercial perspective on 1 July 2018 and the year proved to be another year of consolidation, with the FY19 trialist prawn farmers continuing to purchase the Novacq™-inclusive feed and confirm that the positive results observed in the prior year are sustainable given the continued use of the Novacq™ product.

The Novacq™ operations at Chanthaburi, Thailand, will remain in development mode for another year, with an expected go-live date of 1 July 2020. By this time, it is expected that all development approvals to install and operate the dewatering and drying equipment within the Chanthaburi feedmill will have been secured and the dewatering and drying process finely tuned through another year of domestic experience at Yamba.

The strategic alliance with CSIRO is two and a quarter years into a five-year term as at 30 June 2019, and the primary focus of the alliance for the coming year in FY20 will continue to be the development of an assay to test the bioactivity on a simple, accurate, timely and cost-effective basis. This information is considered to be a critical component of the work ahead to identify the most likely applications for Novacq™ beyond the known monodon and vannamei species of prawn.

Ridley's $95m-plus commitment to a new state-of-the-art feedmill in central Victoria and to a new extrusion plant in Tasmania supports our focus on growing with our customers and capitalising on opportunities to expand our presence in key livestock animal production regions. In order to manage the cash flows associated with this significant spike in investment funding requirement, in May 2019 a new five-year banking facility was executed with existing financiers ANZ and Westpac. Under the new agreement, the total loan capacity was increased by $40m to $200m, with the bank overdraft facility of $10m and the trade payables facility of $50m both retained.

The 12-month option agreement for the sale of the sole remaining Lara land, Lot D, to a land-based aquaculture company has been extended for a further year, such that it now expires on 2 July 2020.

There has been no meaningful progress with regard to the proposed Moolap development during FY19, and any other avenues for generating shareholder returns from this site will be considered. With an outlook of minimal activity at Moolap and given the significant reduction in the portfolio of surplus land holdings following the FY18 and FY19 sales of property at Lara, the Property reporting segment is being folded into Corporate from 1 July 2019.

David Lord
Interim CEO

Bulka bag storage

Financial Review

"Sales revenue for FY19 of $1,002.6m was up $84.9m (9.2%) on last year's $917.7m, and reflects 1.89m (2018: 2.05m) tonnes of stockfeed and rendered product sold."

Alan Boyd
Chief Financial Officer
and Company Secretary

Results

For statutory reporting purposes, the Consolidated Profit and Loss (Table 1) reports profit from continuing operations after income tax for the year of $23.56 million (**m**) and a pre-tax profit from continuing operations of $30.34m.

Table 1	2019 $'000	2018 $'000
Profit from continuing operations before income tax	**30,339**	21,719
Income tax expense	**(6,774)**	(4,310)
Profit from continuing operations after income tax	**23,565**	17,409
Other comprehensive income, net of income tax	**(403)**	520
Total comprehensive income for the year	**23,162**	17,929

Sales revenue for FY19 of $1,002.6m was up $84.9m (9.2%) on last year's $917.7m, and reflects 1.89m (2018: 2.05m) tonnes of stockfeed and rendered product sold. The increase in sales revenue is largely a reflection of the pass through of high raw material grain prices experienced throughout the financial year despite a reduction in overall sales volumes.

Table 2 – Profit and loss account in $ million	2019	2018	Movement
Earnings from operations before net interest, tax expense, depreciation and amortisation (EBITDA) before non-recurring items:	**54.3**	55.3	(1.0)
Depreciation and amortisation (**DA**)	**(18.9)**	(17.3)	(1.6)
Ridley operations	**40.5**	43.3	(2.8)
Corporate costs	**(11.3)**	(9.5)	(1.8)
Property net profit	**6.2**	4.2	2.0
EBIT before non-recurring costs	**35.4**	38.0	(2.6)
Net Finance costs	**(5.0)**	(4.6)	(0.4)
Income tax expense	**(6.8)**	(7.8)	1.0
Net profit from continuing operations after tax before non-recurring items	**23.6**	25.6	(2.0)
Other non-recurring items before tax	**-**	(11.6)	11.6
Tax on other non-recurring items	**-**	3.4	(3.4)
Reported net profit	**23.6**	17.4	6.2
Other comprehensive income, net of tax	**(0.4)**	0.5	(0.9)
Total comprehensive income for the year	**23.2**	17.9	5.3

The profit and loss summary with a prior period comparison provided in Table 2 above has been sourced from the audited accounts, but has not been subject to separate review or audit. The Directors believe that the presentation of the unaudited non-IFRS profit and loss summary in Table 2 is useful for users as it reflects the underlying profits of the business.

Results continued

The reported Ridley operations EBIT of $40.5m (Table 2) is $2.8m below last year's $43.3m before non-recurring items, largely as a result of lower poultry tonnes arising from a combination of the drop in finisher feed attributable to shorter bird life throughout the industry, improved feed conversion ratios for customers on Ridley diets, and the non-renewal of the Ingham's supply agreement, which expired in October 2018.

The absence of the former Red Lea poultry raw material supply at Maroota and the first year of commercialisation of Novacq™ at Yamba have also impacted the FY19 operating result. Positive year on year earnings improvements have been recorded in Dairy, Beef and Sheep, Laverton Rendering, Supplements and Packaged Products, while high energy costs continue to challenge the business.

Corporate costs have been contained to be consistent with prior years after allowing for c.$2.0m for the combined termination costs associated with the departure of the CEO and Managing Director as announced on 28 June 2019 and for legal costs incurred and expensed in respect of defending the Baiada legal claim.

Net finance costs for the year of $5.0m reflect interest on higher levels of bank debt than last year incurred to finance the construction of the new extrusion plant at Westbury in Tasmania and 350,000 tonne capacity feedmill at Wellsford, Bendigo. This incremental cost has been partially offset by interest revenue of $0.8m recorded on the unwinding of the discount on the deferred consideration payable in respect of current and prior year Lara land sales.

The $6.8m income tax expense and 22.3% effective tax rate for FY19 include the application of $4.5m of capital losses against the July 2018 Lots A and C property sales, a $0.2m overprovision in the prior year, and the tax benefit from the sustained levels of research and development (**R&D**) activity across the business.

There are no non-recurring items reported in FY19 and there have been no negative impacts on the FY19 operating result associated with the disposal of the Huon legacy inventory, which was written down to a nil carrying value last year.

Table 3 – Lara land

A post-tax mark to market other comprehensive income reversal of $0.4m has been recorded in respect of the investment in a UK-listed specialist ingredients business, which was written up by $0.5m in the prior year.

The $6.2m net profit recorded for the Property segment in Table 2 above reflects the sale of Lots A and C at Lara in July 2018 for total proceeds of $9.5m. The 12 month option agreement for a land-based aquaculture business to acquire the only remaining Ridley land at Lara (Lot D in Table 3) was extended for a further 12 months to 2 July 2020. Lot B was sold in June 2018.

Balance sheet

There have been the following movements in the balance sheet over the last 12 months:

(i) A $48.6m increase in net debt for the year from $52.8m to $101.4m.

(ii) A $1.1m increase in current trade receivables from $96.2m to $97.3m, which reflects the pass through of the high raw material grain prices while debtor days remained consistently in the low 30-days range. Other receivables has increased due to a $2.0m increase in deferred consideration relating to the July 2018 Lara Lots A and C property sales.

(iii) A $7.1m increase in inventory from $76.7m to $83.8m reflects high raw material prices for year end grain positions.

(iv) A $0.9m decrease in current assets held for sale to $0.2m following the July 2018 Lara Lots A and C property sales.

(v) A $3.1m increase in non-current receivables from $8.6m to $11.7m comprising a $2.5m increase in respect of the Lara Lots A and C property sales deferred consideration receivable of $5.1m as at 30 June 2019, and an increase of $0.7m in the unsecured loan to the Thailand feedmill joint venture to $6.0m at balance date.

(vi) A $56.7m increase in non-current property, plant and equipment to $259.3m, which reflects $33.8m of construction costs for the new extrusion plant at Westbury and a further $21.2m incurred in respect of the new feedmill under construction at Wellsford, Bendigo. There have also been several other profit improvement and capital maintenance projects conducted during the year, notably the next stages of Novacq™ production at Chanthaburi.

(vii) A $0.5m reduction in non-current investments accounted for using the equity method to $0.7m, which comprises the carrying value of the 49% ownership interest in the Pen Ngern Feed Mill in Thailand and reflects Ridley's share of its operating loss for the financial year.

(viii) A $0.6m decrease in non-current available-for-sale financial assets from $2.3m to $1.7m, which reflects the mark to market adjustment for the 1.2% equity interest investment in a UK-listed specialist ingredients business.

Dividend

The Board paid a 2018 final cash dividend of 2.75 cents per share, fully franked, on 31 October 2018 and a 2019 interim dividend of 1.5 cents per share, fully franked, on Friday 10 May 2019. A fully underwritten Dividend Reinvestment Plan (**DRP**) was introduced for the 2019 interim dividend under which 896,926 fully paid ordinary shares were issued to existing shareholders plus 2,542,224 fully paid ordinary shares to institutional and sophisticated investors at an issue price of $1.33 per share.

After the balance sheet date, a 2019 final dividend of 2.75 cents per share, fully franked and payable wholly in cash on 31 October 2019 was declared by the Directors. The financial effect of this dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2019 and will be recognised in subsequent financial reports. The DRP will be suspended for the purposes of this 2019 final dividend as the Directors believe that the issue of share capital at the current Ridley share price trading range is dilutive and not in the best interests of Ridley shareholders.

Cash flow and working capital

The operating cash inflow for the year (**Table 4**) after working capital movements and maintenance capital expenditure was $33.7m, a reduction of $10.2m on last year's $43.9m.

Working capital increased by $7.3m over last year largely due to the impact of higher raw material input prices.

EBITDA before non-recurring items of $54.3m has remained relatively consistent with the $55.3m in FY18 before non-recurring items and represents a year on year improvement of $10.6m after non-recurring items.

Payments for intangible assets of $5.5m comprise the capitalisation of Novacq™ development costs, contractual legal rights acquired, plus software.

Maintenance capital expenditure of $13.3m was below the $16.6m aggregate charge for depreciation and amortisation on property, plant and equipment. Ridley has invested a further $55.0m in the two new plants at Westbury, Tasmania, and Wellsford, central Victoria.

Dividends paid for the year of $11.7m comprise the 2018 final dividend of 2.75 cents per share paid fully in cash on 31 October 2018, plus the interim FY19 dividend of 1.5 cents per share paid on 10 May 2019, of which $1.35m was settled through the take up of DRP entitlements by existing shareholders. The $3.3m balance of the FY19 interim dividend was settled in cash, but effectively fully reimbursed through the issue of 3,439,150 new shares under the fully underwritten DRP, less the underwriting and transaction costs incurred.

Proceeds from the disposal of fixed assets of $5.0m comprise the Lots A, B and C properties sold during the current and prior year at Lara, with further gross consideration of $3.85m receivable by 30 June 2020, $3.85m by 30 June 2021, and $1.3m by 30 June 2022.

Net tax payments of $1.7m were made during the year and a further $2.0m is payable in respect of the outstanding income tax liability for the 2019 financial year.

Table 4 – Statement of cash flows in $ million

Cash flows for the year ended	30 June 2019	30 June 2018
EBIT from operations before non-recurring costs	**35.4**	38.0
Depreciation and amortisation	**18.9**	17.3
EBITDA before non-recurring items	**54.3**	55.3
EBITDA from non-recurring items	**-**	(11.6)
EBITDA after non-recurring items	**54.3**	43.7
Add back non-cash write off of Huon inventory legacy	**-**	8.4
(Increase)/decrease in working capital	**(7.3)**	6.9
Maintenance capital expenditure	**(13.3)**	(15.1)
Operating cash flow after working capital and maintenance	**33.7**	43.9
Development capital expenditure	**(60.0)**	(21.1)
Payment for intangibles	**(5.5)**	(4.3)
Dividends paid	**(11.7)**	(12.9)
Issue of share capital under Dividend Reinvestment Plan	**3.1**	-
Share-based payments	**(2.4)**	(4.2)
Proceeds from sale of property assets and associate	**5.0**	7.2
Payment for other investment	**-**	(1.8)
Net finance cost payments	**(5.7)**	(4.6)
Net tax payments	**(1.7)**	(5.9)
Other items	**(3.4)**	2.5
Cash flow for the period	**(48.6)**	(1.2)
Opening net debt balance at 1 July	**(52.8)**	(51.6)
Closing net debt balance at 30 June	**(101.4)**	(52.8)

The cash flow summary with a prior period comparison provided in Table 4 above has been sourced from the audited accounts, but has not been subject to separate review or audit. The Directors believe that the presentation of the unaudited non-IFRS cash flow summary in Table 4 is useful for users as it reflects the underlying cash flows of the business.

Financial Review continued

Earnings per share

	2019	2018
Basic earnings per share – continuing	**7.6c**	5.7c
Basic earnings per share	**7.6c**	5.7c
Diluted earnings per share – continuing	**7.6c**	5.6c
Diluted earnings per share	**7.6c**	5.6c

Gearing and financing facility

Ridley's consolidated banking facility was refinanced on 27 May 2019 for a further five years. As part of the refinancing, the total borrowing facility was increased from $160m to $210m, the trade payables facility of $50m was retained, and certain banking covenant requirements were relaxed to accommodate the funding requirements for the new plants at Westbury and Wellsford and the expansion of Novacq™ production capacity in Thailand.

Gearing is reported as net debt to equity in accordance with the covenants of the banking facility and excludes the draw down against the trade payables facility.

Gearing	2019 $'000	2018 $'000
Gross debt	**118,926**	76,222
Less: cash	**(17,483)**	(23,441)
Net debt	**101,443**	52,781
Total equity	**277,499**	263,107
Gearing ratio	**36.6%**	20.1%

Capital movements

During FY19, a total of 2,092,935 (FY18: 3,116,507) shares were acquired by the Company on market for an outlay of $2.8m (FY18: $4.2m) in satisfaction of:

(i) the issue of 1,384,802 (FY18: 2,430,232) shares allocated to Ridley employees under the Ridley Long Term Incentive Plan, with a further 24,123 share entitlements satisfied by payment in cash; and

(ii) 708,133 (FY18: 686,725) shares allocated under the Ridley Employee Share Scheme.

A fully underwritten Dividend Reinvestment Plan (**DRP**) was introduced for the 2019 interim dividend under which 896,926 fully paid ordinary shares were issued to existing shareholders plus 2,542,224 fully paid ordinary shares to institutional and sophisticated investors at an issue price of $1.33 per share.

Segments

The Group determines and presents operating segments based on information that internally is provided to and used by the Managing Director, who is the Group's Chief Operating Decision Maker (**CODM**). An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The financial results of each operating segment are regularly reviewed by the Group's CODM in order to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results reported to the CODM include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

The Group has in recent years reported two segments, as described below, which are the Group's strategic business units until such time as all surplus property assets have been realised, whereupon the Property segment will cease to exist. The operating segments identified by management are consistent with the manner in which products are sold or how future economic benefits will be realised.

The following summary describes the operations in each of the Group's reportable segments:

AgriProducts	Australia's leading supplier of premium quality, high-performance animal nutrition solutions.
Property	Realisation of opportunities in respect of surplus property assets and sales of residual property site assets.

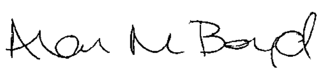
Following the recent property sales at Lara in FY18 and FY19, the residual sites are now only the former saltfield at Moolap and a single residual lot, Lot D at Lara, for which the option to purchase has been extended for a further year to 2 July 2020. In light of the lack of commercial activity at Moolap, low cost base and low property holding costs, from 1 July 2019 the reporting of a Property segment will cease and its activities will be reported through Corporate.

Following the substantial exit of the Group's surplus land portfolio, and with the imminent appointment of a new Chief Executive Officer (the Group's Chief Operating Decision Maker), the Group is currently reviewing the business operations identified as reportable segments. Any changes will be reflected in the interim Financial Report for the period ending 31 December 2019.

Risks

The following is a summary of the key continuing significant operational risks facing the business and the way in which Ridley manages these risks.

- **Cyclical fluctuations impacting the demand for animal nutrition products** – by operating in several business sectors within the domestic economy, (namely Poultry and Pig, Dairy, Aquafeed, Beef and Sheep, Packaged Products and Rendering) some of which have a positive or negative correlation with each other, Ridley is not dependent upon a single business sector and is able to spread the sector and adverse event risk across a diversified portfolio.
- **Influence of the domestic grain harvest** – through properly managed procurement practices and many of our customers retaining responsibility for the supply of raw materials for the feed Ridley manufactures on their behalf, the impact of fluctuations in raw material prices associated with domestic and world harvest cycles is mitigated.
- **Influence of natural pasture on supplementary feed decision making** – whilst not being able to control the availability of natural pasture, Ridley believes there is a compelling commercial justification for supplementary feeding in each of its sectors of operation, whether that be measured in terms of milk yield and herd wellbeing or feed conversion ratios in Poultry, Pig and Aquafeed.
- **Impact on domestic and export markets in the event of disease outbreak** – Ridley has a strategy of mill segregation in place to effectively manage its own risk of product contamination across the various species sectors. Ridley also has a footprint of mills dispersed across the eastern states of Australia that provides a geographical segregation of activities. The risk to Ridley is therefore more of a third party market risk, such as the 2016 outbreak of White Spot disease (White Spot Syndrome Virus or WSSV) in the Logan River region of Queensland, which devastated a number of affected farms in the region.
- **Customer concentration and risk of regional consolidation** – Ridley endeavours to enter into long-term sales and supply contracts with its customers and suppliers. This provides a degree of confidence in order to plan appropriate shift structures, procurement and supply chain activities in the short term and capital expenditure programs in the long term, while actively managing the risk of stranded assets and backward integration into feed production by significant customers. The ongoing commercial viability of key customers and suppliers is generally beyond the control of Ridley, as evidenced by the FY18 appointment of an administrator to the Red Lea poultry producer, which was a major supplier of poultry raw material to Rendering Maroota. The potential for disputes to arise with customers over animal performance linked to feed is a significant risk.
- **Corporate** – risks such as safety, recruitment and retention of high calibre employees, inadequate innovation and new product development, customer credit risk, climate risk, interest rate, foreign exchange and inappropriate raw material purchases are all managed through the Company's risk management framework, which includes review and monitoring by the executive lead team and testing by the internal audit function and external audit.



Alan Boyd
Chief Financial Officer
and Company Secretary

Safety, People, Innovation and Community

"In FY19, we were delighted to expand the breadth of our employee diversity with the addition of two new production teams in Tasmania (Westbury) and Thailand (Chanthaburi)."

Michael Murphy
General Manager Safety, People and Technical Development

Safety

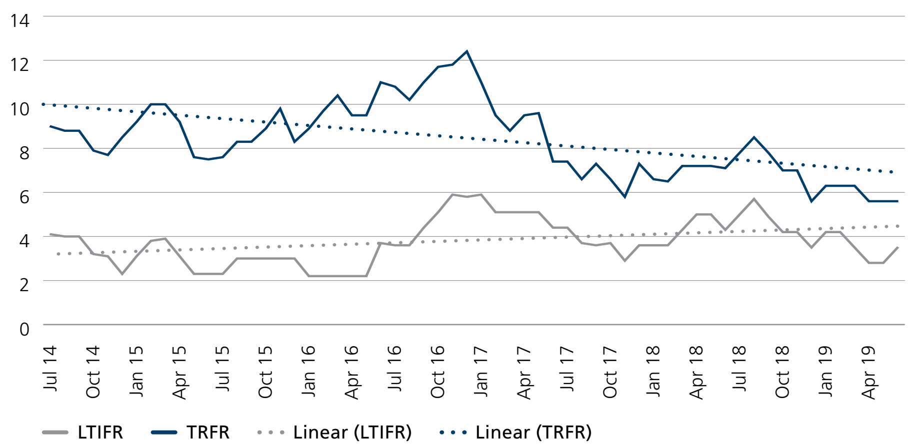
FY19 has been another significant year of progress for Health & Safety at Ridley, which aligns with our number one value and priority of ensuring the safety and wellbeing of our people and visitors on site at all times.

From the perspective of our core KPIs of Lost Time Injury Frequency Rate (**LTIFR**) and Total Recordable Frequency Rate (**TRFR**), we are pleased to report a record low TRFR of 5.6, which was largely driven by a record low number of Medically Treated Injuries (**MTIs**) of just three during the year, down from greater than 10 in prior years.

This record low number of MTIs represents the results of a dedicated strategy which we commenced last year in the Health & Safety team, working closely with colleagues across all of our operating sites. At Ridley, we recognise the value of our data, and our strategy began with an observation that many of our MTIs were the result of cuts to fingers, hands and wrists.

With the benefit of this data, we undertook a comprehensive risk assessment program across the business focused on risks to hands. From this program we quickly identified that in many instances, the gloves being worn by our operators were not best suited to the task being undertaken. Consequently, we launched a dedicated 'Safe Hands' program across Ridley, which saw us roll out a new, wider range of latest technology, cut-resistant gloves, together with an education program for our operators, and changes to the relevant Standard Operating Procedures.

LTIFR and TRFR history and trend



LTIFR = Lost Time Injuries expressed as a ratio of hours worked
TRFR = aggregate of Lost Time Injuries + Medically Treated Injuries expressed as a ratio of hours worked

The feedback from the Safe Hands program has been excellent, with workers reporting a more comfortable fit from the new gloves, plus of course the all important reduction in actual injuries.

In addition to physical education programs of this nature, we also recognise that good Health & Safety practice starts with a positive attitude to your own safety and that of your colleagues. In this context, we continued with our behavioural program called 'My Personal Big 5', which invites staff to write down the five reasons why they come to work. These reasons are then captured and displayed in a dedicated template to serve as an ongoing visual reminder of the importance of remaining safe and vigilant whilst going about our business.

The final major safety related achievement in FY19 was yet another record number of Hazard Identification logs. At Ridley, we recognise the strong correlation between elevated hazard reporting activity and decrease in injuries and, in this context, we were delighted to see a total of 4,643 logs in FY19, compared with 2,954 in FY18, an increase of 57%.

The reporting and rectification of hazards that have the potential to cause injury is a positive and proactive behaviour in a program of continuous improvement to lower the risk and incidence of personal injury at the Ridley workplaces, not only in Australia, but also at our operations in Thailand, where the introduction of workplace safety has been well received.

A graphical representation of safety performance in recent years is provided on the previous page.

People

Like Safety, 'People' are one of our six official strategic platforms, and thus represent a fundamental asset and focus for the ongoing health and success of our business.

At Ridley, we have always enjoyed the benefit of a truly diverse workforce, both in a geographical sense across the full length of the eastern Australian seaboard, plus in the sense of skills and experience, which naturally includes expertise in animal nutrition and welfare, but also encompasses specialised skills in manufacturing, technology, supply chain, corporate services and sales.

In FY19, we were delighted to expand the breadth of this diversity with the addition of two new teams in Tasmania (Westbury) and Thailand (Chanthaburi).

Whilst the new extrusion plant at Westbury was officially opened on 24 July 2019, the new team comprising 18 new hires or relocations were all recruited and trained in FY19 prior to the official opening. In particular, the new team really appreciated the welcome and instruction from their colleagues over a two-week period at our existing extrusion plant in Narangba, Brisbane, which was a great example of collaboration across our business. The two sites will operate in tandem in accordance with the twin production site strategy adopted in 2017, execution of which commenced in FY17 with the start of construction of the new plant at Westbury and the disposal of the 25% interest in the extrusion plant at Inverell.


Ceremonial opening of the day


The actual planting


Ridley's Dr Matt Briggs with officials

Ridley clean-up station

Safety, People, Innovation and Community continued

In Thailand, our Novacq™ journey also took a significant step forward with the recruitment of a new team of 10 Thai nationals to start the production of Novacq™ in Thailand. This team is the first Ridley team ever to be established outside Australia, and therefore represents a genuine milestone for the whole Ridley business, not just Novacq™.

