Nutrition.
Performance.
Growth.

Annual Report 2018

Contents

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 bi-products that 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.

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.

2018 Features

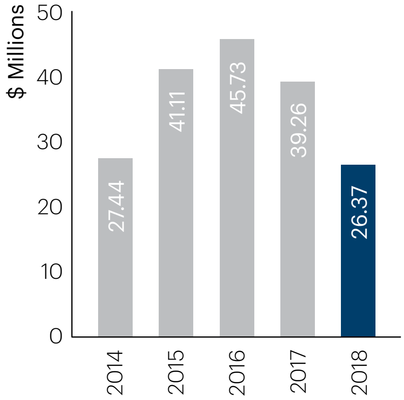
- Yamba-produced Novacq™ included in domestic commercial prawn feed trials.
- Thailand Novacq™ production facility established and production commenced.
- Growth in Ruminant and Poultry, with uplift in drought feeding for beef and sheep.
- Improved Laverton Rendering result, but Maroota impacted by financial distress of major raw material supplier.
- Another solid performance in Packaged Products, while a return to a traditional dry season restored profitability for Supplements.
- Consistent underlying Aquafeed performance masked by non-recurring Huon inventory legacy issues.
- Commencement of capital works for new extrusion plant in Tasmania and awaiting final approvals to proceed with new feedmill for Central Victoria.
- Property segment recorded a net pre-tax profit of $4.2 millon from three property sales at Lara.
- Corporate and Finance costs contained to prior year levels, with reduction in effective tax rate reflective of increased R&D activity throughout the business.

Five Year Summary

A$'000 unless otherwise stated	2018 Actual	2017 Actual	2016 Actual	2015 Actual	2014 Actual
Operating results					
Revenue	**917,660**	852,923	912,561	909,850	873,625
Other income	**6,248**	8,581	12,121	4,649	5,972
EBITDA	**43,629**	54,484	60,723	51,061[1]	41,012
Depreciation and amortisation	**17,262**	15,220	14,989	14,920[1]	13,576
Earnings before interest and tax (EBIT)	**26,367**	39,264	45,734	41,108[1]	27,436
Net interest expense / finance charge	**4,648**	4,977	5,419	5,059[1]	5,392
Operating profit before tax	**21,719**	34,287	40,315	36,049[1]	22,043
Tax expense	**4,310**	8,472	13,112	10,306[1]	4,430
Net profit after tax and significant items	**17,409**	25,815	27,203	25,743[1]	17,613
Loss from discontinued operation (net of tax)	**-**	-	403	(4,572)	-
Other comprehensive income	**520**	-	-	-	-
Profit/loss attributable to members	**17,929**	25,815	27,606	21,171	17,613
Financial position					
Ridley shareholders' funds	**263,107**	259,823	247,884	229,834	219,774
Intangible assets	**82,485**	79,284	76,355	78,194	80,491
Total assets	**510,319**	490,603	484,850	476,553	423,091
Total liabilities	**247,212**	230,780	236,966	246,719	203,317
Net debt	**52,781**	51,544	40,967	32,702	36,343
Market capitalisation	**423,248**	426,327	430,944	384,771	244,715
Enterprise value	**476,029**	477,871	471,911	417,473	281,058
Operating cash flow	**50,900**	29,655	17,612	47,059	31,349
Closing share price (cents)	**137.50**	138.50	140.00	125.00	79.50
Weighted average number of shares on issue – non-diluted (thousands)	**307,817**	307,817	307,817	307,817	307,817
Number of employees (number)	**713**	697	676	685	658
Key profitability ratios					
Return on shareholders' funds (%)[1]	**6.7**	10.2	11.4	9.4	7.8
Earnings per share (EPS) (cents)[1]	**5.8**	8.4	8.8	6.9	5.7
Total shareholder returns (%)	**2.3**	1.8	15.2	61.6	8.0
EPS growth (%)	**(32.6)**	(6.6)	28.5	20.2	(181.2)
EBIT growth (%)	**(32.8)**	(14.1)	11.3	31.7	306.7
Operating cash flow/EBITDA (times)	**1.2**	0.5	0.3	0.9	0.8
Operating cash flow per share (cents)	**16.5**	9.6	5.7	15.3	10.2
Share price/operating cash flow (times)	**8.3**	14.4	24.5	8.2	7.8
EBIT per employee (A$'000)	**37.1**	56.3	67.7	52.8	41.7
Capital market and structure ratios					
EBITx (market cap/EBIT) (times)[1]	**16.1**	10.9	9.4	10.6	8.9
EBITDA per share (cents)[1]	**14.2**	17.7	19.7	16.6	13.3
EBITDA growth (%)[1]	**(19.9)**	(10.3)	18.9	24.5	3,175.3
EBITDAx (market cap/EBITDA) (times)[1]	**9.7**	7.8	7.1	7.5	6.0
Enterprise value/EBITDA (times)[1]	**10.9**	8.8	7.8	8.2	6.9
P/E ratio (times)[1]	**23.6**	16.5	15.8	18.1	13.9
Net debt/shareholders' equity (%)	**20.1**	19.8	16.5	14.2	16.5
Equity/total assets (%)	**51.6**	53.0	51.1	48.2	51.9
Net debt/EBITDA (times)[1]	**1.2**	0.9	0.7	0.6	0.9
EBIT/net interest (times)[1]	**5.7**	7.9	8.4	7.1	5.1
Net tangible asset backing per share (cents)	**58.7**	58.7	55.7	49.3	45.2
Dividends per share (cents)	**4.25**	4.0	4.0	3.5	3.5
Dividend payout ratio (%)	**73.0**	48.0	44.0	51.0	61.0
Percentage franked (%)	**100.0**	100.0	100.0	100.0	50.0

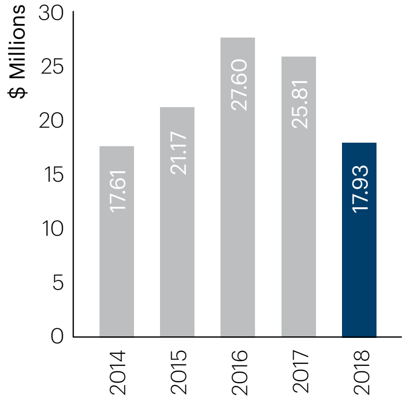
1. Before discontinued operations.

EBIT from continuing operations[1]