In addition to learning how to grow Novacq™, the Thai team has also done a great job in reaching out to the local community to ensure that they are fully informed about who Ridley is, what we are doing in their region, and how we can benefit their local community. This communication and consultation exercise has seen our local staff participate in a number of local community and environment initiatives, which have all been well received. One of these community engagements was our participation in a local mangrove planting day, during which our staff provided assistance in the actual planting of new mangrove plants and in providing a relief station to assist with the clean-up exercise at the end of the day.

The photos on the previous page show the scale of activity of the day and its ceremonial importance for everyone concerned, with officials from Bangkok joining the local dignitaries.

Outside of our new teams, it was very pleasing to see Ridley's commitment to excellence in animal nutrition recognised with external awards for two of our long-serving staff. Dr Richard Smullen was recently honoured with a Lifetime Achievement Award by the Australian Prawn Farmers' Association, recognising Richard's innovative and outstanding contribution to prawn nutrition in Australia over the last 15 years.

Ridley's Dr Louise Edwards' pioneering work in antimicrobial resistance in the sphere of animal feed was also recognised with her nomination to the Writing and Implementation Group for the Department of Agriculture and Water Resources' *Animal Sector National Antimicrobial Resistance Plan*.

Our commitment to diversity is reflected in the inclusion in this Annual Report of a dedicated diversity report, which is provided below.

Diversity

At Ridley, in addition to the important commercial and operational role that we play in the Australian food and supply chain, we also take great pride in the fact that we are a truly diverse organisation, providing employment to 700 people from a wide range of backgrounds, beliefs and personal experiences.

Our Diversity Policy and commitment to non-discrimination on grounds of gender, age, ethnicity, sexuality, cultural beliefs or other personal circumstances is an active and core part of how we recruit our people. A copy of our Diversity Policy is provided below.

Diversity at Ridley

To achieve the objective of creating a culture that is flexible, inclusive and supportive, each manager employed at Ridley is expected to take responsibility for the following, where:

1. all employees are treated fairly and with respect and dignity;
2. the ability to contribute and access career development opportunities is based solely on merit;
3. individual differences are embraced in the workplace;
4. the workplace is free from discriminatory behaviours and practices;
5. equitable frameworks and policies, practices and processes limit the potential for bias;
6. equal employment opportunities exist based on capability and performance;
7. there is awareness of the different needs and circumstances of employees;
8. there is provision for flexible working practices and policies to support employees; and
9. where a diverse range of talented people can be attracted and retained.

To achieve a diverse and inclusive working environment, Ridley will provide equal opportunity in respect of employment and employment conditions, and specifically with regard to the following:

1. Recruitment, selection and promotion

Equal opportunity forms an integral part of the Recruitment and Selection Policy, and at Ridley we recognise the value of recruiting and promoting employees with different backgrounds, knowledge and experiences. This principle also applies to the selection of contractors. All recruitment and selection documentation, procedures and practices will be non-discriminatory, and Ridley undertakes to recruit employees and Directors impartially and from a diverse field of suitably qualified candidates.

The recruitment process will focus on predetermined criteria designed to ensure that the most appropriate candidate is selected for each position, recognising the importance of the inherent value that diverse perspectives, experiences and approaches can bring to the business as a whole.

Documentation, including job descriptions, job advertisements, application forms and contracts, will include no direct or indirect discrimination.

Company procedures, including interviews, reference checking and testing, will be undertaken in such a way so as to ensure the absence of discriminatory practices.

2. Talent and succession planning

Employees throughout Ridley are encouraged to continually develop and progress their skills and capability through involvement in formal training programs and other work experience opportunities that may become available within the organisation.

Ridley will undertake a review of high-potential and high-performance employees on an annual basis. This review will be based on the performance of the individual and identifying their potential for further career development.

A formal performance review will also be undertaken at least annually between each employee and their manager to review past performance, identify further training and development needs and set new performance targets for the year.

The outcome of these reviews will be used to develop/refine the Ridley Learning and Development Strategy, ensuring that all training is aligned to diversity and equal opportunity principles.

In considering individual needs, Ridley appreciates that it may be appropriate to develop or implement more targeted practices relating to skills development in order to promote a diverse workplace at all levels of the organisation.

3. Career development

Ridley actively encourages employees to develop their careers through opportunities that build capability and by providing relevant experience to individual employees.

At Ridley, all available opportunities for internal promotion will be advertised to all employees to enable individuals to apply for roles to develop their career paths. Employees are assessed for suitability for the role based on their capability and performance within the organisation.

4. Flexibility

Ridley will actively work with individual employees to provide flexible work arrangements, particularly employees with parenting, disability, family and carer commitments.

These arrangements will be assessed based on business requirements to ensure that job or business performance is not compromised as a result of the flexible work practice.

The flexible work practices that Ridley may implement include working from home, reduced hours from full time to part time for women returning to the workforce from maternity leave, and in unforeseen circumstances where an employee is required to care for a dependant on a temporary basis.

5. Gender diversity

Gender equality is a key element for ensuring that Ridley creates a flexible, inclusive and supportive environment. Through the implementation of this policy, Ridley embraces diversity when determining the composition and further development of employees, senior management and the Board.

6. Employee consultation

Ridley will conduct an employee opinion survey every two years to gain employee feedback on a range of cultural factors. All employees will be invited to participate on an anonymous basis.

In addition, as a key tool in measuring and understanding the breadth and diversity of its employees' backgrounds and experiences, Ridley conducts an Employee Opinion Survey every two years to generate feedback and improvement opportunities from its employees. Finally, as part of its annual reporting requirements, Ridley is dedicated to publishing the following data by way of providing transparency on its commitment to being a diverse and inclusive organisation.

Technical development

Technical development consists of our activities in research and development (**R&D**), innovations in our product portfolio and operations, plus the maintenance and improvement of our Information Technology (**IT**) environment.

With respect to R&D, the success of our Novacq™ technology has given impetus to a suite of other exciting initiatives in the dietary and ingredients fields. These are all at an earlier stage in their development, and consist of a range of new technologies in novel ingredients, probiotics, warm temperature salmon diets, nano-encapsulation, removal of medications from feed and farm sanitation.

In seeking to exploit these opportunities, the multidisciplinary R&D team at Ridley continues to collaborate with the best minds in their field and associated best in class facilities across a number of leading universities, together with maintaining an active relationship with CSIRO.

Finally, FY19 was also notable in seeing Ridley open its first R&D facility, being a dedicated poultry trial shed on the Mornington Peninsula in Victoria.

	2019		2018	
	Number of employees	Proportion of category	Number of employees	Proportion of category
Female representation				
Board member	**1**	**20.0%**	1	20.0%
Management reports to CEO	**2**	**24.4%**	2	20.0%
All staff	**146**	**20.9%**	147	20.6%

	Number of employees	Proportion of total workforce	Number of employees	Proportion of total workforce
Regional vs metro				
Regional	**373**	**53.4%**	381	53.4%
Metropolitan	**325**	**46.6%**	332	46.6%
Age				
<30	**65**	**9.3%**	77	10.8%
30–39	**154**	**22.1%**	151	21.2%
40–49	**200**	**28.7%**	201	28.2%
50–59	**183**	**26.2%**	184	25.8%
60+	**96**	**13.8%**	100	14.0%
Working arrangements				
Part time	**32**	**4.6%**	32	4.5%

Safety, People, Innovation and Community continued

From an IT perspective, like any other modern business, Ridley is progressing on a strategy to migrate more of its applications and IT environment to the cloud, which delivers benefits in both flexibility and availability. In this context, FY19 saw some good progress, particularly with our new, bespoke Incident Management system referred to as 'FeedTrack', which is hosted in the cloud and offers additional advantages such as being able to record and upload incidents on mobile devices. The widespread access and user friendliness of FeedTrack has been a key contributing factor in our record number of safety hazards logged in FY19 as reported above.

Notwithstanding the benefits of cloud computing, we also recognise the importance of developing software and applications suited to the unique requirements of our business. In this context, FY19 also saw us develop in-house two ground-breaking applications, one being a dedicated 'Dairy App' for use by our Dairy sales team on customer farms to ensure that our feed product offering is uniquely suited to the needs of the customer's herd. The second initiative is a bespoke scheduling application in our feedmills, which will maximise the efficiency with which we order/store raw materials and convert them into feed.

Community

(i) Charitable activity

Ridley is proud to support employees, suppliers, customers and the communities where we operate. We are entering our seventh consecutive year of support for the Garvan Institute and Aussie Helpers, where the focus is on providing assistance to rural Australia.

The *Healthy Families, Healthy Communities* program supported by Ridley continues to advocate the importance of medical research to rural and regional Australia, sharing important health messages with rural and regional Australia and conveying messages supporting healthy living and risk mitigation.

The Ridley Ken Davies Award, which honours a former colleague, continues as an annual award presented to a Garvan Institute researcher with a $75,000 prize as part of the *Healthy Families, Healthy Communities* program. Ridley has a Workplace Giving program to assist with ongoing support for the Ridley Ken Davies Award.

With much of Australia formally declared as 100% in drought, the work of organisations like Aussie Helpers has never been more important in helping to support our nation's farming families. Ridley has been supporting Aussie Helpers not only encouraging financial support for struggling farmers, but also in respect of donations of food, stock feed, time and most importantly emotional support. Aussie Helpers has helped thousands of farmers who have been affected by fire, flood, drought and rising costs of living.

Each year Ridley donates cash and many tonnes of animal feed directly to Aussie Helpers. Ridley also works with Aussie Helpers to donate old laptops and office supplies that are of great value to farmers, particularly those in remote regional areas.

For anyone wishing to support Aussie Helpers to help the heart of our country, it can be contacted via telephone on 1300 665 232 or through its website at www.aussiehelpers.org.au.

(ii) Equine

One of the most exciting outcomes in FY19 has been the resurgence in the growth of our Equine business. A refreshed strategy has supported strong development in our existing sectors, the launch into racing with a new concentrated performance feed, as well as establishing a partnership with British Horse Feeds to exclusively distribute Speedi-Beet and Fibre-Beet across Australia and New Zealand.

(a) Digital transformation project

A 'new and improved' Barastoc Horse website, with an updated interface, striking imagery and easy to use tools to help users find the right product, has been launched in FY19. Built on a platform that will allow us to personalise our marketing communications with our Equine consumers in the future, it brings new functionality as well as incorporating some of the wonderful tools already developed.

(b) Barastoc 50th Horse of the Year

The 50th Barastoc Horse of the Year Show was held from 8–10 February at the Werribee Equestrian Centre west of Melbourne. The show attracted well over 1,000 entries from competitors in Equestrian Victoria events, as well as breed societies and the Horse Riding Club Association of Victoria.

An afternoon tea was held on the Saturday afternoon of the event to celebrate past and present champions, and importantly to acknowledge the efforts of committee members, some of whom were in attendance who had worked on the very first show held in 1970. The Equine portfolio is growing in both retail and on farm, with further growth anticipated to come from the newly targeted racing industry. Events such as Horse of the Year are an integral part of the Equine marketing mix, as they provide the opportunity to communicate directly with the consumer market and bolster loyalty from the equine community.

Following the success of the show, at the 2019 Equestrian Victoria Awards, the 50th Barastoc Horse of the Year won the Event of the Year.

Details can be found at www.barastochorse.com.au.

(c) New horse feed

A new equine feed called Barastoc Low Cal Cruiser was launched in FY19 through an exclusive arrangement with customer AIRR. Manufactured at Ridley's Pakenham Ruminant feedmill, Barastoc Low Cal Cruiser provides a low calorie, nutritionally balanced feed for horses and ponies resting or in light work. Containing Barastoc Superfibres™, it is made from all natural ingredients such as beet pulp or soybean hulls that have been shown to be more digestible than hay, possess superior fermentation characteristics, and are an excellent source of digestible energy. The low starch formula is suitable for horses and ponies that cannot tolerate high grain diets, and it is pelleted to ensure that horses or ponies receive the right balance of nutrients in every mouthful.

(d) JUMPOFF

In FY19, Barastoc sponsored a new reality TV show about ex-racehorses called *JUMPOFF*. The show followed five well known horse racing trainers who worked in tandem with some of the country's best show jumping riders to retrain former racehorses into show jumping champions. The five teams 'jumped off' for a $100,000 prize pool in the finale, Australia's richest show jumping purse, in front of a live audience at Boneo Park Equestrian Centre on the Mornington Peninsula in southern Victoria. Throughout the series, Barastoc was the proud sponsor of Olympic show jumper Russell Johnstone.

The program is airing on the main Seven Network channel and will feature Ridley's horse nutritionist expert David Nash consulting on nutrition and assisting in the training of some of the horses.

(e) Speedi-Beet and Fibre-Beet

During the year, Ridley established a partnership with British Horse Feeds to distribute Speedi-Beet and Fibre-Beet across Australia and New Zealand. British Horse Feeds is the equine feed division of I'Anson Brothers Ltd., which is a fifth generation family owned business that has been operating in North Yorkshire, England, since 1900. The products are ideal fibre sources for horses and ponies, and those that are prone to Laminitis and EGUS (Equine Gastric Ulcer Syndrome).

All of the Equine initiatives have combined to deliver greater than 16% year on year volume growth with lots of momentum moving into FY20.

(iii) Packaged Products

(a) Supplier of the Year

In February, 2019 Ridley's Packaged Products team was recognised by one of its largest customers, Ruralco/CRT, as their Supplier of the Year – Animal Nutrition. This award was based on sales support, product quality, customer service, innovation, marketing and supply chain, and was great recognition of the team's effort in striving to be a value-adding business partner to our customer base. The team is confident that the new customer engagement model will continue to resonate with our partners, and provide a platform for ongoing growth and business development discussions.

(b) Golden Yolk

In FY19, the addition of Poultry Star, a globally proven probiotic that supports healthy gut flora and overall wellbeing for laying hens, into Barastoc Golden Yolk demonstrated Ridley's category leadership with new innovative products.

The changes will continue to position Barastoc Golden Yolk as the best everyday layer pellet in the market and will be supported by ongoing campaigns over the coming year.

Safety, People, Innovation and Community continued

(c) Cobber Challenge

The third annual Cobber Challenge was launched in August 2018, and the fourth Cobber Challenge was run from 12 August 2019. The Cobber Challenge is designed to showcase the unsung heroes of Australian farms, our working dogs and their owners. The Cobber Challenge is run as a three-week competition during which the competing dogs wear GPS collars that provide live data on their movements, with points accrued for speed, duration and distance. The dog that has the most points at the close of the campaign is declared the winner of the coveted Cobber Challenge trophy. The Challenge provides an opportunity to show the important role that nutrition plays in enabling working dogs to perform day in and day out.

2019 Cobber Challenge

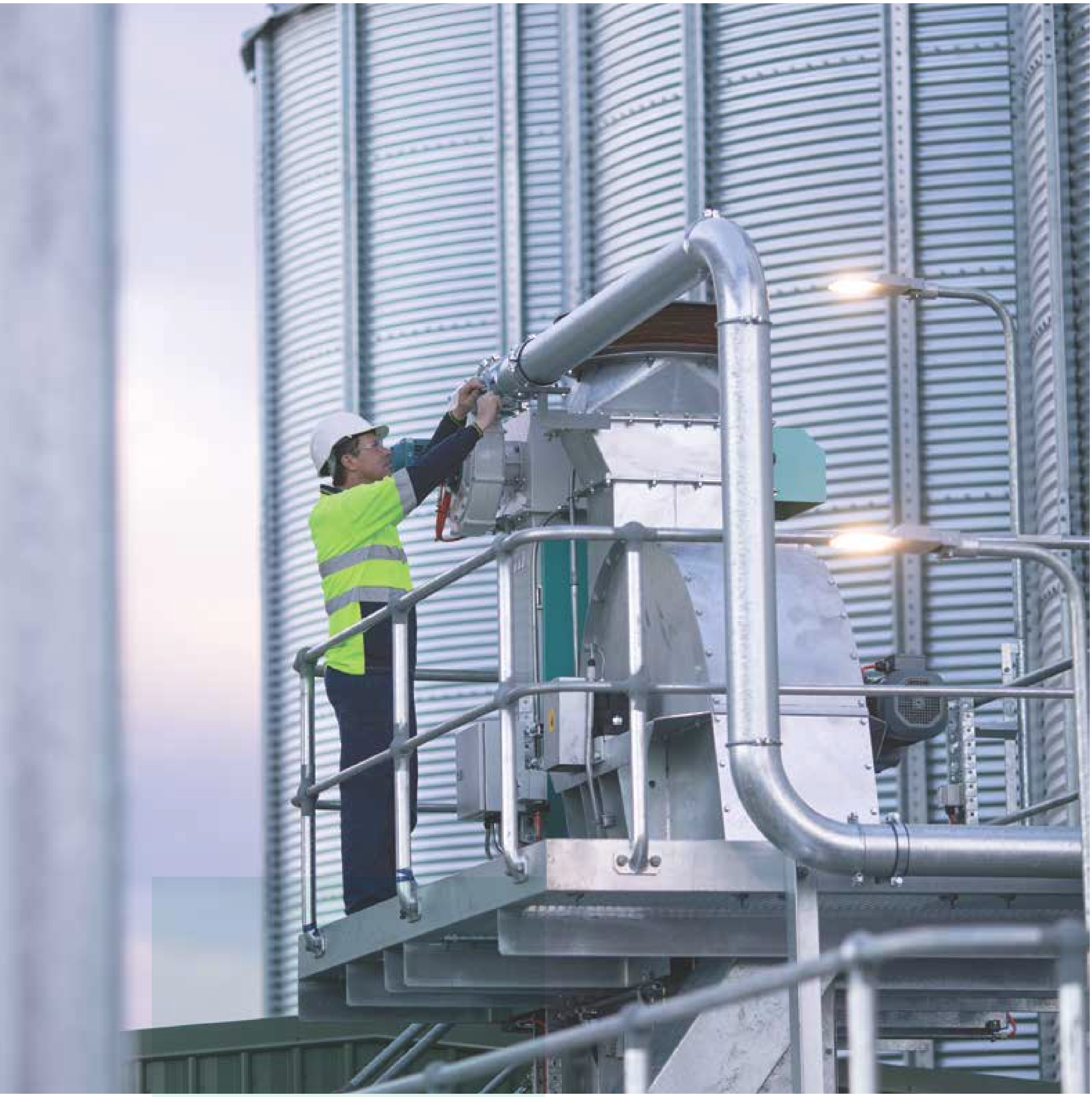
2018 Cobber Challenge winner Boof from Victoria

We are exceptionally pleased with how the campaign raises awareness and positions Cobber as the brand of choice for Australian farmers and their working dogs. Details can be found on the website www.cobberchallenge.com.au.

Sustainability

In addition to generating returns for its shareholders, Ridley also understands the importance of its responsibilities from a social and environmental perspective. We remain committed to initiatives such as the Australian Packaging Covenant (**APC**), which is a sustainable packaging initiative aiming to change business culture to design more sustainable packaging, increase recycling rates and reduce packaging litter.

Ridley's employee-led Sustainability Working Group (**SWG**), which was voluntarily established to increase and maintain awareness of the importance of the environment and sustainability throughout the Ridley Group, continues to promote awareness of environmental responsibility into daily business activities. Comprising an employee group across a range of roles, departments and locations, the SWG recognises that significant steps forward in sustainability often start with small changes across multiple sites and locations, and while the tangible changes may appear to be somewhat small in the context of Ridley's two million tonnes of production, they are helping to improve awareness and ultimately change behaviour and culture.



Board of Directors

Dr Gary H Weiss AM
LLB (Hons) LLM (NZ) JSD (Cornell, NY)

Independent Non-Executive Director and Chair

Appointed in June 2010, Dr Weiss is an Executive Director of Ariadne Australia Ltd and a former executive director with Guinness Peat Group plc (now Coats plc). Gary has LL.B (Hons) and LLM (Dist.) degrees from Victoria University of Wellington, New Zealand, and a JSD from Cornell University, New York. Gary has extensive experience in international capital markets and is a Director of a number of public and private companies. Gary was appointed Ridley Chair on 1 July 2015. In June 2019, Gary was appointed as a Member of the Order of Australia.

Other current listed company directorships

Ariadne Australia Limited from 1989.

Thorney Opportunities Limited from 2013.

The Straits Trading Company Limited from 2014.

Estia Health Ltd from 24 February 2016.

Ardent Leisure Limited from 3 September 2017.

Former listed company directorships in the last three years

Tag Pacific Limited from 1988 until 31 August 2017.

Pro-Pac Packaging Limited from 2012 until November 2017.

Premier Investments Limited from 1994 until July 2018.

David Lord
MBA (Executive) MBS, Grad. Dip. Bus (Management) (Monash) MAICD

Independent Non-Executive Director

Appointed in April 2016, Mr Lord has enjoyed a senior management career primarily in consumer products and agribusiness, most recently as President and Chief Operating Officer of Saputo Dairy Division (Australia) and as CEO and Managing Director of Warrnambool Cheese & Butter Factory Company Limited (WCB) from 2010 to 2015. Between the years 2002 and 2009, David was CEO and Managing Director of Parmalat Australia, a national dairy food manufacturing company known for its Pauls, Ice Break, Vaalia and Smarter White brands. David has extensive experience in supply chain and in the domestic markets for consumer and industrial food products, and the marketing of Australian dairy products in the international commodity marketplace. From 28 June 2019 to 26 August 2019, David was appointed to the executive position of Interim CEO for the Ridley consolidated group while it conducted its CEO search.

Other current listed company directorships

None.

Former listed company directorships in the last three years

None.

Patria M Mann
BEc FAICD

Independent Non-Executive Director

Appointed in March 2008, Mrs Mann is currently a Non-Executive Director of Event Hospitality & Entertainment Limited and Allianz Australia Limited. Formerly a partner at KPMG and an experienced director, Patria brings strong audit, investigation, risk management and governance experience to the Board. Patria qualified as a Chartered Accountant and is a Fellow of the Institute of Company Directors.

Other current listed company directorships

Event Hospitality & Entertainment Limited from October 2013.

Bega Cheese Limited from 10 September 2019.

Former listed company directorships in the last three years

Bellamy's Australia Limited from 10 March 2016 to 18 May 2017.

Professor Robert J van Barneveld
B.Agr.Sc. (Hon), PhD, R.An.Nutr., FAICD

Independent Non-Executive Director

Appointed in June 2010, Professor van Barneveld is a registered animal nutritionist, has a Bachelor of Agricultural Science with a major in Animal Production and a PhD from the University of Queensland. Rob brings to the Board a wealth of experience in the agricultural sector, and is the Group CEO and Managing Director of the Sunpork Group, which includes farms, abattoirs, value-adding and food businesses. Rob also serves on the Board of the Australasian Pork Research Institute Ltd and is Chairman of Autism CRC Ltd. Rob is an adjunct Professor in the School of Environmental and Rural Science at the University of New England.

Other current listed company directorships

None.

Former listed company directorships in the last three years

None.

Ejnar Knudsen
CFA

Mr Knudsen represents the interests of 19.73% shareholder AGR Agricultural Investments LLC and AGR Partners, LLC.

Appointed in June 2013, Mr Knudsen is the CEO of AGR Partners, LLC, an associated entity of Ridley's largest shareholder, AGR Agricultural Investments LLC. Ejnar has more than 20 years of experience investing in and operating food and agriculture companies. Ejnar was Executive Vice President of Western Milling, a start-up California grain and feed milling company that grew to over $1 billion in sales. Ejnar spent 10 years as Vice President for Rabobank in New York managing a loan portfolio, equity investments, and corporate advisory services. Prior to founding AGR Partners, Ejnar was Co-Portfolio Manager of Passport Capital's Agriculture Fund and Craton Capital.

Other current listed company directorships

None.

Former listed company directorships in the last three years

None.

Financial Report

Directors' Report

For the Year Ended 30 June 2019

The Directors of Ridley Corporation Limited (**Ridley** or the **Company**) present their report for the Group (the **Group**), being the Company and its subsidiaries, and the Group's interest in equity accounted investments at the end of, or during, the financial year (**FY**) ended 30 June 2019.

1. Directors

The following persons were directors of Ridley Corporation Limited during the whole of the financial year and up to the date of this report unless otherwise stated:

G H Weiss	D J Lord	E Knudsen
R J van Barneveld	P M Mann	

Mr T J Hart was Chief Executive Officer and Managing Director from 1 July 2013 to 27 June 2019.

Mr D J Lord was appointed Interim CEO from 28 June 2019 to 26 August 2019.

Following the departure of the CEO and Managing Director in late June 2019, the Company embarked on a search program to identify and secure a new CEO. The Board leveraged its extensive network of industry and professional relationships to identify any potential candidates and then conducted an independent evaluation process of a shortlist of both external and internal candidates. As announced through the ASX Announcements Platform on 19 August 2019, the Board has appointed Mr Quinton Hildebrand as its new Chief Executive Officer and Managing Director effective from 26 August 2019. The Board regards Mr Hildebrand as the ideal person to refocus Ridley on its domestic growth plans, leverage the investment in its state of the art facilities, and accelerate the commercialisation of its NovacqTM franchise internationally. Having managed the transition to new leadership with the appreciation of the Board and management, Mr David Lord steps down from his role as Interim CEO and resumes his former duties as a Ridley non-executive director and Chair of the Ridley Remuneration and Nominations Committee.

2. Principal activities

The principal continuing activities of the Group during the year were the production of premium quality, high performance animal nutrition solutions.

3. Results

For statutory reporting purposes, the Consolidated Profit and Loss (Table 1) reports profit from continuing operations after income tax for the year of $23.56 million (**m**) and a pre-tax profit from continuing operations of $30.34m.

Table 1	**2019 $'000**	**2018 $'000**
Profit from continuing operations before income tax	**30,339**	21,719
Income tax expense	**(6,774)**	(4,310)
Profit from continuing operations after income tax	**23,565**	17,409
Other comprehensive income, net of income tax	**(403)**	520
Total comprehensive income for the year	**23,162**	17,929

Sales revenue for FY19 of $1,002.6m was up $84.9m (9.2%) on last year's $917.7m, and reflects 1.89m (2018: 2.05m) tonnes of stock feed and rendered product sold. The increase in sales revenue is largely a reflection of the pass through of high raw material grain prices experienced throughout the financial year despite a reduction in overall sales volumes.

4. Review of operations

Operating result

Table 2 – Profit and loss account in $ million

	2019	2018	Movement
Earnings from operations before net interest, tax expense, depreciation and amortisation (EBITDA) before non-recurring items:	**54.3**	55.3	(1.0)
Depreciation and amortisation (**DA**)	**(18.9)**	(17.3)	(1.6)
Ridley operations	**40.5**	43.3	(2.8)
Corporate costs	**(11.3)**	(9.5)	(1.8)
Property net profit	**6.2**	4.2	2.0
EBIT before non-recurring costs	**35.4**	38.0	(2.6)
Net finance costs	**(5.0)**	(4.6)	(0.4)
Income tax expense – continuing	**(6.8)**	(7.8)	1.0
Net profit from continuing operations after tax before non-recurring items	**23.6**	25.6	(2.0)
Other non-recurring items before tax	**-**	(11.6)	11.6
Tax on other non-recurring items	**-**	3.4	(3.4)
Reported net profit	**23.6**	17.4	6.2
Other comprehensive income, net of tax	**(0.4)**	0.5	(0.9)
Total comprehensive income for the year	**23.2**	17.9	5.3

The profit and loss summary with a prior period comparison provided in Table 2 above has been sourced from the audited accounts, but has not been subject to separate review or audit. The Directors believe that the presentation of the unaudited non-IFRS profit and loss summary in Table 2 is useful for users as it reflects the underlying profits of the business.

The reported Ridley operations EBIT of $40.5m (Table 2) is $2.8m below last year's $43.3m before non-recurring items, largely as a result of lower poultry tonnes arising from a combination of the drop in finisher feed attributable to shorter bird life throughout the industry, improved feed conversion ratios for customers on Ridley diets, and the non-renewal of the Ingham's supply agreement, which expired in October 2018.

The absence of the former Red Lea poultry raw material supply at Maroota and the first year of commercialisation of Novacq™ at Yamba have also impacted the FY19 operating result. Positive year on year earnings improvements have been recorded in Dairy, Beef and Sheep, Laverton Rendering, Supplements and Packaged Products, while high energy costs continue to challenge the business.

Corporate costs have been contained to be consistent with prior years after allowing for c.$2.0m for the combined termination costs associated with the departure of the CEO and Managing Director as announced on 28 June 2019 and for legal costs incurred and expensed in respect of defending the Baiada legal claim.

Net finance costs for the year of $5.0m reflect interest on higher levels of bank debt than last year incurred to finance the construction of the new extrusion plant at Westbury in Tasmania, and 350,000 tonne capacity feedmill at Wellsford, Bendigo. This incremental cost has been partially offset by interest revenue of $0.8m recorded on the unwinding of the discount on the deferred consideration payable in respect of current and prior year Lara land sales.

The $6.8m income tax expense and 22.3% effective tax rate for FY19 include the application of $4.5m of capital losses against the July 2018 Lara Lots A and C property sales, a $0.2m overprovision in the prior year, and the tax benefit from the sustained levels of research and development (**R&D**) activity across the business.

There are no non-recurring items reported in FY19 and there have been no negative impacts on the FY19 operating result associated with the disposal of the Huon legacy inventory, which was written down to a nil carrying value last year.

A post-tax mark to market other comprehensive income reversal of $0.4m has been recorded in respect of the investment in a UK-listed specialist ingredients business, which was written up by $0.5m in the prior year.

The $6.2m net profit recorded for the Property segment in Table 2 above reflects the sale of Lots A and C at Lara in July 2018 for total proceeds of $9.5m. The 12-month option agreement for a land-based aquaculture business to acquire the only remaining Ridley land at Lara (Lot D in Table 3) was extended for a further 12 months to 2 July 2020. Lot B was sold in June 2018.

Table 3 – Lara land

Balance Sheet

There have been the following movements in the Balance Sheet over the last 12 months:

(i) A $48.6m increase in net debt for the year from $52.8m to $101.4m.

(ii) A $1.1m increase in current trade receivables from $96.2m to $97.3m, which reflects the pass through of the high raw material grain prices while debtor days remained consistently in the low 30 days range. Other receivables has increased due to a $2.0m increase in deferred consideration relating to the July 2018 Lara Lot A and C property sales.

(iii) A $7.1m increase in inventory from $76.7m to $83.8m reflects high raw material prices for year end grain positions.

(iv) A $0.9m decrease in current assets held for sale to $0.2m following the July 2018 Lara Lots A and C property sales.

(v) A $3.1m increase in non-current receivables from $8.6m to $11.7m comprising a $2.5m increase in respect of the Lara Lots A and C property sales deferred consideration receivable to $5.1m as at 30 June 2019, and an increase of $0.7m in the unsecured loan to the Thailand feedmill joint venture to $6.0m at balance date.

(vi) A $56.7m increase in non-current property, plant and equipment to $259.3m, which reflects $33.8m of construction costs for the new extrusion plant at Westbury and a further $21.2m incurred in respect of the new feedmill under construction at Wellsford, Bendigo. There have also been several other profit improvement and capital maintenance projects conducted during the year, notably the next stages of Novacq™ production at Chanthaburi.

(vii) A $0.5m reduction in non-current investments accounted for using the equity method to $0.7m, which comprises the carrying value of the 49% ownership interest in the Pen Ngern Feed Mill in Thailand and reflects Ridley's share of its operating loss for the financial year.

(viii) A $0.6m decrease in non-current available-for-sale financial assets from $2.3m to $1.7m, which reflects the mark to market adjustment for the 1.2% equity interest investment in a UK-listed specialist ingredients business.

Dividend

The Board paid a 2018 final cash dividend of 2.75 cents per share, fully franked, on 31 October 2018 and a 2019 interim dividend of 1.5 cents per share, fully franked, on Friday 10 May 2019. A fully underwritten Dividend Reinvestment Plan (**DRP**) was introduced for the 2019 interim dividend under which 896,926 fully paid ordinary shares were issued to existing shareholders plus 2,542,224 fully paid ordinary shares to institutional and sophisticated investors at an issue price of $1.33 per share.

After the Balance Sheet date, a 2019 final dividend of 2.75 cents per share, fully franked and payable wholly in cash on 31 October 2019 was declared by the Directors. The financial effect of this dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2019 and will be recognised in subsequent financial reports. The DRP will be suspended for the purposes of this 2019 final dividend as the Directors believe that the issue of share capital at the current Ridley share price trading range is dilutive and not in the best interests of Ridley shareholders.

Cash flow and working capital

The operating cash inflow for the year (Table 4) after working capital movements and maintenance capital expenditure was $33.7m, a reduction of $10.2m on last year's $43.9m. Working capital increased by $7.3m over last year largely due to the impact of higher raw material input prices.

EBITDA before non-recurring items of $54.3m has remained relatively consistent with the $55.3m in FY18 before non-recurring items and represents a year on year improvement of $10.6m after non-recurring items.

Maintenance capital expenditure of $13.3m was below the $16.6m aggregate charge for depreciation and amortisation on Property, plant and equipment. Ridley has invested a further $55.0m in the two new plants at Westbury, Tasmania and Wellsford, Central Victoria.

4. Review of operations continued

Payments for intangible assets of $5.5m comprise the capitalisation of Novacq™ development costs, contractual legal rights acquired, plus software.

Dividends paid for the year of $11.7m comprise the 2018 final dividend of 2.75 cents per share paid fully in cash on 31 October 2018, plus the interim FY19 dividend of 1.5 cents per share paid on 10 May 2019, of which $1.35m was settled through the take up of DRP entitlements by existing shareholders. The $3.3m balance of the FY19 interim dividend was settled in cash, but effectively fully reimbursed through the issue of 3,439,150 new shares under the fully underwritten DRP, less the underwriting and transaction costs incurred.

Proceeds from the disposal of fixed assets of $5.0m comprise the Lots A, B and C properties sold during the current and prior year at Lara, with further gross consideration of $3.85m receivable by 30 June 2020, $3.85m by 30 June 2021, and $1.3m by 30 June 2022.

Net tax payments of $1.7m were made during the year and a further $2.0m is payable in respect of the outstanding income tax liability for the 2019 financial year.

Table 4 – Statement of cash flows in $ million

Cash flows for the year ended	30 June 2019	30 June 2018
EBIT from operations before non-recurring costs	**35.4**	38.0
Depreciation and amortisation	**18.9**	17.3
EBITDA before non-recurring items	**54.3**	55.3
EBITDA from non-recurring items	**-**	(11.6)
EBITDA after non-recurring items	**54.3**	43.7
Add back non-cash write off of Huon inventory legacy	**-**	8.4
(Increase)/decrease in working capital	**(7.3)**	6.9
Maintenance capital expenditure	**(13.3)**	(15.1)
Operating cash flow after working capital and maintenance	**33.7**	43.9
Development capital expenditure	**(60.0)**	(21.1)
Payment for intangibles	**(5.5)**	(4.3)
Dividends paid	**(11.7)**	(12.9)
Issue of share capital under Dividend Reinvestment Plan	**3.1**	-
Share-based payments	**(2.4)**	(4.2)
Proceeds from sale of property assets and associate	**5.0**	7.2
Payment for other investment	**-**	(1.8)
Net finance cost payments	**(5.7)**	(4.6)
Net tax payments	**(1.7)**	(5.9)
Other items	**(3.4)**	2.5
Cash flow for the period	**(48.6)**	(1.2)
Opening net debt balance at 1 July	**(52.8)**	(51.6)
Closing net debt balance at 30 June	**(101.4)**	(52.8)

The cash flow summary with a prior period comparison provided in Table 4 above has been sourced from the audited accounts, but has not been subject to separate review or audit. The Directors believe that the presentation of the unaudited non-IFRS cash flow summary in Table 4 is useful for users as it reflects the underlying cash flows of the business.

Earnings per share

	2019	2018
Basic earnings per share – continuing	**7.6c**	5.7c
Basic earnings per share	**7.6c**	5.7c
Diluted earnings per share – continuing	**7.6c**	5.6c
Diluted earnings per share	**7.6c**	5.6c

Gearing and financing facility

Ridley's consolidated banking facility was refinanced on 27 May 2019 for a further five years. As part of the refinancing, the total borrowing facility was increased from $160m to $210m, the trade payables facility of $50m was retained, and certain banking covenant requirements were relaxed to accommodate the funding requirements for the new plants at Westbury and Wellsford and the expansion of Novacq™ production capacity in Thailand.

Gearing is reported as net debt to equity in accordance with the covenants of the banking facility and excludes the draw down against the trade payables facility.

Gearing	2019 $'000	2018 $'000
Gross debt	**118,926**	76,222
Less: cash	**(17,483)**	(23,441)
Net debt	**101,443**	52,781
Total equity	**277,499**	263,107
Gearing ratio	**36.6%**	20.1%

Capital movements

During FY19, a total of 2,092,935 (FY18: 3,116,507) shares were acquired by the Company on market for an outlay of $2.8m (FY18: $4.2m) in satisfaction of:

(i) the issue of 1,384,802 (FY18: 2,430,232) shares allocated to Ridley employees under the Ridley Long Term Incentive Plan, with a further 24,123 share entitlement satisfied by payment in cash; and

(ii) 708,133 (FY18: 686,725) shares allocated under the Ridley Employee Share Scheme.

A fully underwritten Dividend Reinvestment Plan (**DRP**) was introduced for the 2019 interim dividend under which 896,926 fully paid ordinary shares were issued to existing shareholders plus 2,542,224 fully paid ordinary shares to institutional and sophisticated investors at an issue price of $1.33 per share.

Segments

The Group determines and presents operating segments based on information that internally is provided to and used by the Managing Director, who is the Group's Chief Operating Decision Maker (**CODM**). An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The financial results of each operating segment are regularly reviewed by the Group's CODM in order to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results reported to the CODM include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

The Group has in recent years reported two segments, as described below, which are the Group's strategic business units until such time as all surplus property assets have been realised, whereupon the Property segment will cease to exist. The operating segments identified by management are consistent with the manner in which products are sold or how future economic benefits will be realised.

The following summary describes the operations in each of the Group's reportable segments:

AgriProducts Australia's leading supplier of premium quality, high performance animal nutrition solutions.

Property Realisation of opportunities in respect of surplus property assets and sales of residual property site assets.

Following the recent property sales at Lara in FY18 and FY19, the residual sites are now only the former saltfield at Moolap and a single residual lot, Lot D at Lara, for which the option to purchase has been extended for a further year to 2 July 2020. In light of the lack of commercial activity at Moolap, low cost base and low property holding costs, from 1 July 2019 the reporting of a Property segment will cease and its activities will be reported within Corporate.

Following the substantial divestment of the Group's surplus land portfolio, and with the 26 August 2019 appointment of a new Chief Executive Officer (the Group's Chief Operating Decision Maker), the Group is currently reviewing the business operations identified as reportable segments. Any changes will be reflected in the interim Financial Report for the period ending 31 December 2019.

4. Review of operations continued

Risks

The following is a summary of the key continuing significant operational risks facing the business and the way in which Ridley manages these risks.

- **Cyclical fluctuations impacting the demand for animal nutrition products** – by operating in several business sectors within the domestic economy, (namely Poultry and Pig, Dairy, Aquafeed, Beef and Sheep, Packaged Products and Rendering) some of which have a positive or negative correlation with each other, Ridley is not dependent upon a single business sector and is able to spread the sector and adverse event risk across a diversified portfolio.
- **Influence of the domestic grain harvest** – through properly managed procurement practices and many of our customers retaining responsibility for the supply of raw materials for the feed Ridley manufactures on their behalf, the impact of fluctuations in raw material prices associated with domestic and world harvest cycles is mitigated.
- **Influence of natural pasture on supplementary feed decision making** – whilst not being able to control the availability of natural pasture, Ridley believes there is a compelling commercial justification for supplementary feeding in each of its sectors of operation, whether that be measured in terms of milk yield and herd wellbeing or feed conversion ratios in Poultry, Pig and Aquafeed.
- **Impact on domestic and export markets in the event of disease outbreak** – Ridley has a strategy of mill segregation in place to effectively manage its own risk of product contamination across the various species sectors. Ridley also has a footprint of mills dispersed across the eastern states of Australia that provides a geographical segregation of activities. The risk to Ridley is therefore more of a third party market risk, such as the 2016 outbreak of White Spot disease (White Spot Syndrome Virus or WSSV) in the Logan River region of Queensland, which devastated a number of affected farms in the region.
- **Customer concentration and risk of regional consolidation** – Ridley endeavours to enter into long-term sales and supply contracts with its customers and suppliers. This provides a degree of confidence in order to plan appropriate shift structures, procurement and supply chain activities in the short term and capital expenditure programs in the long term, while actively managing the risk of stranded assets and backward integration into feed production by significant customers. The ongoing commercial viability of key customers and suppliers is generally beyond the control of Ridley, as evidenced by the FY18 appointment of an administrator to the Red Lea poultry producer, which was a major supplier of poultry raw material to Rendering Maroota. The potential for disputes to arise with customers over animal performance linked to feed is a significant risk.
- **Corporate** – risks such as safety, recruitment and retention of high-calibre employees, inadequate innovation and new product development, customer credit risk, climate risk interest rate, foreign exchange and inappropriate raw material purchases are all managed through the Company's risk management framework, which includes review and monitoring by the executive lead team and testing by the internal audit function and external audit.

Outlook

The overall outlook for the coming year for the business is positive, with another strong year expected for the Ruminant business driven by high milk prices, which will help support positive dairy farmer sentiment. The high Beef and Sheep volumes of FY19 driven by drought conditions are not expected to be repeated in FY20, but a positive performance is nevertheless expected against historical sales volumes.

Poultry volumes are expected to improve in FY20 as the industry reverts to its traditional bird lifecycle, the shortening of which by several days in the second half of FY19 led to a reduction in bird size and overall feed volumes. Margin pressure is expected in FY20 against a backdrop of softening raw material prices.

Construction of the new state-of-the-art Monogastric feedmill to service key customer Hazeldene's Chickens and other poultry and pig farmers in central Victoria was in progress at balance date, and is expected to be commissioned in the fourth quarter of FY20. The existing 160,000 tonne capacity feedmill in East Bendigo will be retired once the new feedmill at Wellsford is commissioned and fully operational. The new facility will be similar in design and construction to the last Ridley feedmill constructed at Lara, Geelong, however with an annual production capacity in excess of 350kt, the Wellsford feedmill will be significantly the largest in the Ridley network.

The outlook for the Pig sector in FY20 is for Australian pig meat production to grow in line with population growth. Much of this increase will occur in the later part of the year as supply increases to meet demand following a reduction in pig production in preceding years. On a global scale, the past 12 months have seen African Swine Fever substantially reduce the population of pigs in China, neighbouring Asian countries and various European Union countries, generating pressure on global pig meat supply and pricing.

From a Ridley pig feed perspective, breeder inventories are expected to increase during FY20, with feed production volumes expected to increase from the later part of FY20 and beyond.

The outlook for Rendering is positive, with the benefits of last year's improvements in plant efficiency and segregation of higher value raw material intake to be enjoyed for a full year despite an expected pull back in raw material input volumes following a reduction in red meat slaughter rates. Continuing improvement to the Overall Equipment Effectiveness (**OEE**) of both Rendering plants and initiatives to reduce energy consumption are also expected to contribute positively in FY20.

For Aquafeeds, the long term outlook for the domestic salmon industry continues to be positive, with sustainable fishery solutions being developed for Tasmania and New Zealand, continuing growth in domestic salmon consumption, and further investment in technology, automation and biomass by the Tasmanian salmon producers. Ridley has committed to playing an important role in supplying locally produced feed to the salmon industry and officially opened its new feedmill at Westbury in northern Tasmania on 24 July 2019. In addition to salmon, production for other fin fish is currently being transitioned to Westbury from the Narangba plant in Brisbane, which will now concentrate on prawn feed and extruded pet food.

The two salmon feed trials being conducted as part of Tassal's research and development program as announced last year are proceeding well, with Ridley's performance at each stage of the trial thus far outperforming the competitor's equivalent diets using product manufactured at the Narangba site in Brisbane. Production for all ensuing stages of the trial has now been switched to the new extrusion plant at Westbury and provides incremental trial volume sales.

The prospect of volume growth in barramundi and yellow tail king fish is positive, but potentially eclipsed by the potential expansion of the domestic prawn industry, led by Tassal following its September 2018 acquisition of leading prawn producer the Fortune Group. Effective management of working capital and a seamless transfer of feed volumes will be critical in the coming year as the Aquafeed business unit transitions from a single location to a tandem site production model at Westbury and Narangba. The return of Ridley's extruded dog feed production to Narangba from an outsourced supply agreement is an important component of this strategy.

We are expecting and managing towards another year of growth and consolidation in both Packaged Products and Supplements, through a new range and product mix, improved store coverage and presence, a focus on raising the profile of our Petfood and Equine products, and on the assumption that we experience a traditional 12-month dry and wet season weather pattern in northern Australia, which is conducive to the consumption of supplementary feeding blocks.

Novacq™ operations at Yamba went live from a commercial perspective on 1 July 2018 and the year proved to be another year of consolidation, with the FY18 trialist prawn farmers continuing to purchase the Novacq™-inclusive feed and confirm that the positive results observed in the prior year are sustainable given the continued use of the Novacq™ product.

The Novacq™ operations at Chanthaburi will remain in development mode for another year, with an expected go-live date of 1 July 2020. By this time, it is expected that all development approvals to install and operate the dewatering and drying equipment within the Chanthaburi feedmill will have been secured and the dewatering and drying process finely tuned through another year of domestic experience at Yamba.

The strategic alliance with CSIRO is two and a quarter years into a five-year term as at 30 June 2019, and the primary focus of the alliance for the coming year in FY20 will continue to be the development of an assay to test the bioactivity on a simple, accurate, timely and cost effective basis. This information is considered to be a critical component of the work ahead to identify the most likely applications for Novacq™ beyond the known monodon and vannamei species of prawn.

Ridley's $95m-plus commitment to a new state-of-the-art feedmill in central Victoria and to a new extrusion plant in Tasmania supports our focus on growing with our customers and capitalising on opportunities to expand our presence in key livestock animal production regions. In order to manage the cash flows associated with this significant spike in investment funding requirement, in May 2019 a new five-year banking facility was executed with existing financiers ANZ and Westpac. Under the new agreement, the total loan capacity was increased by $40m to $200m, with the bank overdraft facility of $10m and the trade payables facility of $50m both retained. Covenants otherwise stretched by the capital outlay have been relaxed in the new agreement, with plans to return to more traditional levels in years four and five of the facility term.

The 12 month option agreement for the sale of the sole remaining Lara land, Lot D, to a land-based aquaculture company has been extended for a further year such that it now expires on 2 July 2020.

There has been no meaningful progress with regard to the proposed Moolap development during FY19, and any other avenues for generating shareholder returns from this site will be considered.

With an outlook of minimal activity at Moolap and given the significant reduction in the portfolio of surplus land holdings following the FY18 and FY19 sales of property at Lara, the Property reporting segment is being reported within Corporate from 1 July 2019.

Directors' Report continued

For the Year Ended 30 June 2019

5. Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the year ended 30 June 2019.

6. Dividends and distributions to shareholders

Dividends paid to members during the financial year were as follows:

	2019 $'000
Interim dividend	
In respect of the 2019 financial year paid on 10 May 2019 of 1.5 cents, 100% franked	**4,618**
A fully underwritten Dividend Reinvestment Plan (**DRP**) was introduced for the payment of the interim dividend, which resulted in the issue of 896,926 fully paid ordinary shares to existing shareholders, plus 2,542,224 fully paid ordinary shares issued to institutional and sophisticated investors pursuant to a placement under the DRP.	
Final dividend	
In respect of the 2018 financial year paid on 31 October 2018 of 2.75 cents, 100% franked	**8,465**
	13,083

7. Environmental regulation

The Group's manufacturing activities are subject to environmental regulation. Management ensures that any registrations, licences or permits required for the Group's operations are obtained and observed.

Ridley has environmental risk management reporting processes that provide senior management and the Directors with periodic reports on environmental matters, including rectification actions for any issues as discovered. In accordance with its environmental procedures, the Group monitors environmental compliance of all of its operations on an ongoing basis. The Directors are not aware of any environmental matters likely to have a material financial impact. The Group is subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007* (Cth) (**NGER**), which governs the reporting and dissemination of information about greenhouse gas emissions, greenhouse gas projects and energy use and production. Ridley has submitted its annual report in compliance with its reporting requirements.

8. Directors' and executives' remuneration

Refer to the Remuneration Report.

9. Share options and performance rights

Unissued ordinary shares of Ridley Corporation Limited and controlled entities under options and performance rights at the date of this report are as follows:

	Number	Expiry date
Ridley Corporation Long Term and Special Retention Incentive Plan (Performance Rights)	5,100,000	Various
Ridley Employee Share Scheme (Options)*	4,222,934	Various

* The share grant and supporting loan together in substance comprise a share option.

No holder has any right under the above plan and scheme to participate in any other share issue of the Company or of any other entity. The Company will issue shares when the options and performance rights are exercised. Further details are provided in Note 25 in the Notes to the Financial Statements and in the Remuneration Report.

The names of all persons who currently hold options granted under the option plans are entered in the register kept by the Company, pursuant to section 215 of the *Corporations Act 2001*. The register is available for inspection at the Company's registered office.

10. Information on Directors

Particulars of shares and performance rights in the Company held by Directors, together with a profile of the Directors, are set out in the Board of Directors section in the Annual Report and in the Remuneration Report.

11. Post balance date events

Other than the appointment of the new Chief Executive Officer and Managing Director on 26 August 2019, no matters or circumstances have arisen since 30 June 2019 that have significantly affected, or may significantly affect:

(i) the Group's operations in future financial years, or

(ii) the results of those operations in future financial years, or

(iii) the Group's state of affairs in future financial years.

12. Company Secretary

The Company Secretary during the year was Mr Alan Boyd, who was appointed on 27 July 2009. Mr Boyd is the Group's Chief Financial Officer and is a fellow of the Governance Institute of Australia and a member of the Chartered Accountants Australia and New Zealand.

13. Insurance

Regulation 113 of the Company's Constitution indemnifies officers to the extent now permitted by law.

A Deed of Indemnity (**Deed**) was approved by shareholders at the 1998 Annual General Meeting. Subsequent to this approval, the Company has entered into the Deed with all the Company's Directors, the secretary of the Company, and the Directors of all the subsidiaries.

The Deed requires the Company to maintain insurance to cover the Directors in relation to liabilities incurred while acting as a Director of the Company or a subsidiary and costs involved in defending proceedings.

During the year the Company paid a premium in respect of such insurance covering the Directors and secretaries of the Company and its controlled entities, and the general managers of the Group.

14. Meetings of Directors

The number of Directors' meetings and meetings of committees of Directors held during the financial year, and the number of meetings attended by each Director as a committee member, are as follows:

	Board		Audit and Risk Committee		Remuneration and Nominations Committee		Ridley Innovation and Operational Committee	
Directors	**H**	**A**	**H**	**A**	**H**	**A**	**H**	**A**
G H Weiss	11	11	5	5	3	3	-	-
T J Hart	11	10	-	-	-	-	4	3
P M Mann	11	11	5	5	3	3	-	-
R J van Barneveld	11	11	5	5	-	-	4	4
E Knudsen	11	11	-	-	-	-	4	4
D J Lord	11	11	-	-	3	3	-	-

H: Number of meetings held during period of office.

A: Number of meetings attended.

In addition to the formal attendance above, all Directors are invited to attend all committee meetings.

Directors' Report continued
For the Year Ended 30 June 2019

15. Non-audit services

The Company may decide to employ the auditor (**KPMG**) on assignments in addition to the statutory audit function where the auditor's expertise and experience with the Company and/or the Group are important and valuable.

The Board has considered the non-audit services and, in accordance with the advice received from the Audit and Risk Committee, is satisfied that the provision of such expertise on separately negotiated fee arrangements is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services provided during FY19 have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company, or jointly sharing economic risk and rewards.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 54 and forms part of this report.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity and its related practices:

	$
Tax services	19,383
Transaction advisory and other services	7,000
Total	**26,383**

16. Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2018/191 issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the Directors' Report and financial statements. Amounts in the Directors' Report and the consolidated financial statements have been rounded off to the nearest thousand dollars in accordance with that legislative instrument, unless otherwise indicated.

Signed in Melbourne on 23 August 2019 in accordance with a resolution of the Directors.

Dr G H Weiss AM
Director

D J Lord
Director

Remuneration Report – Audited

The Directors of Ridley Corporation Limited (**Ridley** or **Company**) present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the Company and the Group, being the Company and its subsidiaries (**Group**), and the Group's interest in equity accounted investments, for the financial year ended 30 June 2019. This report forms part of the Directors' Report for the year ended 30 June 2019.

Remuneration and Nominations Committee

From 20 August 2018, the Remuneration Committee became the Remuneration and Nominations Committee and Mrs Patria Mann became the third independent Non-Executive Director of that committee. The Remuneration and Nominations Committee, (throughout the Remuneration Report referred to as the Committee) consisting of at least two independent Non-Executive Directors, advises the Ridley Board of Directors (**Board**) on remuneration policies and practices generally and makes specific resolutions in its own right and recommendations to the Board on remuneration packages and other terms of employment for the Managing Director, other senior executives and Non-Executive Directors. Following the August 2018 restructure, the Committee is now responsible for evaluating the Board's performance, reviewing Board size and composition, setting the criteria for membership, and identifying and evaluating candidates to fill vacancies on behalf of the Ridley Board.

Executive remuneration and other terms of employment are reviewed annually by the Committee, having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice.

The number of meetings held during the year is shown as item 14 of the Directors' Report.

Services from remuneration consultants

The Committee has previously engaged both the Godfrey Remuneration Group (**GRG**) and Hay Group (**Hay**) as remuneration consultants to the Board. GRG and Hay were engaged to provide remuneration recommendations relating to Key Management Personnel (**KMP**) of the Group, to provide advice outlining retention strategies for key senior managers in the event of a change in control event for the Group, and to provide recommendations in relation thereto. The Board adopted these recommendations in prior years and have continued to apply the existing policies and practices throughout the 2019 financial year.

During the 2018 financial year, Morrow Sodali was engaged by the Board to conduct a review of Ridley's executive remuneration and diversity disclosure policies in the context of current Australian corporate governance best practice, and specifically to conduct:

- external benchmarking of Ridley's short-term incentive and long-term incentive policies and mechanisms;
- a review of the relative total shareholder return concept as the most meaningful measure of shareholder performance; and
- a recommendation in relation to diversity policy disclosure.

Remuneration of Directors and executives

Principles used to determine the nature and amount of remuneration

Remuneration packages are set at levels that are intended to attract and retain directors and executives capable of directing and managing the Group's operations and achieving the Group's strategic objectives.

Executive remuneration is benchmarked against a comparator group of companies comprised of ASX, globally listed and private companies of similar function and size to Ridley.

Executive remuneration is structured to align reward with the achievement of annual objectives, successful business strategy implementation and shareholder returns. The remuneration strategy is to:

(i) offer a base Total Employment Package (**TEP**) that can attract talented people;

(ii) provide short-term performance incentives to encourage personal performance;

(iii) provide long-term incentives to align the interests of executives more closely with those of Ridley shareholders; and

(iv) reward sustained superior performance, foster loyalty and staff retention.

The overall level of executive reward takes into account the performance of the Group primarily for the current year.

Remuneration Report – Audited continued

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for creation of shareholder wealth, the Committee has regard for the following indices in respect of the last five financial years.

		2019	2018	2017	2016	2015
Profit/(loss) attributable to members of Ridley Corporation Ltd	$'000	**23,565**	17,409	25,815	27,606	21,171
Earnings Before Interest, Tax, Depreciation and Amortisation	$'000	**54,315**	43,629	54,484	61,125	51,456
Earnings Before Interest and Tax	$'000	**35,412**	26,368	39,264	45,734	36,141
Cash flow from operating activities	$'000	**36,824**	50,900	29,655	17,612	47,059
Return on shareholders' funds before significant items and discontinued operations	%	**8.6**	6.7	10.2	11.4	9.4
Dividends paid	$'000	**13,083**	13,083	12,313	10,774	10,774
TSR#	%	**(10.4)**	2.3	1.8	15.0	62.0
Short Term Incentive to KMP	$'000	**-**	-	-	1,322	1,559

\# Total Shareholder Returns (**TSR**) is calculated as the change in share price for the year plus dividends paid per share for the year, divided by the opening share price.

Non-Executive Directors

Directors' fees

Non-Executive Directors' fees are determined within an aggregate Non-Executive Directors' fee pool limit, which is reviewed periodically, with proposed amendments recommended to shareholders for approval. The maximum currently stands at $700,000 as approved at the 2003 Annual General Meeting. The Chair receives incremental fees, and the Chair of the Audit and Risk Committee, Ridley Innovation and Operational Committee and Remuneration and Nominations Committee each receive $10,000 of incremental fees in addition to the base Director fees. The total amount paid to Non-Executive Directors in FY19 was $545,475 (FY18: $535,000).

Executives

The executive pay and reward framework comprises the three components of base pay and benefits, short-term incentives and long-term incentives.

Base pay and benefits

Executives receive a base package, which may be delivered as a mix of cash and, at the executive's discretion, certain prescribed non-financial benefits, including superannuation in excess of the superannuation contribution guarantee payments.

External consultants provide analysis and advice to ensure the base package and benefits for non-executive staff are set to reflect the market rate for a comparable role. An executive's pay may also be reviewed on promotion.

The Group sponsors the Ridley Superannuation Plan – Australia (the Fund), and contributes to other employee-nominated superannuation plans. The Fund provides benefits on a defined contribution basis for employees or their dependants on retirement, resignation, total and permanent disability, death and, in some cases, on temporary disablement.

Short-term incentives

Executives and employees in senior positions are eligible for short-term incentive (**STI**) payments based on three components, being the financial performance of the Group (60%), the safety performance of the Group (10%), and the overall performance of the individual (30%) as measured against personal key performance indicators (**KPIs**).

Each year, appropriate KPIs are set to align the STI plan with the priorities of the Group through a process that includes setting stretch target and minimum performance levels required to be achieved prior to any payment of an STI. The STI policy stipulates that no STI is payable for financial performance below 70% of budgeted EBIT. KPIs for the Managing Director are initially considered and recommended by the Committee and then approved by the Board based on the adopted business strategy. These approved KPIs are then cascaded down to the KMPs, CEO Direct Reports and throughout the business, recognising the relative contributions required of each role within the organisation to achieve the stated objectives.

The Group financial performance component of the STI is assessed against budgeted Earnings Before Interest, Tax, Depreciation and Amortisation (**EBITDA**) and against Net Profit After Tax (**NPAT**). The measures of personal performance include targets on safety, training, operational excellence, customer focus, sustainability and community, and people values and development.

Following the end of the 2019 financial year, the financial results and each individual's performance against KPIs have been reviewed to determine STI payments for each executive. Given the shortfall in consolidated financial performance to budget for the reasons as outlined In the Review of Operations Section 4 of the Directors' Report, the Board resolved that no STI be awarded in respect of FY19. When awarded, the STI is ordinarily payable through the payroll function in September, after the release of the full year financial results.

STI incentives by role range from 100% of the base package for the CEO down to 10% of the base package for the least senior participants in the plan. The KPIs are designed to incentivise successful and sustainable financial outcomes, instil a culture where safety is paramount, and encourage excellence, innovation and behaviour in compliance with the Ridley Code of Conduct.

Long-term incentives

In the year ended 30 June 2019, executives' and employees' long-term incentives were provided by way of participation in the Company wide Ridley Employee Share Scheme. There was also an annual issue of performance rights to senior executives and officers under the Ridley Long Term Incentive Plan with an effective grant date of 1 July 2018 and standard terms and conditions as stated below.

The long-term incentive programs align the interests of executives more closely with those of Ridley shareholders in rewarding sustained superior performance, whilst also fostering Company-wide loyalty and staff retention through the Ridley Employee Share Scheme. Company policy prohibits employees from entering into any transaction that is designed or intended to hedge any exposure to Ridley securities.

Current Long Term Incentive Plans

Ridley Corporation Long Term Incentive Plan (LTIP)

The purpose of the LTIP is to provide long-term rewards through the delivery of long-term, sustainable business objectives that are directly linked to the generation of shareholder returns.

Under the LTIP, which was introduced in October 2006, selected executives and the Managing Director may be offered a number of performance rights (**Right**). Each Right provides the entitlement to acquire one Ridley share at nil cost.

Rights vest subject to continued employment (with an exclusion for cessation of employment for a Qualifying Reason such as death, disability or redundancy) and to TSR performance relative to the companies ranked from 101 to 300 in the ASX/S&P 300 as defined at the date of grant. Performance is measured over the three-year period from the effective date of grant. 50% of the Rights vest if Ridley ranks at the 50th percentile, and 100% vest if Ridley ranks at the 75th percentile or above. There is straight line proportionate vesting of the balance from 50% to 100% between the 51st percentile and 75th percentiles. The TSR of Ridley and the comparator companies is measured at the end of the performance test period by an independent third party, which submits a report detailing the extent of any vesting in accordance with the above rules. To the extent that the performance criteria are met, the Rights are automatically exercised to acquire shares. If the performance criteria are not satisfied, the Rights lapse.

TSR has historically been the Company's preferred performance measure as it provides a comprehensive measure of a company's performance against a comparator peer group from the perspective of value delivered to shareholders through a combination of share price growth, dividends and capital returns.

If Ridley is subject to a change of control during the vesting period, the Rights may vest to participants at that time, subject to performance testing and the discretion of the Board.

If a participant ceases employment prior to the end of the vesting period due to retirement, redundancy, permanent disability or death, any unvested Rights may vest to that participant, subject again to performance testing and the discretion of the Board. If a participant ceases employment prior to the end of the vesting period due to resignation, dismissal or any other reason that makes the participant no longer eligible to participate under the rules of the plan, any unvested Rights will lapse.

The shares to satisfy awards under the plan may be newly issued or purchased on-market, with the practice in recent years being to purchase the shares on-market.

During the year ended 30 June 2019, 2,700,000 (2018: 2,700,000) Rights were issued under the LTIP, of which 1,300,000 (2018: 1,300,000) were granted as remuneration to KMP and the balance issued to other non-KMP senior executives within the organisation.

Current long-term incentive plans continued

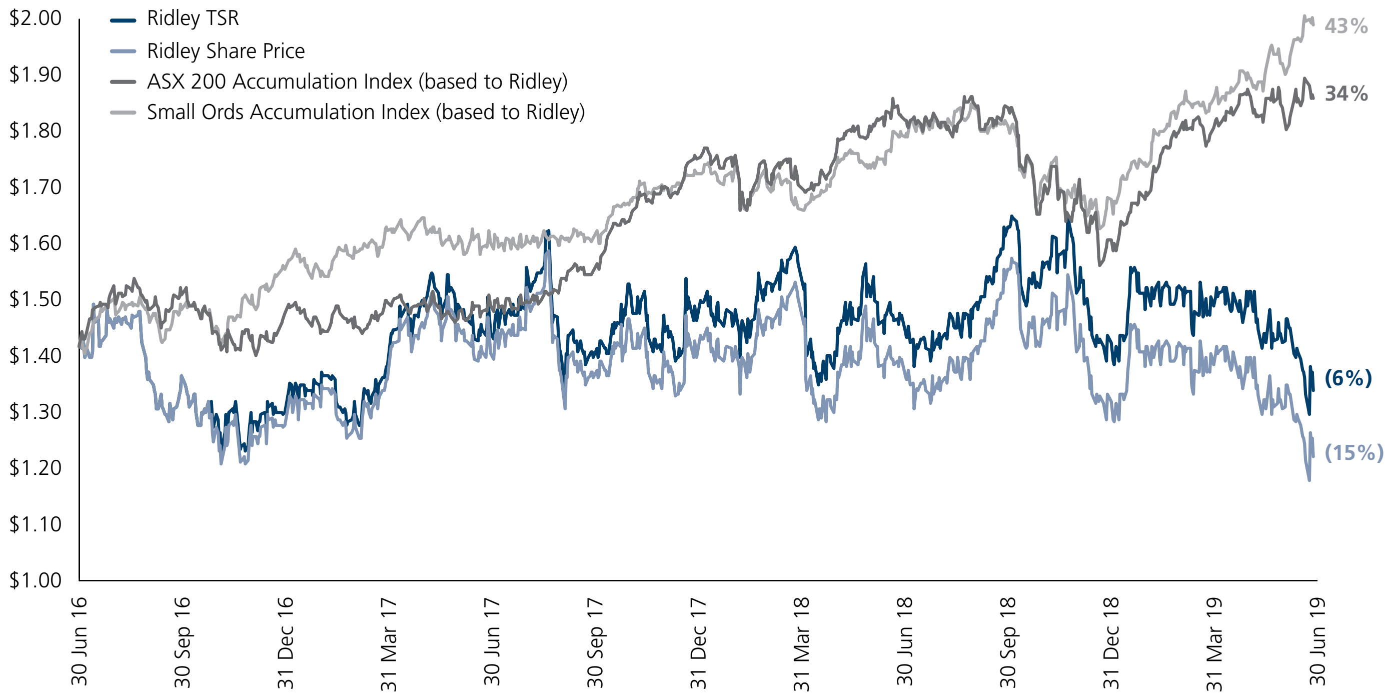
Summary of Ridley TSR performance

The following table provides a summary of Ridley TSR performance for each tranche of the LTIP Rights on issue at year end measured against the median percentage rankings of the comparator group and using 30 June 2019 as the hypothetical end date. TSR calculations use a 30-day average period rather than a single day start date for the commencement of each vesting period.

Start date	TSR Ridley	Median TSR comparison	Percentile	Number of rights on issue	Hypothetically vested at 30 Jun 2019	% Hypothetically vested at 30 Jun 2019
1 July 2016	(3.9%)	15.4%	42.5	2,500,000	nil *	nil%
1 July 2017	(10.0%)	15.1%	32.0	2,450,000	-	-
1 July 2018	(11.0%)	(2.2%)	41.7	2,650,000	-	-

* The Rights on issue with an effective grant date of 1 July 2016 and performance period ending 30 June 2019 all lapsed on 1 July 2019. There have been no issues of Rights subsequent to balance date, however the Board expects to make a 2020 financial year offer of Rights in the first half year.

Ridley share price performance for the last three years



Ridley Corporation Special Retention Plan

The Ridley Corporation Special Retention Plan (**SRP**) was developed specifically to retain and motivate key executives. Under the SRP, selected executives and the Managing Director may be offered a number of performance rights (**SRP Rights**). The Plan offer is made in accordance with the rules of the Ridley Long Term Incentive Plan except that there are no disposal restrictions and the cessation of employment has been superseded, such that the SRP Rights under this offer vest in full on the earlier occurrence of either completion of two years of service from the date of grant; ceasing to be an employee of Ridley because of a sale of a subsidiary entity; and occurrence of a change of control event. Each SRP Right provides the entitlement to acquire one Ridley share at the end of the service period. During the year ended 30 June 2019, nil (2018: nil) SRP Rights were issued.

Ridley Employee Share Scheme (Scheme)

Under the Scheme, shares are offered to all permanent Australian employees with a minimum of 12 months' service prior to the offer date, at a discount of up to 50%, and financed by an interest-free loan secured against the shares. The maximum discount per employee is limited to $1,000 annually in accordance with current Australian taxation legislation. Dividends on the Scheme shares are applied against any loan balance until such balance is fully extinguished. The amount of the discount and number of shares allocated is at the sole discretion of the Board. The purpose of the Scheme is to align employee and shareholder interests. 708,133 (2018: 686,275) shares were acquired on-market and allocated to participating employees under the Scheme during the year. The total value of the shares purchased on-market was $858,349 (2018: $945,000).

Shares purchased on-market

The following table reflects the number and total market value of shares that were acquired on-market and allocated to participating employees under the incentive plans during the financial year.

	Number of shares		Market value $'000	
Incentive plan	**2019**	**2018**	**2019**	**2018**
Employee Share Scheme	**708,133**	686,275	**858**	945
Long Term Incentive Plan*	**1,384,802**	2,430,232	**1,942**	3,382
Total	**2,092,935**	3,116,507	**2,800**	4,327

* In addition to the shares purchased on market, 24,123 of the LTI employee share entitlement was satisfied in cash in lieu of shares.

Directors and Key Management Personnel

The following persons were the Directors and executives with the greatest authority for the strategic direction and management of the Group (Key Management Personnel or KMP) throughout the 2019 financial year unless otherwise stated.

Name	Position and status
Directors	
G H Weiss	Chair
T J Hart	Managing Director and CEO to 27 June 2019
P M Mann	Director
R J van Barneveld	Director
E Knudsen	Director
D J Lord	Director – Interim CEO from 28 June 2019 to 26 August 2019
Executives	
A M Boyd	Chief Financial Officer and Company Secretary
M Murphy	General Manager Safety, People and Technical Development
C W Klem	General Manager Rendering
A I Lochland	General Manager Packaged Products, Aquafeed & Supplements
J C Scaife	General Manager Commercial Feeds

Remuneration Report – Audited continued

Details of remuneration

Details of the remuneration of each Director of Ridley Corporation Limited and each of the KMP of the Group during the financial year are set out below. In accordance with the requirements of Section 300A of the *Corporations Act 2001* and Regulation 2M.3.03, the remuneration disclosures for the 2018 and 2019 financial years only include remuneration relating to the portion of the relevant periods that each individual was considered a KMP.

All values are in A$ unless otherwise stated. The salary package may be allocated at the executive's discretion to cash, superannuation (subject to legislative limits), motor vehicle and certain other benefits.

2019	Short-term benefits		Post-employment benefits		Share-based payments			
Name	**Directors' fees and cash salary $**	**STI $**	**Superannuation $**	**Other benefits[5] $**	**Performance rights/ options $**	**Total $**	**%[1]**	**%[2]**
Directors								
G H Weiss – Chair	161,477	-	16,148	-	-	177,625	-	-
T J Hart – Managing Director[3]	793,396	-	20,290	1,000	433,558	1,248,244	35%	35%
P M Mann	87,659	-	8,766	-	-	96,425	-	-
R J van Barneveld[4]	95,000	-	-	-	-	95,000	-	-
E Knudsen[4]	85,000	-	-	-	-	85,000	-	-
D J Lord	83,114	-	8,311	-	-	91,425	-	-
Total Directors	1,305,646	-	53,515	1,000	433,558	1,793,719		
Executives								
A M Boyd	482,078	-	22,625	1,000	144,000	649,703	22%	22%
M Murphy	319,581	-	25,000	1,000	91,557	437,138	21%	21%
C W Klem	337,681	-	25,000	1,000	91,557	455,238	20%	20%
A I Lochland	337,681	-	25,000	1,000	91,557	455,238	20%	20%
J C Scaife	357,964	-	25,481	-	31,667	415,112	8%	8%
Total executives	1,834,985	-	123,106	4,000	450,338	2,412,428		
Total	3,140,631	-	176,621	5,000	883,896	4,206,148		

1. Percentage remuneration consisting of performance rights/options.
2. Percentage remuneration that is performance related.
3. Mr Hart's employment terminated on 27 June 2019.
4. Director fee paid to a company.
5. Comprises first $1,000 of value upon vesting of performance rights, with the balance satisfied through the allocation of Ridley shares.

2018	Short-term benefits		Post-employment benefits		Share-based payments			
Name	**Directors' fees and cash salary $**	**STI $**	**Superannuation $**	**Other benefits $**	**Performance rights/ options $**	**Total $**	**%[1]**	**%[2]**
Directors								
G H Weiss – Chair	159,091	-	15,909	-	-	175,000	-	-
T J Hart – Managing Director	767,807	-	20,049	-	403,193	1,191,049	34%	34%
P M Mann	86,364	-	8,636	-	-	95,000	-	-
R J van Barneveld[3]	95,000	-	-	-	-	95,000	-	-
E Knudsen[3]	85,000	-	-	-	-	85,000	-	-
D J Lord	77,273	-	7,727	-	-	85,000	-	-
Total Directors	**1,270,535**	**-**	**52,321**	**-**	**403,193**	**1,726,049**		
Executives								
A M Boyd	445,586	-	25,000	-	134,000	604,586	22%	22%
M Murphy	312,236	-	22,308		63,326	397,870	16%	16%
C W Klem	327,118	-	25,000	-	85,776	437,894	20%	20%
A I Lochland	327,118	-	25,000	-	85,776	437,894	20%	20%
A M Mooney[4]	249,239	-	18,241	111,439	-	378,919	0%	0%
J C Scaife[5]	-	-	-	-	-	-	-	-
Total executives	**1,661,297**	**-**	**115,549**	**111,439**	**368,878**	**2,257,163**		
Total	**2,931,832**	**-**	**167,870**	**111,439**	**772,071**	**3,983,212**		

1. Percentage remuneration consisting of performance rights/options.
2. Percentage remuneration performance related.
3. Director fee paid to a company.
4. Resigned on 16 March 2018. Other benefits comprises solely the pay out of accrued leave entitlements.
5. Appointed on 25 June 2018.

Contracts of employment

Remuneration and other terms of employment for the Managing Director are formalised in a service agreement, which includes provision of performance-related bonuses and other benefits, eligibility to participate in the Ridley Corporation LTIP, STI and Ridley Employee Share Scheme. Other major provisions of the agreements relating to remuneration are set out below:

T J Hart, CEO and Managing Director to 27 June 2019

- Annualised base remuneration, inclusive of superannuation and any elected benefits, of $804,952 from 1 July 2018 to 31 December 2018, and $822,420 from 1 January 2019 to 27 June 2019 in order to align the annual remuneration review for the CEO with all other salaried employees and which equates to an annualised 3% increase over the effective 18-month period of alignment. Mr Hart was subsequently remunerated at the same level for the first month of his notice period to 27 July 2019 and then paid his accrued leave entitlements plus $753,885 being the remaining 11 months of his contracted notice period at his average annual remuneration of the last three years of his employment at Ridley.
- Full STI scheme participation up to 100% of total base package based on the achievement of certain agreed KPIs as approved by the Board. The 60% of Ridley financial performance measures for FY19 included a mix of performance against budgeted EBITDA and Net Profit After Tax, excluding property, exceptional energy costs, merger and acquisition impacts and any extraordinary item(s). The 10% of Ridley safety performance included measures of LTIFR, TRFR, training, hazard reduction, implementation and usage of the new safety management system, and the conduct of safety walks. The measures of personal performance included targets on customer value proposition, certain commercial performance targets for new volume and margins, the applied research and development program, and the capital projects at Tasmania and central Victoria.
- Eligible to participate in the Ridley LTIP and Ridley to use its best endeavours to obtain shareholder approval for the issue of equity securities under the scheme. Shareholder approval was received on 30 November 2018 for the 600,000 performance rights issued to Mr Hart in FY19 with a three year performance test period.

Remuneration Report – Audited continued

Details of remuneration continued

- Ridley may terminate the contract immediately for cause and with a 12-month period of notice without cause, being inclusive of any redundancy benefits payable to the executive. Payment of termination benefits on early termination by the employer is not to exceed the threshold above which shareholder approval is required under the *Corporations Act 2001*, and comprises any amount of the total remuneration package accrued but unpaid at termination, plus accrued but unpaid leave entitlements, and any other entitlements accrued under applicable legislation.
- The Managing Director may resign at any time and for any reason by giving Ridley three months' notice in writing.

From 28 June 2019, Mr David Lord ceased being a Non-Executive Director and commenced his role as Interim CEO. Mr Lord was remunerated as Interim CEO at an annual salary of $822,420 and based on the submission of a timesheet for the days and half days worked. Mr Lord was not entitled to STI or LTI under this interim arrangement, which continued until the 26 August 2019 appointment of permanent Managing Director and CEO Mr Quinton Hildebrand, at which time Mr Lord resumed all of his former activities and salary as a Non-Executive Director.

Other senior executives have individual contracts of employment, but with no fixed term of employment.

Notice periods

The notice period for terminating employment of KMP ranges from between three and six months for executives to 12 months for the Managing Director.

For each STI and grant of options and performance rights included in the above remuneration tables, the percentage of the available STI or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the service and performance criteria were not achieved, are set out in the following table, together with the maximum amount of $1,511,311 (2018: $1,458,814) payable to KMP had all STI performance targets been achieved.

Name	STI percentage range of TEP	STI maximum potential award	2019 STI payment in $	2019 Paid %	2019 Forfeited %	2018 Paid %	2018 Forfeited %
T J Hart	0%–100%	$822,420	-	-	100	-	100
A M Boyd	0%–50%	$245,933	-	-	100	-	100
M Murphy	0%–30%	$104,902	-	-	100	-	100
C W Klem	0%–30%	$110,412	-	-	100	-	100
A I Lochland	0%–30%	$110,412	-	-	100	-	100
J C Scaife	0%–30%	$117,232	-	-	100	-	-

Equity instrument disclosures relating to Directors and executives

Performance rights provided as remuneration

Details of Rights over ordinary shares in the Company provided as remuneration to the Managing Director of Ridley Corporation Limited and each of the other KMP of the Group are set out below. When exercisable, each Right is convertible into one ordinary share of Ridley Corporation Limited, which can be satisfied either through the issue of new Ridley shares or, as has been the practice to date, through the acquisition of Ridley shares purchased on-market by an independent broker. Non-Executive Directors do not participate in the LTIP and are therefore ineligible to receive Rights.

Long Term Incentive Plan (LTIP)

The 'Balance at 30 June 2019' holdings of rights in the following table represent the maximum number of Ridley shares that the members of the KMP would receive if Ridley were to have performed at the 75th percentile or above at the end of each three-year performance testing period.

Recipients of LTIP rights	Balance at 1 July 2018	Granted[1]	Vested[2]	Forfeited	Balance at 30 June 2019[3]
Directors					
T J Hart[4]	1,800,000	600,000	(348,600)	(251,400)	1,800,000[4]
Key Management Personnel					
A M Boyd	600,000	200,000	(116,200)	(83,800)	600,000
M Murphy	300,000	125,000	(29,050)	(20,950)	375,000
C W Klem	375,000	125,000	(72,625)	(52,375)	375,000
A I Lochland	375,000	125,000	(72,625)	(52,375)	375,000
J C Scaife	-	125,000	-	-	125,000
Total issued to Directors and Key Management Personnel	**3,450,000**	**1,300,000**	**(639,100)**	**(460,900)**	**3,650,000**

1. The fair value per option at the grant date was $0.76 per share. Shareholder approval was received on 27 November 2018 for the 600,000 performance rights granted to Mr Hart on 27 November 2018.
2. Vested at the end of the performance period on 1 July 2018. The first $1,000 of value is provided by way of taxable income and the balance satisfied through the allocation of Company shares purchased on-market.
3. Performance rights are due to vest between July 2019 through to July 2021.
4. Balance as at 27 June 2019 date of termination.

Shareholdings

The numbers of shares in the parent entity held during the financial year by each Director of Ridley Corporation Limited and each of the KMP of the Group who hold shares, including their personally related entities, are set out in the table below.

Number of shares held in Ridley Corporation Limited

	Balance at 1 July 2018	Received during the year	Acquired/ (disposed) during the year	Balance at 30 June 2019
G H Weiss	270,000	-	-	**270,000**
T J Hart#	1,270,116	349,512	-	**1,619,628#**
P M Mann	96,625	-	864	**97,489**
R J van Barneveld	83,053	-	-	**83,053**
E Knudsen	703,286	-	-	**703,286**
D J Lord	73,200	-	-	**73,200**
Total Directors	**2,496,280**	**349,512**	**864**	**2,846,656**
A M Boyd	1,150,000	115,469	-	**1,265,469**
M Murphy	110,157	30,693	-	**140,850**
C W Klem	581,423	73,557	-	**654,980**
A I Lochland	255,356	73,537	-	**328,893**
J C Scaife	-	-	-	**-**
Total executives	**2,096,936**	**293,256**	**-**	**2,390,192**
Total Key Management Personnel	**4,593,216**	**642,768**	**864**	**5,236,848**

\# Balance as at 27 June 2019 date of termination.

Lead Auditor's Independence Declaration

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Ridley Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Ridley Corporation Limited for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Chris Sargent
Partner

Melbourne

23 August 2019

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2019

	Note	2019 $'000	2018 $'000
Revenue from continuing operations	4	**1,002,583**	917,660
Cost of sales		**(930,033)**	(848,914)
Gross profit		**72,550**	68,746
Finance income		**481**	465
Other income	4	**7,300**	6,248
Expenses from continuing operations:			
Selling and distribution		**(14,049)**	(13,246)
General and administrative	5(d)	**(29,908)**	(35,193)
Finance costs	5(b)	**(5,554)**	(5,113)
Share of net (losses)/profits from equity accounted investments	14	**(481)**	(188)
Profit from continuing operations before income tax expense		**30,339**	21,719
Income tax expense	6	**(6,774)**	(4,310)
Profit from continuing operations after income tax expense		**23,565**	17,409
Net profit after tax attributable to members of Ridley Corporation Limited		**23,565**	17,409
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Available-for-sale financial assets – net change in fair value	20	**(403)**	520
Other comprehensive income for the year, net of tax		**(403)**	520
Total comprehensive income for the year		**23,162**	17,929
Total comprehensive income for the year attributable to:			
Ridley Corporation Limited		**23,162**	17,929

Earnings per share			
Basic earnings per share – continuing	1	**7.6c**	5.7c
Basic earnings per share	1	**7.6c**	5.7c
Diluted earnings per share – continuing	1	**7.6c**	5.6c
Diluted earnings per share	1	**7.6c**	5.6c

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 30 June 2019

	Note	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	7	**17,483**	23,441
Receivables	8	**108,212**	104,005
Inventories	9	**83,829**	76,666
Tax asset	15	**-**	3,019
Assets held for sale	10	**182**	1,133
Total current assets		**209,706**	208,264
Non-current assets			
Receivables	8	**11,673**	8,644
Investment properties	11	**1,265**	1,275
Property, plant and equipment	12	**259,323**	202,596
Intangible assets	13	**85,670**	82,485
Investments accounted for using the equity method	14	**655**	1,136
Available-for-sale financial assets	27(e)	**1,725**	2,300
Deferred tax asset	15	**3,737**	3,619
Total non-current assets		**364,048**	302,055
Total assets		**573,754**	510,319
Current liabilities			
Payables	16	**158,759**	155,897
Provisions	17	**16,006**	14,592
Tax liability	15	**2,046**	-
Total current liabilities		**176,811**	170,489
Non-current liabilities			
Borrowings	18	**118,926**	76,222
Provisions	17	**518**	501
Total non-current liabilities		**119,444**	76,723
Total liabilities		**296,255**	247,212
Net assets		**277,499**	263,107
Equity			
Share capital	19	**218,941**	214,445
Reserves	20	**3,718**	3,760
Retained earnings	20	**54,840**	44,902
Total equity		**277,499**	263,107

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2019

2019	Share capital $'000	Share-based payment reserve $'000	Fair value reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2018	**214,445**	**3,240**	**520**	**44,902**	**263,107**
Recognition of expected credit losses under IFRS 9	-	-	-	(239)	(239)
Related tax	-	-	-	72	72
Impact at 1 July 2018	-	-	-	(167)	(167)
Revised opening balance at 1 July 2018	214,445	3,240	520	44,735	262,940
Profit for the year	-	-	-	23,565	23,565
Other comprehensive income:					
Available-for-sale financial assets – net change in fair value, net of tax	-	-	(403)	-	(403)
Total comprehensive income for the year	-	-	(403)	23,565	23,162
Transactions with owners recorded directly in equity:					
Dividends paid	-	-	-	(13,083)	(13,083)
Shares issued under the Dividend Reinvestment Plan	4,496	-	-	-	4,496
Share-based payment transactions	-	361	-	(377)	(16)
Total transactions with owners recorded directly in equity	4,496	361	-	(13,460)	(8,603)
Balance at 30 June 2019	218,941	3,601	117	54,840	277,499

2018	Share capital $'000	Share-based payment reserve $'000	Fair value reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2017	214,445	2,895	-	42,483	259,823
Profit for the year	-	-	-	17,409	17,409
Other comprehensive income:					
Available-for-sale financial assets – net change in fair value, net of tax	-	-	520	-	520
Total comprehensive income for the year	-	-	520	17,409	17,929
Transactions with owners recorded directly in equity:					
Dividends paid	-	-	-	(13,083)	(13,083)
Share-based payment transactions	-	345	-	(1,907)	(1,562)
Total transactions with owners recorded directly in equity	-	345	-	(14,990)	(14,645)
Balance at 30 June 2018	214,445	3,240	520	44,902	263,107

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		**1,104,549**	1,031,925
Payments to suppliers and employees		**(1,060,736)**	(972,277)
Interest received		**481**	465
Other income received		**410**	1,820
Interest and other costs of finance paid		**(6,225)**	(5,087)
Income tax payment		**(1,655)**	(5,946)
Net cash from operating activities	7	**36,824**	50,900
Cash flows from investing activities			
Payments for property, plant and equipment		**(73,336)**	(36,131)
Payments for intangibles		**(5,479)**	(4,292)
Payments for financial investments		**-**	(1,256)
Proceeds from sale of discontinued operation		**-**	6,000
Proceeds from sale of non-current assets		**5,000**	1,170
Net cash used in investing activities		**(73,815)**	(34,509)
Cash flows from financing activities			
Issue of share capital		**3,140**	-
Purchase of shares for share-based payments		**(2,370)**	(4,182)
Proceeds/(repayment) of borrowings		**42,704**	8,143
Dividends paid	2	**(11,727)**	(12,918)
Loans to related parties		**(714)**	(528)
Net cash from/(used in) financing activities		**31,033**	(9,485)
Net movement in cash held		**(5,958)**	6,906
Cash at the beginning of the financial year		**23,441**	16,535
Cash at the end of the financial year	7	**17,483**	23,441

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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To and Forming Part of the Financial Report

Notes to the Financial Statements

30 June 2019

Note 1 – Earnings per share

	2019 Cents	2018 Cents
Basic / diluted earnings per share – continuing	**7.6 / 7.6**	5.7 / 5.6
Basic / diluted earnings per share	**7.6 / 7.6**	5.7 / 5.6

	2019		2018	
	Basic $'000	Diluted $'000	Basic $'000	Diluted $'000
Earnings used in calculating earnings per share:				
Profit after income tax	**23,565**	**23,565**	17,409	17,409

	2019	2018
Weighted average number of shares used in calculating basic earnings per share:	**308,297,610**	307,817,071

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares on issue during the financial year. On 10 May 2019, 3,439,150 shares were issued under the Dividend Reinvestment Plan, which was introduced for the payment of the FY19 interim dividend.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Based on the vesting conditions and exercise price, as at 30 June 2019 there are no dilutive potential ordinary shares outstanding.

The Group has historically purchased shares on-market to satisfy vesting performance rights. Details relating to the performance rights are set out in Note 25. There are nil (2018: 1,408,925) performance rights outstanding that have been included in the determination of diluted earnings per share, however if the Group purchases shares on-market to satisfy any vesting performance rights, there would be no dilution.

	2019	2018
Weighted average number of shares used in calculating diluted earnings per share	**308,297,610**	310,685,570

Note 2 – Dividends

Dividends paid during the year	Franking	Payment date	Per share (cents)	2019 $'000	2018 $'000
Interim dividend in respect of the current financial year	Fully franked	10 May 2019 (2018: 30 April 2018)	1.5 (2018: 1.5)	**4,618**	4,618
Final dividend in respect of the prior financial year	Fully franked	31 October 2018 (2018: 31 October 2017)	2.75 (2018: 2.75)	**8,465**	8,465
				13,083	13,083
Paid in cash				**11,727**	12,918
Paid through the issue of shares#				**1,193**	-
Non-cash dividends paid on employee in-substance options				**163**	165
				13,083	13,083

A fully underwritten Dividend Reinvestment Plan (DRP) was introduced for the payment of the interim dividend on 10 May 2019, which resulted in the issue of 896,926 fully paid ordinary shares to existing shareholders plus 2,542,224 fully paid ordinary shares issued to institutional and sophisticated investors pursuant to a placement under the DRP.

	2019 $'000	2018 $'000
Since the end of the financial year, the Directors have declared the following dividend:		
2019 final dividend of 2.75 cents per share, fully franked, payable wholly in cash on 31 October 2019. The DRP will be suspended for the purposes of this 2019 final dividend as the directors believe that the issue of share capital at the current Ridley share price trading range is dilutive and not in the best interests of Ridley shareholders.	**8,465**	8,465
Dividend franking account		
Amount of franking credits available at 30 June to shareholders of Ridley Corporation Limited for subsequent financial years	**17,321**	21,273

Note 3 – Operating segments

The Group determines and presents operating segments based on information that internally is provided to and used by the Managing Director, who is the Group's Chief Operating Decision Maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The financial results of each operating segment are regularly reviewed by the Group's Managing Director in order to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

The Group has in recent years reported two segments, as described below, which are the Group's strategic business units until such time as all surplus property assets have been realised, whereupon the Property segment will cease to exist. The operating segments identified by management are consistent with the manner in which products are sold or how future economic benefits will be realised.

The following summary describes the operations in each of the Group's reportable segments:

AgriProducts Australia's leading supplier of premium quality, high-performance animal nutrition solutions.

Property Realisation of opportunities in respect of surplus property assets and sales of residual property site assets. Following the recent property sales at Lara in FY18 and FY19, the residual sites are now only the former saltfield at Moolap and a single residual lot, Lot D at Lara, for which the option to purchase has been extended for a further year to 2 July 2020. In light of the lack of commercial activity at Moolap, low cost base and low property holding costs, from 1 July 2019 the reporting of a Property segment will cease and its activities will be reported within Corporate.

Following the substantial divestment of the Group's surplus land portfolio, and with the 26 August 2019 appointment of a new Chief Executive Officer (the Group's Chief Operating Decision Maker), the Group is currently reviewing the business operations identified as reportable segments. Any changes will be reflected in the interim Financial Report for the period ending 31 December 2019.

The basis of inter-segmental transfers is market pricing. Results are calculated before consideration of net borrowing costs and tax expense. Segment assets exclude deferred tax balances and cash, which have been included as unallocated assets.

Notes to the Financial Statements continued

30 June 2019

Note 3 – Operating segments continued

Geographical segments

The Group predominantly operates in Australasia.

2019 financial year $'000	AgriProducts	Property	Unallocated	Consolidated total
Total sales revenue – external (Note 4)	1,002,583	-	-	1,002,583
Other revenue (Note 4)	285	6,861	154	7,300
Total revenue	1,002,868	6,861	154	1,009,883
Share of (losses) of equity accounted investments (Note 14)	(481)	-	-	(481)
Depreciation and amortisation expense (Note 5)	(18,898)	(5)	-	(18,903)
Interest income	27	-	454	481
Finance costs (Note 5)	(1,567)	-	(3,987)	(5,554)
Reportable segment profit/(loss) before income tax	38,978	6,161	(14,800)	30,339
Segment assets	541,583	10,360	21,156	573,099
Investments accounted for using the equity method	655	-	-	655
Total segment assets	542,238	10,360	21,156	573,754
Segment liabilities	170,204	1,052	124,999	296,255
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets (excluding the impact of business combinations)	75,142	-	-	75,142

2018 financial year $'000	AgriProducts	Property	Unallocated	Consolidated total
Total sales revenue – external (Note 4)	917,660	-	-	917,660
Other revenue (Note 4)	1,045	4,713	490	6,248
Total revenue	918,705	4,713	490	923,908
Share of (losses) of equity accounted investments (Note 14)	(188)	-	-	(188)
Depreciation and amortisation expense (Note 5)	(17,112)	(11)	(139)	(17,262)
Aquafeed inventory legacy expenses (Note 5)	(11,658)	-	-	(11,658)
Interest income	-	-	465	465
Net finance costs (Note 5)	-	-	(5,113)	(5,113)
Reportable segment profit/(loss) before income tax	31,682	4,166	(14,129)	21,719
Segment assets	464,309	2,408	42,466	509,183
Investments accounted for using the equity method	1,136	-	-	1,136
Total segment assets	465,445	2,408	42,466	510,319
Segment liabilities	168,834	-	78,378	247,212
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets (excluding the impact of business combinations)	40,423	-	-	40,423

Note 4 – Revenue and other income

	2019 $'000	2018 $'000
Revenue from continuing operations		
Sale of goods	**1,002,583**	917,660
Other income from continuing operations		
Business services	**-**	68
Rent received	**124**	197
Profit on sale of land	**6,809**	4,696
Foreign exchange gains – net	**81**	302
Other	**286**	985
	7,300	6,248

Revenue recognition

For the sale of feed, the Group generally has one performance obligation. Therefore revenue is currently recognised when the feed is either collected from the Ridley premises or delivered to the customers' premises, which are taken to be the points in time at which the customer accepts the feed and the performance obligation has been met when the control transfers. Revenue is recognised at these points, depending on agreed terms, provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Interest income is recognised using the effective interest rate method. Dividend income is recognised as revenue when the right to receive payment is established.

Note 5 – Expenses

Profit from continuing operations before income tax is arrived at after charging the following items:

(a) Depreciation and amortisation[(i)]	2019 $'000	2018 $'000
Buildings	**1,704**	1,665
Plant and equipment	**14,905**	13,712
Software	**1,325**	1,134
Intangible assets	**969**	751
	18,903	17,262

(i) The depreciation and amortisation charge is included within general and administrative expenses in the Consolidated Statement of Comprehensive Income.

(b) Finance costs	2019 $'000	2018 $'000
Interest expense	**6,225**	5,136
Amortisation of borrowing costs	**144**	144
Unwind of discount on deferred consideration	**(815)**	(167)
	5,554	5,113

Finance costs include interest and amortisation of ancillary costs incurred in connection with the arrangement of borrowings. Borrowing costs are expensed as incurred unless they relate to qualifying assets, being assets that normally take more than 12 months from commencement of activities necessary to prepare for their intended use or sale to the time when substantially all such activities are complete.

(c) Other expenses	2019 $'000	2018 $'000
Employee benefits expense	**85,471**	80,528
Operating lease expense[#]	**4,313**	4,116
Bad and doubtful debt expense – net of recoveries	**163**	505
Research and development	**24,480**	19,200

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits of ownership of leased non-current assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Notes to the Financial Statements continued

30 June 2019

Note 5 – Expenses continued

For FY19 and FY18, payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the period of the lease. The new accounting standard AASB 16 Leases comes into operation from 1 July 2019.

(d) General and administrative expenses include:	2019 $'000	2018 $'000
Aquafeed inventory write down before income tax	-	11,658

Having written down Huon legacy inventory as at 30 June 2018 to a nil value, there has been no adverse profit and loss impact in FY19 associated with the disposal of this inventory.

Note 6 – Income tax expense

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and by unused tax losses.

Ridley Corporation Limited and its wholly-owned Australian controlled entities are part of a tax consolidated group. The entities in the tax consolidated group are party to a tax sharing agreement, which limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Ridley Corporation Limited. The agreement provides for the allocation of income tax liabilities between the entities should Ridley Corporation Limited default on its tax payment obligations. At balance date the possibility of default is considered to be remote.

(a) Income tax expense	2019 $'000	2018 $'000
Current tax	**6,833**	3,681
Deferred tax	**157**	1,215
(Over)/under provided in prior year	**(216)**	(586)
Aggregate income tax expense	**6,774**	4,310
Income tax expense is attributable to:		
Profit from continuing operations	**6,774**	4,310
(b) Reconciliation of income tax expense and pre-tax accounting profit		
Profit from continuing operations before income tax expense	**30,339**	21,719
Income tax using the Group's tax rate of 30%	**9,102**	6,516
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	**7**	28
Non-deductible expenses	**262**	78
Overprovision in prior year	**(216)**	(586)
Research and Development allowance	**(1,700)**	(1,940)
Disposal of Lara surplus land holdings	**672**	220
Recognition of capital loss on contract intangible	**(1,363)**	-
Other	**10**	(6)
Income tax expense	**6,774**	4,310
(c) Income tax recognised directly in equity		
Aggregate current and deferred tax arising in the period and not recognised in net comprehensive income but directly debited or (credited) to equity	**244**	223

Note 7 – Cash and cash equivalents

Cash and cash equivalents comprise cash balances in Australian dollars and foreign currencies.

	2019 $'000	2018 $'000
Cash at bank	**17,483**	23,441

Reconciliation of net cash inflow from operating activities to profit after income tax

	2019 $'000	2018 $'000
Net profit after tax for the year	**23,565**	17,409
Adjustments for non-cash items:		
Depreciation and amortisation (Note 5(a))	**18,903**	17,262
Net profit on sale of non-current assets (Note 4)	**(6,809)**	(4,696)
Share of loss from equity accounted investment (Note 14)	**481**	188
Non-cash share-based payments expense (Note 25)	**2,354**	2,308
Non-cash finance movements	**(815)**	(283)
Bad debts provision	**-**	505
Foreign exchange movements	**(81)**	(302)
Other non-cash movements	**(555)**	3,340
Change in operating assets and liabilities:		
Decrease/(increase) in prepayments	**(913)**	-
Decrease/(increase) in receivables	**(1,383)**	3,904
Decrease/(increase) in inventories	**(7,163)**	7,051
Decrease/(increase) in deferred income tax asset	**2,901**	(1,438)
Increase/(decrease) in trade creditors	**2,862**	7,319
Increase/(decrease) in provisions	**1,431**	972
Increase/(decrease) in net income tax liability	**2,046**	(2,639)
Net cash from operating activities	**36,824**	50,900

Note 8 – Receivables

	2019 $'000	2018 $'000
Current		
Trade debtors	**97,533**	96,150
Less: Allowance for doubtful debts (a)	**(239)**	-
	97,294	96,150
Prepayments and other receivables	**7,068**	5,976
Lara land sale deferred consideration receivable	**3,850**	1,879
	108,212	104,005
Non-current		
Prepayments	**534**	713
Other receivable – joint venture entity (b)	**5,989**	5,275
Lara land sale deferred consideration receivable	**5,150**	2,656
	11,673	8,644

Note 8 – Receivables continued

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less the provision for doubtful debts. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

The adoption of AASB 9 has changed the Group's accounting for impairment losses for trade and other receivables by replacing AASB 139's incurred loss approach with a forward-looking credit loss (**ECL**) approach. AASB 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets, including Trade and other receivables.

For Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. A provision has been recognised, determined with reference to forward-looking ECL.

(a) Movement in the allowance for doubtful debts:

	2019 $'000	2018 $'000
Balance brought forward at 1 July	-	1,000
Adjustment to opening balance to recognise general provision	239	-
Revised opening balance as at 1 July	239	-
Provision for impairment during the year	-	505
Provision raised during the year	163	-
Receivables written off during the year	(163)	(1,505)
Balance carried forward at 30 June	239	-

As at 30 June 2019, a provision for doubtful debts of $239,077 is maintained against trade receivables (2018: $nil). This is considered to be adequate provision against the balance of any overdue receivables to the extent they are not covered by collateral and/or credit insurance. Based on historic default rates and having regard to the ageing analysis referred to immediately below, the Group believes that, apart from those trade receivables which have been impaired, no further impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days, as receivables relate to customers that have a good payment record with the Group.

Ageing analysis

At 30 June 2019, the age profile of trade receivables that were past due amounted to $10,061,000 (2018: $8,752,000) as shown in the following table.

The ageing analysis of trade receivables is shown as follows:

	2019 $'000	2018 $'000
Past due by 1–30 days	7,651	7,334
Past due by 31–60 days	1,140	858
Past due by 61–90 days	655	319
Past due by greater than 90 days	615	241
	10,061	8,752

(b) Other receivable – joint venture entity

The parent entity has provided an unsecured loan to the Pen Ngern Feed Mill Co., Ltd. joint venture entity to provide working capital for the operation. The amount utilised at 30 June 2019 was $5,989,000 (2018: $5,275,000). The loan was extended for a two year term commencing on 1 May 2018 and is capped at 140 million Baht, or approximately AUD $6.7m at an exchange rate of 21 Thai Baht:AUD$1. Interest on the loan is charged at 5% and capitalised for the first 12 months of the loan.

Note 9 – Inventories

Current		2019 $'000	2018 $'000
Raw materials and stores	– at cost	**42,695**	35,952
Finished goods	– at cost	**39,486**	36,286
	– at net realisable value	**1,648**	4,428
		83,829	76,666

Write-downs of inventories to net realisable value of $0.5m (2018: $0.6m) has been recognised as an expense during the year.

Having written down Huon legacy inventory as at 30 June 2018 to a nil value, there has been no adverse profit and loss impact in FY19 associated with the disposal of this inventory.

Inventories are valued at the lower of cost and net realisable value. Costs are determined on the first in, first out and weighted average cost methods. Costs included in inventories consist of materials, labour and manufacturing overheads, which are related to the purchase and production of inventories. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Note 10 – Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. Assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

	2019 $'000	2018 $'000
Assets held for sale	**182**	1,133

At 30 June 2018, the Group reclassified $1,133,000 of assets as being held for sale, which related to the remaining parcels of surplus land at Lara referred to as Lots A, C and D. Lots A and C were sold on 24 July 2018 for total consideration of $8.0m and $1.5m respectively, while Lot D is the sole residual land holding retained as a current asset for sale.

The terms of the two separate sale agreements for Lots A and C include the combined payment of $1.15m at the 24 July 2018 date of sale, with the balance to be received in four instalments with amounts and dates comprising:

(i) $2.35m by no later than 30 June 2019, which was duly received;

(ii) $2.35m by no later than 30 June 2020;

(iii) $2.30m by no later than 30 June 2021; and

(iv) $1.35m by no later than 30 June 2022.

In respect of the residual surplus land holding at Lara, Lot D, a 12 month option agreement was executed on 2 July 2018 for a land-based aquaculture company to purchase the entire holding of 97.8 hectares. Under the terms of the option, the purchaser had 12 months in which to conduct its due diligence and determine whether or not it wishes to exercise its option to complete the contract of sale for total consideration of $1.5m. In order to enable the purchaser to secure all development approvals and funding, this option has been extended by one year to 2 July 2020.

Note 11 – Investment properties

Investment property is property held either to earn rental income, for capital appreciation, or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes.

Investment property is measured at cost on initial recognition. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Expenditure capitalised to investment properties includes the cost of acquisition, capital and remediation additions. Any gain or loss on disposal and impairments of an investment property are recognised in the Consolidated Statement of Comprehensive Income. Depreciation is calculated using the straight line method to allocate deemed cost, net of residual values, over the estimated useful lives of the assets, and for buildings over a 40 year period.

	2019 $'000	2018 $'000
Movement in investment properties		
Carrying amount at cost at 1 July	**1,275**	3,181
Sale in part of Lara site	**-**	(762)
Transfer of Lara site to assets held for sale (Note 10)	**-**	(1,133)
Additions	**-**	-
Depreciation and other expenses	**(10)**	(11)
Carrying amount at cost at 30 June	**1,265**	1,275

In the prior year, investment properties comprised former saltfield sites at Lara and Moolap that have ceased operating and are held for the purpose of property realisation. In FY18 and FY19, the Lara site has been sold in part and the remaining Lara land holding of Lot D is classified as a current asset held for sale (Note 10).

A fair value range for the site at Moolap cannot be determined reliably at the present time given that the location does not have local established industrial or residential infrastructure, which would enable a reliable valuation benchmark to be determined. Furthermore, the value of the site may also vary significantly depending upon which stage of the progressive regulatory approvals required for redevelopment has been attained at balance date. Consequently, the value of this site has been recorded at cost less impairment and depreciation.

Amounts recognised in profit and loss for investment properties:

	2019 $'000	2018 $'000
Direct operating expenses that did not generate rental income	**702**	547

Note 12 – Property, plant and equipment

$'000	Land and buildings	Plant and equipment	Total
2019			
Cost at 1 July 2018	**66,812**	**285,535**	**352,347**
Accumulated depreciation	**(9,174)**	**(140,577)**	**(149,751)**
Carrying amount at 1 July 2018	**57,638**	**144,958**	**202,596**
Additions	**363**	**74,779**	**75,142**
Disposals	**-**	**(7)**	**(7)**
Transfers from plant under construction to intangible assets	**-**	**(1,799)**	**(1,799)**
Depreciation	**(1,704)**	**(14,905)**	**(16,609)**
Carrying amount at 30 June 2019	**56,297**	**203,026#**	**259,323**
At 30 June 2019			
Cost	**67,175**	**357,324**	**424,499**
Accumulated depreciation	**(10,878)**	**(154,298)**	**(165,176)**
Carrying amount at 30 June 2019	**56,297**	**203,026#**	**259,323**

Includes capital work in progress balance of $86.3m (2018: $38.5m).

$'000	Land and buildings	Plant and equipment	Total
2018			
Cost at 1 July 2017	64,345	254,181	318,526
Accumulated depreciation	(7,519)	(128,213)	(135,732)
Carrying amount at 1 July 2017	56,826	125,968	182,794
Additions	1,632	34,499	36,131
Disposals	(12)	(146)	(158)
Transfers from plant under construction to intangible assets	-	(794)	(794)
Transfers from plant under construction	857	(857)	-
Depreciation	(1,665)	(13,712)	(15,377)
Carrying amount at 30 June 2018	57,638	144,958	202,596
At 30 June 2018			
Cost	66,812	285,535	352,347
Accumulated depreciation	(9,174)	(140,577)	(149,751)
Carrying amount at 30 June 2018	57,638	144,958	202,596

Property, plant and equipment

Land and buildings, plant and equipment are stated at cost, or deemed cost, less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings 13 to 40 years
- Plant and equipment 2 to 30 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the Consolidated Statement of Comprehensive Income.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in comprehensive income over the period necessary to match them with the costs that they are intended to compensate. The value of government grants relating to the purchase of property, plant and equipment is deducted from the carrying amount of the asset. The grant is recognised in comprehensive income over the life of the depreciable asset as a reduced depreciation expense.

A Tasmanian Government grant of $2.0m was awarded by Tasmania Development and Resources in 2017. No amount has been received in FY19 (nil in FY18 and $1.0m in FY17) as a contribution to plant and equipment purchased for Ridley's new extrusion plant at Westbury, Tasmania. $0.5m has been received subsequent to balance date and the $0.5m balance of the grant will be received no later than the 2022 financial year upon satisfaction of the final project milestone.

A Victorian Government grant of $800,000 was awarded by the Geelong Region Innovation & Investment Fund. The balance of the grant of $80,000 was received in FY18 upon satisfaction of the final project milestone and commissioning of the new feedmill, which services poultry and pig customers in the region at Ridley's new feedmill at Lara, Geelong, Victoria.

Note 13 – Intangible assets

$'000	Software	Goodwill	Contracts	Assets under development	Total
2019					
Carrying amount at 1 July 2018	**3,305**	**68,950**	**748**	**9,482**	**82,485**
Transfer from property, plant and equipment/additions	**1,799**	**-**	**685**	**2,995**	**5,479**
Amortisation charge	**(1,325)**	**-**	**(836)**	**(133)**	**(2,294)**
Carrying amount at 30 June 2019	**3,779**	**68,950**	**597**	**12,344**	**85,670**
At 30 June 2019					
Cost	**17,806**	**69,903**	**5,185**	**12,477**	**105,371**
Accumulated amortisation/impairment losses	**(14,027)**	**(953)**	**(4,588)**	**(133)**	**(19,701)**
Carrying amount at 30 June 2019	**3,779**	**68,950**	**597**	**12,344**	**85,670**

The amortisation charge is included within general and administrative expenses in the Consolidated Statement of Comprehensive Income.

$'000	Software	Goodwill	Contracts	Assets under development	Total
2018					
Carrying amount at 1 July 2017	3,645	68,950	1,499	5,190	79,284
Transfer from property, plant and equipment/additions	794	-	-	4,292	5,086
Amortisation charge	(1,134)	-	(751)	-	(1,885)
Carrying amount at 30 June 2018	3,305	68,950	748	9,482	82,485
At 30 June 2018					
Cost	16,007	69,903	4,500	9,482	99,892
Accumulated amortisation/impairment losses	(12,702)	(953)	(3,752)	-	(17,407)
Carrying amount at 30 June 2018	3,305	68,950	748	9,482	82,485

Intangible assets

(i) Software

Software has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. The cost of system development, including purchased software, is capitalised and amortised over the estimated useful life, being three to eight years. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(ii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates, accounted for using the equity method. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units (**CGUs**) for the purpose of impairment testing.

$56.6m (2018: $56.6m) of goodwill has been recognised in the Rendering cash generating unit, whilst the balance has been accumulated from a combination of other CGUs over many years as summarised below:

	2019 $'000	2018 $'000
Rendering	**56,616**	56,616
AgriProducts	**12,334**	12,334
Total goodwill	**68,950**	68,950

(iii) Contracts

The contracts intangible asset brought forward represented acquired contractual legal rights which had a finite useful life and which were amortised over a period of six years, which concluded in FY19, according to the period of the contractual legal rights. A new contracts intangible asset was acquired for $0.7m during FY19 with similar features and a two year effective useful life. Amortisation methods, useful lives and residual values are and were reviewed at each financial year end and adjusted if appropriate.

(iv) Assets under development

Assets under development include the applied R&D activities being conducted at Yamba in New South Wales and Chanthaburi in Thailand in respect of the novel feed ingredient Novacq™ project. Items of plant and equipment purchased as part of the project are being separately capitalised as capital work in progress. The Yamba site became operational from 1 July 2018, while the Chanthaburi site is scheduled to become operational from 1 July 2020.

Research and development expenditure

Research and development (**R&D**) expenditure of $24,480,278 have been incurred in the current year (2018: $19,200,000), which has been included as eligible R&D in the R&D tax incentive schedule.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Consolidated Statement of Comprehensive Income as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends, and has sufficient resources, to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Capitalised development expenditure is measured at cost less accumulated depreciation and accumulated impairment losses as part of either intangibles or property, plant and equipment.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may no longer be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The 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 flows, which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that have previously suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairments during the year

There were no impairments of intangible assets during the year.

Impairment testing

The recoverable amount of a CGU is based on value-in-use calculations. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing. These assumptions have been used for the analysis in each CGU.

(i) Cash flow forecasts are based on the Board-approved FY20 budget, projected for four years plus a terminal value.

(ii) Forecast growth rates are based on management's expectations of future performances. The growth rate represents a steady indexation rate, which does not exceed the Group's expectations of the long term average growth rate for the business in which each CGU operates. The growth rates applied to cash flows beyond one year were 2% (2018: 2%). A growth rate of 2% is applied to the terminal value (2018: 2%).

(iii) Discount rates used are the weighted average cost of capital for the Group. The post-tax discount rate applied to cash flows was 8.0% (2018: 8.1%).

A sensitivity analysis was undertaken to examine the effect of a change in each key variable on each CGU. For all CGUs, excluding Supplements, a reasonably possible change in these inputs would not cause the recoverable amount to be below the carrying amount.

Impact of possible changes in key assumptions

All CGUs in the Group have been tested for impairment and have met their required hurdle rates to support the current carrying values. Return to a more traditional dry season weather pattern combined with improvements in manufacturing efficiencies and waste and water management are expected to improve the outlook for the Supplements sector, however any deterioration in the discount rate or earnings profile for the Supplements CGU may result in an impairment in the future.

Note 14 – Investments accounted for using the equity method

Name of company	Principal activity	Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %	Carrying amount 2019 $'000	Carrying amount 2018 $'000
Joint venture entities:						
Ridley Bluewave Pty Ltd[1]	Animal protein production	Australia	**-**	-	**-**	-
Nelson Landholdings Pty Ltd as Trustee for Nelson Landholdings Trust[2]	Property realisation	Australia	**50**	50	**-**	-
Pen Ngern Feed Mill Co., Ltd.[3]	Aquafeed production	Thailand	**49**	49	**655**	1,136
Investments accounted for using the equity method					**655**	1,136

1. Ridley Bluewave Pty Ltd was deregistered on 15 February 2018.
2. The Company and unit trust are the corporate structure through which any ultimate development of the Moolap site will be managed. There are a number of restrictions for this entity to protect the interests of each party, being Ridley and development partner Sanctuary Living, which cause the entity to be reported as a joint venture rather than controlled entity. Despite this classification for reporting purposes, Ridley retains full control of the value and use of the land at Moolap until such time as Ridley resolves to commit the land to the project.
3. On 28 January 2016, the Group acquired a 49% interest in Pen Ngern Feed Mill Co., Ltd. (**PNFM**) for an investment of $1.3m. PNFM is an entity domiciled in Thailand, which owns and operates a dedicated Aquafeed manufacturing facility at Chanthaburi. Movements in the carrying amount reflect Ridley's equity accounted share of the operating result for PNFM.

The 49% ownership interest in PNFM, rather than an equal or controlling equity stake, is a reflection of Thai law, which can, without the granting of an exemption by the Thailand Board of Investment, impose certain restrictions on Thai businesses whose shares owned by non-Thai nationals exceed 49%. The pertinent contracts have been structured such that governance and management of the business will be effectively on a 50:50 basis between Ridley and the other party.

Investments in joint venture entities are accounted for in the consolidated financial statements using the equity method of accounting. The balance date of the Nelson Landholdings Pty Ltd joint venture entity is 30 June, whereas the balance date for PNFM is 31 December.

	2019 $'000	2018 $'000
Carrying amount of investments accounted for using the equity method		
Opening carrying amount at 1 July	**1,136**	1,324
Share of operating (losses)/profits after income tax	**(481)**	(188)
Closing carrying amount at 30 June	**655**	1,136
Summarised financial information of 100% of the equity accounted investees (i.e. not adjusted for the percentage ownership held by the Ridley Group, is provided following.		
Current assets	**479**	259
Non-current assets	**5,658**	5,088
Total assets	**6,137**	5,347
Current liabilities	**32**	29
Non-current liabilities	**7,529**	5,670
Total liabilities	**7,561**	5,699
Net (liabilities)/assets	**(1,424)**	(352)
Revenue	**634**	290
Net loss after tax	**(979)**	(376)

There are no material reserves or contingent liabilities of the equity accounted investees.

Note 15 – Tax assets and liabilities

	2019 $'000	2018 $'000
Current		
Tax asset	**-**	3,019
Tax liability	**2,046**	-
Non-current		
Deferred tax asset	**3,737**	3,619
Movement in deferred tax asset:		
Opening balance at 1 July	**3,619**	5,057
Credited/(charged) to the statement of comprehensive income	**118**	(1,438)
Closing balance at 30 June	**3,737**	3,619

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
$'000	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Consolidated						
Intangibles	**-**	-	**(3,241)**	(3,052)	**(3,241)**	(3,052)
Doubtful debts	**72**	-	**-**	-	**72**	-
Property, plant and equipment	**2,623**	2,866	**(624)**	(678)	**1,999**	2,188
Employee entitlements	**4,660**	4,544	**-**	-	**4,660**	4,544
Provisions	**-**	-	**-**	-	**-**	-
Other	**227**	162	**20**	(223)	**247**	(61)
Tax assets/(liabilities)	**7,582**	7,572	**(3,845)**	(3,953)	**3,737**	3,619

Movement in net deferred tax assets and liabilities

$'000	Balance 1 July 2017	Recognised in profit or loss	Balance 30 June 2018	Recognised in profit or loss	Balance 30 June 2019
Consolidated					
Intangibles	(2,293)	(759)	(3,052)	(189)	**(3,241)**
Doubtful debts	-	-	-	72#	**72**
Property, plant and equipment	2,394	(206)	2,188	(189)	**1,999**
Employee entitlements	4,262	282	4,544	116	**4,660**
Provisions	-	-	-	-	**-**
Other	694	(755)	(61)	308	**247**
Tax asset/(liability)	5,057	(1,438)	3,619	118	**3,737**

Recognised directly against opening retained earnings rather than through the profit and loss.

Income tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable comprehensive income.

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

Note 15 – Tax assets and liabilities continued

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Note 16 – Payables

	2019 $'000	2018 $'000
Current		
Trade creditors and accruals	**158,759**	155,897

Trade payable facility

The Group has a trade payable facility which is an unsecured funding arrangement for the purposes of funding trade related payments associated with the purchase of various raw materials from approved suppliers. Trade bills of exchange are paid by the facility direct to the importer and the Group pays the facility on 180 day terms within an overall facility limit of $50,000,000 (2018: $50,000,000). The amount utilised and recorded within trade creditors at 30 June 2019 was $38,534,164 (2018: $42,462,143).

Note 17 – Provisions

	2019 $'000	2018 $'000
Current		
Employee entitlements	**16,006**	14,592
Non-current		
Employee entitlements	**518**	501

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provision for employee entitlements

Current liabilities for wages and salaries, including non-monetary benefits, short-term incentive payments, annual leave, accumulating sick leave and long service leave expected to be settled within 12 months of the reporting date are recognised in accruals and provisions for employee entitlements in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Employee benefit on-costs, including payroll tax, are recognised and included in both employee benefit liabilities and costs.

The non-current liability for long service leave expected to be settled more than 12 months from the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. 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 currency that match, as closely as possible, the timing of estimated future cash outflows.

Note 18 – Borrowings

	2019 $'000	2018 $'000
Non-current		
Bank loans	**118,926**	76,222

The bank loans are subject to bank covenants based on financial ratios of the Group. As at 30 June 2019, and throughout all relevant times during the financial year ended 30 June 2019, the Group was in compliance with these covenants. The bank loans are unsecured.

Total loan facilities available to the Group in Australian dollars

	2019		2018	
$'000	**Limits**	**Utilised**	**Limits**	**Utilised**
Long-term loan facility	**200,000**	**119,500**	160,000	76,500
Cash	**-**	**(17,483)**	-	(23,441)
	200,000	**102,017**	160,000	53,059

Long term loan facility

In FY19, the long term loan facility with ANZ and Westpac was refinanced for a new five year term and extended from $160m to $200m in order to accommodate the funding requirements for the construction of the new extrusion plant at Westbury in Tasmania and feedmill at Wellsford, Bendigo in central Victoria. The Group's dual bank long term loan facility is now a combination of floating core debt funding of $100m plus an additional $100m of fixed term project funding with a maturity date of 27 May 2024. The borrowing facility comprises unsecured bank loans with floating interest rates subject to negative pledge arrangements, which require the Group to comply with certain minimum financial requirements. The key covenant ratios under the facility remain interest cover, debt cover, gearing and consolidated net worth. The Group is in compliance with all facility covenants.

Offsetting of financial instruments

The Group does not set off financial assets with financial liabilities in the consolidated financial statements. Under the terms of the loan facility agreement, if the Group does not pay an amount when due and payable, the bank may apply any credit balance in any currency in any account that the Group has with the bank, in or towards satisfaction of that amount.

As at 30 June 2019, the value of legally enforceable cash balances which upon default or bankruptcy would be applied to the loan facility is $17,483,000 (2018: $23,441,000).

Note 19 – Share capital

	Parent entity	
	2019 $'000	2018 $'000
Fully paid up capital: 311,256,221 ordinary shares with no par value (2018: 307,817,071)	**218,941**	214,445

A fully underwritten Dividend Reinvestment Plan (**DRP**) was introduced for the payment of the 2019 interim dividend on 10 May 2019 which resulted in the issue of 896,926 fully paid ordinary shares to existing shareholders plus 2,542,224 fully paid ordinary shares issued to institutional and sophisticated investors pursuant to a placement under the DRP. The shares were issued at $1.33 per share and the costs of the DRP were $69,420. Issued share capital consequently increased through the issue of these 3,439,150 shares from 307,817,071 shares to 311,256,221 shares.

Ordinary shares

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Ordinary shares entitle the holder to receive dividends and the proceeds on winding up the interest in proportion to the number of shares held. On a show of hands, every shareholder present at a shareholders' meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

Capital risk management

The Group manages capital to ensure it maintains optimal returns to shareholders and benefits for other stakeholders. The Group also aims to maintain a capital structure that ensures the optimal cost of capital available to the Group.

Note 19 – Share capital continued

The Group reviews and, where appropriate, adjusts the capital structure to take advantage of favourable costs of capital or high returns on assets. The Group may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital through the gearing ratio (net debt/total equity). The gearing ratios as at 30 June are as follows:

	2019 $'000	2018 $'000
Gross debt	**118,926**	76,222
Less: cash	**(17,483)**	(23,441)
Net debt	**101,443**	52,781
Total equity	**277,499**	263,107
Gearing ratio	**36.6%**	20.1%

Note 20 – Reserves and retained earnings

Reserves	2019 $'000	2018 $'000
Share-based payments reserve		
Opening balance at 1 July	**3,240**	2,895
Options and performance rights expense	**2,354**	2,308
Share-based payment transactions	**(2,370)**	(3,870)
Retained earnings transfer	**377**	1,907
Closing balance at 30 June	**3,601**	3,240

The share-based payments reserve is used to recognise the fair value of performance rights and options issued to employees in relation to equity settled share-based payments.

Fair value reserve	2019 $'000	2018 $'000
Opening balance at 1 July	**520**	-
Available-for-sale financial assets – net change in fair value, net of tax	**(403)**	520
Closing balance at 30 June	**117**	520

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

Retained earnings	2019 $'000	2018 $'000
Opening balance at 1 July	**44,902**	42,483
Recognition of expected credit losses under IFRS 9	**(239)**	-
Related tax	**72**	-
Impact at 1 July	**(167)**	-
Revised opening balance at 1 July	**44,735**	42,483
Net profit for the year	**23,565**	17,409
Dividends paid	**(13,083)**	(13,083)
Share-based payments reserve transfer	**(377)**	(1,907)
Closing balance at 30 June	**54,840**	44,902

Note 21 – Investment in controlled entities

The ultimate parent entity within the Group is Ridley Corporation Limited.

Name of entity	Country of incorporation	Class of shares	Ownership interest 2019	Ownership interest 2018
Ridley AgriProducts Pty Ltd and its controlled entity	Australia	Ordinary	**100%**	100%
CSF Proteins Pty Ltd	Australia	Ordinary	**100%**	100%
Barastoc Stockfeeds Pty Ltd	Australia	Ordinary	**100%**	100%
Ridley Corporation (Thailand) Co., Ltd	Thailand	Ordinary	**100%**	100%
Ridley Corporation Ecuador S.A.	Ecuador	Ordinary	**100%**	-
Ridley Corporation (India) Private Limited	India	Ordinary	**100%**	-
RCL Retirement Pty Limited	Australia	Ordinary	**100%**	100%
Ridley Land Corporation Pty Ltd and its controlled entities	Australia	Ordinary	**100%**	100%
Lara Land Development Corporation Pty Ltd	Australia	Ordinary	**100%**	100%
Moolap Land Development Corporation Pty Ltd	Australia	Ordinary	**100%**	100%

Note 22 – Parent entity

As at 30 June 2019 and throughout the financial year ending on that date, the parent company of the Group was Ridley Corporation Limited.

	2019 $'000	2018 $'000
Result of the parent entity		
(Loss)/profit for the year	**(11,363)**	14,275
Comprehensive income for the year	**(403)**	520
Total comprehensive income for the year	**(11,766)**	14,795
Financial position of the parent entity at year end		
Current assets	**1,392**	5,916
Non-current assets	**363,702**	333,155
Total assets	**365,094**	339,071
Current liabilities	**6,072**	2,008
Non-current liabilities	**118,926**	76,366
Total liabilities	**124,998**	78,374
Net assets	**240,096**	260,697
Total equity of the parent entity comprising of:		
Share capital	**218,941**	214,445
Share-based payment reserve	**3,718**	3,240
Retained earnings	**17,437**	43,012
Total equity	**240,096**	260,697

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees the debts of certain of its subsidiaries which are party to the deed.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 23.

Note 23 – Deed of Cross Guarantee

Ridley Corporation Limited, Ridley AgriProducts Pty Ltd and CSF Proteins Pty Ltd are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the other entities.

The above companies represent a Closed Group for the purposes of the ASIC Class Order, which governs the operation and establishment of the Deed of Cross Guarantee. As there are no other parties to the Deed of Cross Guarantee that are controlled but not wholly owned by Ridley Corporation Limited, they also represent the Extended Closed Group.

(a) Summarised Consolidated Statement of Comprehensive Income

	2019 $'000	2018 $'000
Profit before income tax	**24,178**	17,553
Income tax expense	**(6,774)**	(4,310)
Profit after income tax	**17,404**	13,243
Other comprehensive income		
Available-for-sale financial assets – net change in fair value	**(403)**	520
Total comprehensive income for the year	**17,001**	13,763

(b) Summary of movements in retained profits

	2019 $'000	2018 $'000
Opening balance at 1 July	**41,256**	42,483
Recognition of expected credit losses under IFRS 9 – after tax	**(167)**	-
Comprehensive income for the year	**17,001**	13,763
Dividends paid	**(13,083)**	(13,083)
Share-based payment reserve transfer	**(377)**	(1,907)
Closing balance at 30 June	**44,630**	41,256

(c) Balance sheet

	2019 $'000	2018 $'000
Current assets		
Cash and cash equivalents	**13,799**	23,441
Receivables	**104,184**	104,005
Inventories	**83,829**	76,666
Tax asset	**-**	3,019
Total current assets	**201,812**	207,131
Non-current assets		
Receivables	**10,151**	4,478
Property, plant and equipment	**259,045**	202,596
Intangible assets	**85,215**	82,485
Investments accounted for using the equity method	**655**	1,136
Deferred tax asset	**3,737**	3,619
Available for sale financial asset	**1,725**	2,300
Total non-current assets	**360,528**	296,614
Total assets	**562,340**	503,745
Current liabilities		
Payables	**157,672**	153,489
Provisions	**16,006**	14,592
Tax Liability	**2,046**	-
Total current liabilities	**175,724**	168,081
Non-current liabilities		
Borrowings	**118,926**	76,222
Provisions	**518**	501
Total non-current liabilities	**119,444**	76,723
Total liabilities	**295,168**	244,804
Net assets	**267,172**	258,941
Equity		
Share capital	**218,941**	214,445
Reserves	**3,601**	3,240
Retained earnings	**44,630**	41,256
Total equity	**267,172**	258,941

Note 24 – Related party disclosures

Investments

Information relating to investments accounted for using the equity method is set out in Note 14.

Transactions with associated entities are on normal commercial terms and conditions in the ordinary course of business, unless terms and conditions are covered by shareholder agreements.

Other related parties

Contributions to superannuation funds on behalf of employees are disclosed in Note 26.

Note 24 – Related party disclosures continued

Transactions with related parties

		2019 $'000	2018 $'000
Transactions with related parties were as follows:			
Sales of products	– associate	-	-
Purchases of products/services	– associate	-	-
	– joint venture entity	-	-
Outstanding balances with related parties were as follows:			
Current receivable – joint venture entity (Note 8(b))		**5,989**	5,275

Outstanding balances are unsecured and repayable in cash.

Key Management Personnel compensation

	2019 $	2018 $
Short-term employee benefits	**3,140,631**	2,931,832
Post-employment benefits	**176,621**	167,870
Other benefits	**5,000**	111,439
Share-based payments	**883,896**	772,071
Total Key Management Personnel compensation	**4,206,148**	3,983,212

Note 25 – Share-based payments

Share-based payment expense

	2019 $'000	2018 $'000
Shares issued under the Employee Share Scheme	**455**	579
Performance rights issued under Long Term Incentive Plan	**1,899**	1,729
Total share-based payment expense	**2,354**	2,308

Share-based payment arrangements

Ridley Corporation Long Term Incentive Plan

The purpose of the Ridley Corporation Long Term Incentive Plan (**LTIP**) is to provide long-term rewards that are linked to shareholder returns. Under the LTIP, selected executives and the Managing Director may be offered a number of performance rights (**Right**). Each Right provides the entitlement to acquire one Ridley share at nil cost subject to the satisfaction of performance hurdles.

The fair value of performance rights granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured by an independent third party expert at grant date and recognised over the three-year vesting period during which the employees become unconditionally entitled to the performance rights.

The fair value at grant date is determined using a binomial option pricing model that takes into account the exercise price, term of the option, vesting and performance criteria, impact of dilution, non-tradeable nature of the performance rights, share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the performance rights.

Ridley Corporation Special Retention Plan

The Ridley Corporation Special Retention Plan was developed specifically to retain and motivate key executives. Under the Special Retention Plan, selected executives and the Managing Director may be offered a number of performance rights (**SRP Rights**). The Plan offer is made in accordance with the rules of the Ridley Long Term Incentive Plan except that there are no disposal restrictions and the cessation of employment has been superseded, such that the SRP Rights under this offer vest in full on the earlier occurrence of (i) completion of two years of service from the date of grant; (ii) ceasing to be an employee of Ridley because of a sale of a subsidiary entity; and (iii) occurrence of a change of control event. Each SRP Right provides the entitlement to acquire one Ridley share at the end of the service period.

(i) Current year issues under the Ridley Corporation Long Term Incentive Plan

The model inputs for the performance rights granted during the reporting period under the LTIP included:

Grant date	**1 July 2018**
Expiry date	**30 June 2021**
Share price at grant date	**$1.375**
Fair value at grant date	**$0.76**
Expected price volatility of the Company's shares	**22%**
Expected dividend yield	**4.5cps**
Risk-free interest rate	**2.07%**

The expected share price volatility is based on the historic volatility (based on the remaining life of the performance rights), adjusted for any expected changes to future volatility due to publicly available information.

Details of performance rights outstanding under the plans at balance date are as follows:

Grant date	Expiry date	Balance at 1 July 2018	Granted during the year	Cancelled during the year	Vested during the year	Balance at 30 June 2019
2019						
Long Term Incentive Plan						
1 July 2015	1 July 2018	**2,425,000**	**-**	**(1,016,075)**	**(1,408,925)**	**-**
1 July 2016	1 July 2019	**2,600,000**	**-**	**(100,000)**	**-**	**2,500,000**[1]
1 July 2017	1 July 2020	**2,550,000**	**-**	**(100,000)**	**-**	**2,450,000**
1 July 2018	1 July 2021	**-**	**2,700,000**	**(50,000)**	**-**	**2,650,000**
		7,575,000	**2,700,000**	**(1,266,075)**	**(1,408,925)**	**7,600,000**
Special Retention Plan						
1 January 2017	1 January 2020	**150,000**	**-**	**-**	**-**	**150,000**
		7,725,000	**2,700,000**	**(1,266,075)**	**(1,408,925)**	**7,750,000**

1. The performance targets for this tranche of performance rights were not met and consequently all of these performance rights were forfeited on 1 July 2019.

Grant date	Expiry date	Balance at 1 July 2017	Granted during the year	Cancelled during the year	Vested during the year	Balance at 30 June 2018
2018						
Long Term Incentive Plan						
1 July 2014	1 July 2017	2,450,000	-	-	(2,450,000)	-
1 July 2015	1 July 2018	2,675,000	-	(250,000)	-	2,425,000
1 July 2016	1 July 2019	2,800,000	-	(200,000)	-	2,600,000
1 July 2017	1 July 2020	-	2,700,000	(150,000)	-	2,550,000
		7,925,000	2,700,000	(600,000)	(2,450,000)	7,575,000
Special Retention Plan						
1 January 2017	1 January 2020	150,000	-	-	-	150,000
		8,075,000	2,700,000	(600,000)	(2,450,000)	7,725,000

Note 25 – Share-based payments continued

Ridley Employee Share Scheme

At the 1999 Annual General Meeting, shareholders approved the introduction of the Ridley Employee Share Scheme. Under the scheme, shares are offered to all permanent Australian employees with a minimum of 12 months' service as at the date of offer and at a discount of up to 50%. The maximum discount per employee is limited to $1,000 annually in accordance with relevant Australian taxation legislation. The amount of the discount and number of shares allocated are at the discretion of the Directors. The purpose of the scheme is to align employee and shareholder interests.

Shares issued to employees under the Ridley Employee Share Scheme vest immediately on grant date. Employees can elect to receive an interest-free loan to fund the purchase of the shares. Dividends on the shares are allocated against the balance of any loan outstanding. The shares issued are accounted for as 'in-substance' options, which vest immediately. The fair value of these 'in-substance' options is recognised as an employee benefit expense with a corresponding increase in equity. The fair value at grant date is independently determined using a binomial option pricing model.

The fair value at grant date of the options issued during the year through the Ridley Employee Share Scheme was measured based on the binomial option pricing model using the following inputs:

Grant date	**21 June 2019**
Restricted life	**3 years**
Share price at grant date	**$1.185**
Fair value at grant date	**$0.642**
Expected price volatility of the Company's shares	**22.5%**
Expected dividend yield	**0.41-0.42cps**
Risk-free interest rate	**1.28%**

Ridley Employee Share Scheme movements

2019 Number of shares

Grant date	Date shares become unrestricted	Weighted average exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Balance at end of the year	Exercisable at end of the year
29 January 2002	29 January 2005	$0.82	22,000	-	(22,000)	-	-
28 January 2003	28 January 2006	$0.74	41,850	-	(41,850)	-	-
5 April 2005	5 April 2008	$0.77	62,640	-	(15,660)	46,980	46,980
10 April 2006	10 April 2009	$0.66	84,896	-	(84,896)	-	-
13 April 2007	13 April 2010	$0.57	94,986	-	(94,986)	-	-
11 April 2008	11 April 2011	$0.56	129,096	-	(17,930)	111,166	111,166
3 April 2009	3 April 2012	$0.34	230,568	-	(230,568)	-	-
30 April 2010	30 April 2013	$0.61	179,080	-	(37,444)	141,636	141,636
30 April 2011	30 April 2014	$0.66	170,404	-	(37,700)	132,704	132,704
30 April 2012	30 April 2015	$0.61	210,058	-	(41,350)	168,708	168,708
26 April 2013	26 April 2016	$0.41	483,769	-	(80,223)	403,546	403,546
23 May 2014	23 May 2017	$0.48	604,350	-	(127,980)	476,370	476,370
31 May 2015	31 May 2018	$0.66	575,909	-	(139,074)	436,835	436,835
20 May 2016	20 May 2019	$0.85	578,289	-	(106,488)	471,801	471,801
19 May 2017	19 May 2020	$0.84	590,010	-	(73,405)	516,605	-
31 May 2018	31 May 2021	$0.84	686,275	-	(77,825)	608,450	-
21 June 2019	21 June 2022	$0.64	-	708,133	-	708,133	-
			4,744,180	708,133	(1,229,379)	4,222,934	2,389,746
Weighted average exercise price			$0.66	$0.64	$0.60	$0.68	$0.61

The 'Exercisable at end of the year' column in the above and following tables reflects the fact that the options outstanding have a weighted average contractual life of three years (2018: three years).

2018 Number of shares

Grant date	Date shares become unrestricted	Weighted average exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Balance at end of the year	Exercisable at end of the year
29 January 2002	29 January 2005	$0.82	30,000	-	(8,000)	22,000	22,000
28 January 2003	28 January 2006	$0.74	56,700	-	(14,850)	41,850	41,850
5 April 2005	5 April 2008	$0.77	78,300	-	(15,660)	62,640	62,640
10 April 2006	10 April 2009	$0.66	98,540	-	(13,644)	84,896	84,896
13 April 2007	13 April 2010	$0.57	117,853	-	(22,867)	94,986	94,986
11 April 2008	11 April 2011	$0.56	150,612	-	(21,516)	129,096	129,096
3 April 2009	3 April 2012	$0.34	266,040	-	(35,472)	230,568	230,568
30 April 2010	30 April 2013	$0.61	196,988	-	(17,908)	179,080	179,080
30 April 2011	30 April 2014	$0.66	203,580	-	(33,176)	170,404	170,404
30 April 2012	30 April 2015	$0.61	246,446	-	(36,388)	210,058	210,058
26 April 2013	26 April 2016	$0.41	573,716	-	(89,947)	483,769	483,769
23 May 2014	23 May 2017	$0.48	727,590	-	(123,240)	604,350	604,350
31 May 2015	31 May 2018	$0.66	636,531	-	(60,622)	575,909	575,909
20 May 2016	20 May 2019	$0.85	619,701	-	(41,412)	578,289	-
19 May 2017	19 May 2020	$0.84	623,250	-	(33,240)	590,010	-
31 May 2018	31 May 2021	$0.84	-	686,275	-	686,275	-
			4,625,847	686,275	(567,942)	4,744,180	2,889,606
Weighted average exercise price			$0.63	$0.84	$0.58	$0.66	$0.55

Note 26 – Retirement benefit obligations

Superannuation

The Group sponsors the Ridley Superannuation Plan – Australia, which is administered by Mercer. The fund provides available benefits on a defined contribution basis for employees or their dependents on retirement, resignation, total and permanent disability, death and in some cases, on temporary disablement. The members and the Group make contributions as specified in the rules of the plan.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in comprehensive income in the periods during which services are rendered by employees.

Group contributions in terms of awards and agreements are legally enforceable, and in addition, contributions for all employees have to be made at minimum levels for the Group to comply with its obligations. Other contributions are in the main not legally enforceable, with the right to terminate, reduce or suspend these contributions upon giving written notice to the trustees.

Benefits are based on an accumulation of defined contributions. The amount of contribution expense recognised in the Consolidated Statement of Comprehensive Income for the year is $5,687,335 (2018: $5,555,000).

Note 27 – Financial risk management

The Group's activities expose it to a variety of financial risks: market risk including currency, interest rate, commodity, credit and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group may use derivative financial instruments, such as foreign exchange contracts and interest rate swaps, to manage certain risk exposures.

Risk management is carried out by management under policies approved by the Board. Management evaluates and hedges financial risks where appropriate. The Board approves written principles for overall risk management, as well as written policies covering specific areas such as mitigating foreign exchange, interest rate and credit risks.

Notes to the Financial Statements continued

30 June 2019

Note 27 – Financial risk management continued

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the relevant entity's functional currency. The Group is exposed to foreign exchange risk through the purchase and sale of goods in foreign currencies.

Forward contracts and foreign currency bank balances are used to manage foreign exchange risk. Management is responsible for managing exposures in each foreign currency by using external forward currency contracts and purchasing foreign currency that is held in US dollar, New Zealand dollar, Thai Baht and Euro bank accounts. Where possible, borrowings are made in the currencies in which the assets are held in order to reduce foreign currency translation risk. The Group does not hedge account on forward foreign currency contracts.

Foreign currency

The Group holds foreign currency bank accounts in US dollars, New Zealand dollars, Thai Baht and Euros, which are translated into AUD using spot rates. These foreign currency bank accounts, and at times forward foreign exchange contracts, are entered into for purchases and sales denominated in foreign currencies. The Group classifies forward foreign exchange contracts as financial assets and liabilities and measures them at fair value.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

$'000	2019					2018				
Australian dollars	**USD**	**NZD**	**EUR**	**THB**	**GBP**	**USD**	**NZD**	**EUR**	**THB**	**GBP**
Cash	**93**	**1,053**	**111**	**3,681**	**-**	3,315	1,176	2,982	2,121	-
Assets	**-**	**-**	**-**	**5,989**	**1,725**	-	-	-	5,275	2,300
Payables	**-**	**-**	**-**	**-**	**-**	-	-	-	(3,533)	-
Net balance sheet exposure	**93**	**1,053**	**111**	**9,670**	**1,725**	3,315	1,176	2,982	3,863	2,300

Foreign currency sensitivity

A change of a 10% strengthening or weakening in the closing exchange rate of the foreign currency bank balances at the reporting date for the financial year would have decreased by $1,156,690 (2018: $1,068,000) or increased by $1,413,732 (2018: $1,305,000) the Group's reported comprehensive income and the Group's equity. A sensitivity of 10% has been selected as this is considered reasonable taking into account the current level of exchange rates and volatility observed both on a historical basis and on market expectations for future movements. The Directors cannot and do not seek to predict movements in exchange rates.

(b) Interest rate risk

As the Group has no significant interest bearing assets, the Group's income and operating cash inflows are substantially independent of changes in market interest rates.

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group policy is to ensure that the interest cover ratio does not fall below the ratio limit set by the Group's financial risk management policy. At balance date, bank borrowings of the Group were incurring an average variable interest rate of 3.8% (2018: 4.0%).

Interest rate risk exposures

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Group intends to hold fixed rate assets and liabilities to maturity.

	2019		2018	
	Interest rate	**$'000**	**Interest rate**	**$'000**
Variable rate instruments				
Cash	**-**	**17,483**	-	23,441
Bank loans	**3.8%**	**119,500**	4.0%	76,500

Interest rate sensitivity

A 100 basis point change in interest rates at the reporting date annualised for the financial year would have increased or decreased the Group's reported comprehensive income and equity by $832,000 (2018: $534,000).

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and the risk arises principally from the Group's receivables from customers. Wherever possible, the Group mitigates credit risk through securing of collateral and/or credit insurance. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The Group holds collateral and/or credit insurance over certain trade receivables.

Derivative counterparties and cash transactions are limited to financial institutions with a high credit rating. The Group has policies that limit the amount of credit exposure to any one financial institution.

The maximum exposure to credit risk at the reporting date was:

	2019 $'000	2018 $'000
Trade receivables	**97,294**	96,150
Other receivables	**16,989**	13,410
Cash and cash equivalents	**17,483**	23,441
	131,766	133,001

Further credit risk disclosures on trade receivables are disclosed in Note 8.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group's corporate treasury function manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Details of finance facilities are set out in Note 18.

The following tables disclose the contractual maturities of financial liabilities, including estimated interest payments:

$'000	Carrying amount	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total contractual cash flows
2019							
Non-derivative financial liabilities							
Trade and other payables	**158,759**	**158,759**	**-**	**-**	**-**	**-**	**158,759**
Bank loans	**118,926**	**4,555**	**4,555**	**4,555**	**4,555**	**123,481**	**141,701**
	277,685	**163,314**	**4,555**	**4,555**	**4,555**	**123,481**	**300,460**
2018							
Non-derivative financial liabilities							
Trade and other payables	155,897	155,897	-	-	-	-	155,897
Bank loans	76,222	5,715	5,715	81,937	5,715	5,715	104,796
	232,119	161,612	5,715	81,937	5,715	5,715	260,693

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(e) Other financial assets

	2019 $'000	2018 $'000
Fair value through other comprehensive income		
Equity securities – available for sale	**1,725**	2,300

The fair value is a Level 1 valuation (see Note 27(g)).

Note 27 – Financial risk management continued

(f) Financial instruments

Non-derivative financial assets

The Group initially recognises loans, receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through comprehensive income) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through comprehensive income) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans, borrowings, trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Consolidated Statement of Comprehensive Income.

(g) Fair values

Fair values versus carrying amounts

The carrying amount of financial assets and liabilities approximates their fair value.

For financial assets and liabilities carried at fair value, the Group uses the following to categorise the method used:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Valuation inputs include forward curves, discount curves and underlying spot and futures prices.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Note 28 – Commitments for expenditure

	2019 $'000	2018 $'000
Expenditure contracted for but not recognised as liabilities:		
Capital plant and equipment (a)	**41,815**	51,493
CSIRO Novacq™ Research Alliance (b)	**2,750**	3,750
	44,565	55,243
Total Group commitments for non-cancellable operating leases:		
Due within one year	**5,244**	4,855
Due within one to two years	**4,272**	3,470
Due within two to five years	**5,282**	3,475
Due after five years	**943**	1,202
	15,741	13,002

The Group has leases for land, buildings and equipment under operating leases.

(a) Capital plant and equipment

Capital plant and equipment includes a new extrusion plant and a new feedmill in development as announced on the following respective dates.

- On 7 September 2018, the Group announced its intention to build a new state-of-the-art, fit-for-purpose feedmill in the Greater Bendigo region of Victoria. The plant will have an annual production capacity in excess of 350,000 tonnes and will cost between $45m–$50m, of which $21.1m was incurred in FY19 and reflected at balance date within capital work in progress and for which $22.4m was contractually committed but not recognised as a liability at balance date.
- The new state-of-the-art, fit-for-purpose extrusion plant at Westbury, northern Tasmania, was officially commissioned on 24 July 2019 and has a 50,000 tonne annual production capacity on a five day shift structure. As at the date of this report, the final costs are still being finalised and the total project cost is expected to be in the vicinity of $47m–$48m.

(b) CSIRO Novacq™ Research Alliance

On 24 March 2017, a five-year strategic alliance was executed with CSIRO to collaborate in order to maximise the development of new Novacq™ applications beyond the former application for prawn and crustacean species. Ridley's annual cash commitment to the alliance is $1m, and Ridley has the option to extend the relationship for a further five years. The quarterly payments are being capitalised into the Novacq™ Project reflected in the Balance Sheet as a non-current intangible asset.

Note 29 – Contingent liabilities

Guarantees

The Group is, in the normal course of business, required to provide certain guarantees and letters of credit on behalf of controlled entities, associates and related parties in respect of their contractual performance obligations. These guarantees and letters of credit only give rise to a liability where the entity concerned fails to perform its contractual obligations.

	2019 $'000	2018 $'000
Bank guarantees	**967**	954

Litigation

On 20 August 2018, Ridley advised the market of proceedings having been commenced against it by a customer, Baiada, in respect of stockfeed manufactured by Ridley for Baiada at its Wasleys feedmill in South Australia 'between about 2014 until about October 2017'. Baiada, through its operating entities Baiada Poultry Pty Limited and BPL Adelaide Pty Limited, is, and has been for many years, a significant customer of Ridley, and one which Ridley is continuing to supply.

In the context of the legal proceedings, Baiada is yet to quantify its alleged loss, but has said that it consists of increased milling fees (and associated costs) and lost profits as a result of the reduced growth of its broiler chickens. Ridley believes the claim is not of merit, and as such it is being vigorously defended. Ridley's insurers have been notified of the claim and are being advised of the status of the court proceedings. If required, Ridley believes insurance cover exists in respect of the claim. Legal costs are being expensed in the profit and loss as incurred and no provision has been raised to date for any insurance deductible.

At the time of preparing this Financial Report, some companies included in the Group are parties to pending legal proceedings. The outcome of these proceedings is not known and the entities are defending, or prosecuting, these proceedings as they are entitled to do. The Directors have assessed the impact on the Group from the individual actions to be immaterial. No material losses are anticipated in respect of any of the above contingent liabilities. There were no other material contingent liabilities in existence at balance date.

Notes to the Financial Statements continued

30 June 2019

Note 30 – Auditor's remuneration

	2019 $	2018 $
(a) Audit and review of Financial Reports		
Auditor of the Company		
KPMG Australia	**369,196**	349,513
(b) Other services		
Auditors of the Company		
KPMG Australia – in relation to other assurance, taxation and due diligence services	**26,383**	96,377
Total remuneration of auditor	**395,579**	445,890

Note 31 – Events occurring after the balance sheet date

Other than the 26 August 2019 appointment of the new Chief Executive Officer and Managing Director, no matters or circumstances have arisen since 30 June 2019 that have significantly affected, or may significantly affect:

(i) the Group's operations in future financial years; or

(ii) the results of those operations in future financial years; or

(iii) the Group's state of affairs in future financial years.

Note 32 – Corporate information and accounting policy summary

Ridley Corporation Limited is a company limited by shares, incorporated and domiciled in Australia, and whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements as at, and for the year ended, 30 June 2019 comprise Ridley Corporation Limited, the 'parent entity', its subsidiaries and the Group's interest in equity accounted investments. Ridley Corporation Limited and its subsidiaries together are referred to in this Financial Report as 'the Group'. The Group is a 'for-profit' entity and is primarily involved in the manufacture of animal nutrition solutions.

The Financial Report was authorised for issue by the Directors on 23 August 2019.

The principal accounting policies adopted in the preparation of the Financial Report are set out in either the relevant note to the accounts or below. With the exception of the adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers as of 1 July 2018, these policies have been consistently applied to all the years presented. Certain comparative amounts have been reclassified to conform with the current year's presentation.

Basis of preparation

Statement of compliance

The consolidated financial statements comply with International Financial Reporting Standards (**IFRSs**) and interpretations adopted by the International Accounting Standards Board (**IASB**).

These consolidated financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards (**AASBs**) (including Interpretations) adopted by the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*.

Application of new and revised accounting standards and interpretations

The Group has initially applied AASB 15 and AASB 9 from 1 July 2018. A number of other new standards are also effective from 1 July 2018, but they do not have a material effect on the Group's financial statements. Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. AASB 15 was effective for annual periods beginning on or after 1 January 2018, and consequently adopted by the Group from 1 July 2018 using the modified retrospective approach.

The Group is using the practical expedients for completed contracts, meaning that completed contracts that began and ended in the same comparative reporting period, as well as the contracts that are completed contracts at the beginning of the earliest period presented, are not restated. This practical expedient also excludes the consideration for significant financing components of the transaction price. Under AASB 15, revenue is recognised when a customer obtains control of the goods, where 'control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits from the asset'.

For the sale of feed, the Group generally has one performance obligation. Therefore revenue is currently recognised when the feed is either collected from the Ridley premises or delivered to the customers' premises, which are taken to be the points in time at which the customer accepts the feed and the performance obligation has been met and the related risks and rewards of ownership transfer. Revenue is recognised at these points, depending on agreed terms, provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

The Group provides retrospective volume rebates to some of its customers once the quantity of products purchased reaches a specified volume. Under AASB 15, if a discount applies retrospectively to all purchases once a volume threshold is achieved, then the discount represents variable consideration. In this case, an entity estimates the volumes to be purchased and the resulting discount in determining the transaction price and updates this throughout the term of the contract. Prior to the adoption of AASB 15, the Group estimated volume rebates using historical data and inputs from customers and provided for rebates. For contracts where discounts apply retrospectively to all purchases under the contract once a threshold is achieved, the financial impact is not material.

The Group provides variable fee pricing structures whereby discounts for future purchases are provided after a volume threshold has been met, i.e. prospectively. Under AASB 15, management must determine whether the arrangement conveys a material right to the customer. If a material right exists, then this is viewed as a separate performance obligation to which an entity allocates a portion of the transaction price. However, if a material right does not exist, then there are no accounting implications for transactions completed before the volume threshold is met. On the basis that the volume discounts are not incremental to any one customer, along with the fact that they are not material, management has assessed there to be no material right arising from these arrangements.

AASB 9 Financial Instruments

AASB 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 introduces changes in the classification and measurement of financial assets and financial liabilities, including a new expected credit loss model for impairment. The standard also introduces new requirements for hedge accounting that align hedge accounting more closely with risk management.

(i) Classification and measurement

Under AASB 139, the Group applied the classification of its available-for-sale financial assets at fair value through other comprehensive income and all other reported financial instruments at amortised cost. Under AASB 9, the Group has determined that there is no change to classification and measurement of financial instruments. Set out below is a table showing the accounting treatment under AASB 139 as compared to AASB 9:

Asset/liability	Previous accounting treatment (AASB 139)	New accounting treatment (AASB 9)
Cash and cash equivalents	Amortised cost	Amortised cost
Trade debtors	Amortised cost	Amortised cost
Lara land receivable	Amortised cost	Amortised cost
Other receivables – joint venture entity	Amortised cost	Amortised cost
Available-for-sale financial assets	Fair value through other comprehensive income	Fair value through other comprehensive income
Payables	Amortised cost	Amortised cost
Borrowings	Amortised cost	Amortised cost

(ii) Impairment

The impact of this standard was to recognise an impairment allowance of $239,077 as at 1 July 2018, with this balance maintained at 30 June 2019 as detailed in Note 8 to these accounts.

Standards issued but not yet effective

A number of new standards are effective for annual periods beginning 1 July 2019 and while earlier application is permitted, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements. Of those standards that are not yet effective, AASB 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

The following standards are applicable to the Group's financial statements in the period of initial application.

Note 32 – Corporate information and accounting policy summary continued

AASB 16 Leases (applies from years commencing 1 January 2019)

The new lease accounting standard AASB 16 is effective for the financial year beginning 1 July 2019. It requires all leases to be recognised on the balance sheet with a right-of-use asset capitalised and depreciated over the estimated lease term together with a corresponding liability that will reduce over the same period with an appropriate interest charge recognised. AASB 117 Leases only requires leases categorised as finance leases to be recognised on the balance sheet. Management has completed the initial impact assessment and will concentrate ongoing efforts to implement the standard as business as usual.

At 30 June 2019, the Group held operating leases with a future obligation of $15.741m on a non-discounted basis as disclosed in Note 28. The impact of AASB 16 will be as follows.

(i) Lease liability

A lease liability of $13.106m will be recognised, being the present value of the future payments, using the Group's incremental borrowing rate of 3.8% applicable to the location and term of each lease. No finance leases were recognised under IAS 17. The most significant lease liabilities relate to property of $7.521m and equipment of $3.940m.

Where leases are held in non-Australian dollar currencies, the spot exchange rates on 1 July 2019 have been used to value them. Lease liabilities will be revalued to spot exchange rates at each future balance sheet date.

(ii) Right of use asset

A right-of-use asset of $13.810m will be recognised. The right-of-use asset has been measured at an amount equal to the lease liability on transition plus amounts prepaid for the Thailand Pond Lease. This will result in a reduction in prepayments of $0.704m.

Where leases are held in non-Australian dollar currencies, the spot exchange rates on 1 July 2019 have been used to value them. Lease liabilities will be revalued to spot exchange rates at each future balance sheet date.

(iii) Transition

The Group is applying the modified retrospective transition method under which comparative information will not be restated and has elected to use the following practical expedients permitted by the standard:

- on initial application, AASB 16 will be only been applied to contracts that were previously classified as leases;
- lease contracts for low-value assets will continue to be expensed to the income statement on a straight-line basis over the lease term;
- in measuring lease liabilities, apply a single discount rate to a portfolio of leases with similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- the lease term has been determined with the use of hindsight where the contract contains options to extend the lease.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis (unless otherwise stated) except for the following items in the balance sheet:

- available-for-sale financial assets; and
- cash settled share-based payment arrangements, which are measured at fair value.

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2018/191 issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the Directors' Report and financial statements. Amounts in the Directors' Report and the consolidated financial statements have been rounded off to the nearest thousand dollars in accordance with that legislative instrument, unless otherwise indicated.

Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated recoverable amount of goodwill and other non-current assets

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy for intangible assets. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash generating units, or CGUs). Refer to Note 12 for further details on impairment testing.

(ii) Investment properties

The Group measures investment properties at cost. A fair value range cannot be determined reliably given that the respective locations do not have local established industrial or residential infrastructure, which would enable a reliable valuation benchmark to be determined. Furthermore, the value of each site also varies significantly depending upon which stage of the progressive regulatory approvals required for redevelopment has been attained at balance date. Where reliable estimates of fair value are obtainable, they are factored into the annual assessment of the property's carrying value. The valuation of investment properties requires judgement to be applied in selecting appropriate valuation techniques and setting valuation assumptions. Refer to Note 10 for further details on investment properties.

(iii) Provision for ECL on receivables

The Group calculates the doubtful debts provision under the expected credit loss (ECL) model. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Measurement of ECL allowance for trade receivables is disclosed in Note 8.

(iv) Determining timing of satisfaction of performance obligations

The Group generally has one performance obligation. Therefore revenue from the sale of feed is to be recognised at a point in time. Refer to Note 4 for further details on revenue recognition.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Non-derivative financial assets and liabilities

The net fair value of cash and non-interest bearing monetary financial assets and liabilities of the Group approximates their carrying amounts.

(ii) Derivative financial instruments

The fair values of forward exchange contracts are estimated using listed market prices if available. If a listed market price is not available, then the fair value is estimated by discounting the contractual cash flows at their forward price and deducting the current spot rate. The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments at the measurement date.

Basis of consolidation – business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition.

If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Note 32 – Corporate information and accounting policy summary continued

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

Interests in equity-accounted investees

Associates are those entities where the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net amounts of the arrangement, rather than rights to its assets and obligations for liabilities. Investments in associates and joint venture entities are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates and joint venture entities includes goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of its associates' and joint venture entities' post-acquisition profits or losses is recognised in the Consolidated Statement of Comprehensive Income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable reduce the carrying amount of the investment.

Unrealised gains on transactions between the Group and its associates and joint venture entities are eliminated to the extent of the Group's interests in the associates and joint venture entities. Accounting policies of associates and joint venture entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income.

Directors' Declaration

1. In the opinion of the Directors of Ridley Corporation Limited (the 'Company'):
   (a) The consolidated financial statements and notes set out on pages 55 to 92 and the Remuneration Report are in accordance with the *Corporations Act 2001*, including:
      (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001, and
      (ii) giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance for the financial year ended on that date.
   (b) 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. In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe the members of the Extended Closed Group identified in Note 23 will be able to meet any obligations or liabilities to which they are or may be become subject, by virtue of the Deed of Cross Guarantee, between the Company and those group entities pursuant to ASIC Class Order 98/1418.
3. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019.
4. The financial statements also comply with International Financial Reporting Standards as disclosed in Note 32.

This declaration is made in accordance with a resolution of the Directors

Dr G H Weiss AM
Director

D J Lord
Director

Melbourne
23 August 2019

Independent Auditor's Report

KPMG

Independent Auditor's Report

To the shareholders of Ridley Corporation Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Ridley Corporation Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated balance sheet as at 30 June 2019
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of Ridley Corporation Limited (the Company) and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

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

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Valuation of goodwill and capitalised development costs
- Accounting for inventory, including consideration of valuation risks

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Valuation of goodwill and capitalised development costs	
Refer to Note 13 *Intangible assets* to the financial report	
The key audit matter	**How the matter was addressed in our audit**
The valuation of goodwill and capitalised development costs is a key audit matter due to the: • complexity in auditing the assumptions applied to the Group's discounted cash flow models for each Cash Generating Unit (CGU), given the potential variability in demand from customers operating in the agriculture industry. We focused on the key assumptions the Group applied in preparing the "value in use" cash flow models, including the terminal value, annual growth rates and discount rates; and • complexity in auditing the Group's forecasts relating to the recoverability of capitalised development costs for new products, due to the judgement applied by the Group relating to the timing and amount of future benefits from commercialisation of the product. The industry is evolving through technology advancements by the Group and its competitors, which can lead to shifts in market demand for products. We focused on gathering evidence for the critical judgements in the forecast being the timing and amount of future benefits.	Our procedures included: • testing the key controls over the cash flow models, including inspection of Board approval of key assumptions and budgets, which form the basis of the cash flow forecasts; • assessing the Group's discounted cash flow models and key assumptions by: - assessing the discounted cash flow model against accounting standard requirements; - checking the relevant cash flow forecasts to the Board approved budgets; - checking the previous Group forecasts to inform our evaluation of current forecasts incorporated in the model. We considered previous trends where volatility in earnings in the agriculture industry existed and how this volatility impacted the business; - using our industry knowledge and information published by regulatory bodies to challenge the Group's cash flow assumptions and the Group's assessment of the impacts of market and regulatory changes on those assumptions; and - involving our valuation specialists to assess the discount rate by comparing the economic assumptions relating to cost of debt and cost of equity to published reports of industry commentators on a group of comparable companies. • comparing the recoverable values of CGUs by assessing earnings multiples against a group of comparable companies; • considering the sensitivity of the model by varying key assumptions, such as annual growth rates, cash flows and discount rates, within a reasonably possible range to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures; • using our industry knowledge to challenge forecasts relating to new products, including the timing and amount of future benefits for new products; and • assessing the related disclosures in the financial report against accounting standard requirements.

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Accounting for inventory, including consideration of valuation risks	
Refer to Note 9 *Inventories* to the financial report	
The key audit matter	**How the matter was addressed in our audit**
Inventory valuation is a key audit matter due to the audit effort arising from the extent of judgement applied by the Group in determining the net realisable value. In particular, there is judgement in relation to any slow moving or excessive inventory items which may require reprocessing prior to sale. The Group has a diverse and broad product range, and sells to different market segments, which increases the amount of judgement applied by the Group in assessing the valuation of inventory. Such judgements may have a significant impact on the net realisable value due to inventory obsolescence (including slow moving or excessive inventory), and therefore the overall valuation of inventories, necessitating our audit effort thereon.	Our procedures included: • assessing the inventory balance by testing inventory controls and performance of physical counts at a sample of locations including variance approval; • examining processes and testing controls relating to standard costing and valuation; • assessing the Group's accounting policies relevant to inventory valuation against the requirements of accounting standards; • evaluating the completeness of at-risk slow moving or excessive inventory items identified by the Group. To do so, we compared inventory listings against the following to identify any additional at-risk items: – historical sales information; and – our observations of inventory condition at the physical counts we attended at key locations; and • comparing a sample of inventory values against current selling prices for products to identify any items selling for less than their carrying value.

Other Information

Other Information is financial and non-financial information in Ridley Corporation Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting*

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Standards and the *Corporations Act 2001*

- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

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

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Ridley Corporation Limited for the year ended 30 June 2019 complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

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Chris Sargent
Partner
Melbourne
23 August 2019

Shareholder Information

	Number of holders	Number of securities	% Held by 20 largest shareholders
Holdings of securities – Ordinary Shares			
Each fully paid	6,335	311,256,221	76.97%

Distribution of holdings – ordinary shares

Number held	Number of ordinary shareholders	Number of ordinary shares held
1 – 1,000	1,139	480,258
1,001 – 5,000	2,262	6,791,565
5,001 – 10,000	1,195	9,029,368
10,001 – 100,000	1,637	40,602,154
>100,000	102	254,352,876
Total	**6,335**	**311,256,221**

There are 641 holders of unmarketable parcels (comprising shareholdings less than 491 shares at $1.02 per share) of Ordinary Shares.

20 largest fully paid shareholders	Number of ordinary shares	% of fully paid ordinary shares
Citicorp Nominees Pty Limited	89,191,067	28.66
HSBC Custody Nominees (Australia) Limited	58,900,213	18.92
JP Morgan Nominees Australia Pty Limited	48,695,837	15.64
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	16,093,963	5.17
National Nominees Limited	8,984,908	2.89
BNP Paribas Noms Pty Ltd <DRP>	6,200,791	1.99
Timothy Hart	1,554,868	0.50
LJ Thomson Pty Ltd	1,550,000	0.50
Mr James Fong Seeto	1,500,000	0.48
Ecapital Nominees Pty Limited <Accumulation A/C>	998,800	0.32
Mr Alan Maclean Boyd	865,469	0.28
Mr Russell N Lyons	770,694	0.25
BNP Paribas Nominees Pty Ltd <Albert Fried Customer DRP>	703,286	0.23
Moggs Creek Pty Ltd <Moggs Creek Super A/C>	670,477	0.22
Charles Klem	654,979	0.21
Pacific Salt Pty Ltd <Employees Retire Fund A/C>	500,000	0.16
BNP Paribas Noms (Nz) Ltd <DRP>	485,888	0.16
Ian Fairbairn	431,310	0.14
Garmaral Pty Ltd	426,377	0.14
Abeille Investments Pty Ltd	400,000	0.13
Top 20 Ordinary Fully Paid Shareholders	**239,578,927**	**76.99**
Balance of Ordinary Fully Paid Shareholders	**71,677,294**	**23.01**

Substantial Shareholders	Holding	% Holding
Insitor Holdings LLC/AGR Partners LLC	60,727,615	19.73
Lazard Asset Management	42,569,445	13.83
Schroder Investment Management Australia Limited	27,696,981	9.00
Dimensional Fund Advisors Group	15,954,589	5.18

Directors' Holdings

On 16 September 2019, the Directors of Ridley Corporation Limited had an interest in the following shares and performance rights of the Company.

	Fully paid ordinary shares	Ridley Performance Rights
GH Weiss	270,000	-
Q Hildebrand	-	-
PM Mann	97,489	-
RJ van Barneveld	83,053	-
E Knudsen	703,286	-
DJ Lord	73,200	-
	1,227,028	-

Voting Rights

As at 16 September 2019, the number of holders of Fully Paid Ordinary Shares with full voting rights was 6,335. On a show of hands, every person who is a member or a representative of a member has one vote. On a poll, each shareholder is entitled to one vote for each Fully Paid Ordinary Share held. A shareholder may appoint a maximum of two proxies to represent them at general meeting.

Glossary

AASB	Australian Accounting Standards Board
AASBs	Australian Accounting Standards
AGM	Annual General Meeting
APC	Australian Packaging Covenant
ASX	Australian Securities Exchange
Board	Ridley Board of Directors
CEO	Ridley Chief Executive Officer and Managing Director
CGU	Cash generating unit
CODM	Chief Operating Decision Maker
Committee	Remuneration Committee within the Remuneration Report
Company	Ridley Corporation Limited
CSF Proteins	Rendering businesses at Laverton, Victoria and Maroota, NSW
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DA	Depreciation and Amortisation
Deed	Deed of Indemnity between Company and its Directors and executive officers
DRP	Dividend Reinvestment Plan
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ECL	Expected Credit Loss
EEO	Equal Employment Opportunity
EPS	Earnings per share
FCR	Feed conversion ratio(s)
Fund	Ridley Superannuation Plan – Australia
FY	Financial year
FY15	2015 Financial year
FY16	2016 Financial year
FY17	2017 Financial year
FY18	2018 Financial year
FY19	2019 Financial year
Garvan	Garvan Institute of Medical Research
GRG	Godfrey Remuneration Group
Group	Ridley Corporation Limited and its subsidiaries
GST	Goods and Services Tax
Ha	Hectare
Hay	The Hay Group
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IP	Intellectual property
IT(S)	Information Technology (Services)
KMP	Key management personnel
KPI	Key Performance Indicators
KPMG	Independent external auditor of Ridley
Kt	Thousand tonnes
LTIFR	Long Term Injury Frequency Rate
LTIP	Ridley Corporation Long Term Incentive Plan
M	Million
Managing Director	Ridley Chief Executive Officer and Managing Director
MBM	Meat and Bone Meal
MSC	Marine Stewardship Council
MTI	Medically Treated Injury/ies
NGER	*National Greenhouse and Energy Reporting Act 2007* (Cth)
NPAT	Net Profit After Tax
OEE	Overall Equipment Effectiveness
P/E	Ratio of share Price to Earnings
PNFM	Pen Ngern Feed Mill Co., Ltd.
PPC	Poultry Protein Concentrate
R&D	Research and development
Ridley	Ridley Corporation Limited
Right(s)	Performance Right(s) issued under the LTIP
RIOC	Ridley Innovation and Operational Committee
Scheme	Ridley Employee Share Scheme
SRP	Special Retention Plan
SRP Rights	Special Retention Plan Rights
STI	Short Term Incentive
SWG	Sustainability Working Group
TEP	Total Employment Package
TRFR	Total Recordable Frequency Rate
TSR	Total Shareholder Return
VWAP	Volume Weighted Average Price

Corporate Directory

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Ridley AgriProducts Pty Limited
ABN 94 006 544 145

www.agriproducts.com.au

CSF Proteins Pty Limited
ABN 77 000 499 918

www.csfproteins.com.au

Community interest

www.barastochorse.com.au
www.cobberchallenge.com.au

RIDLEY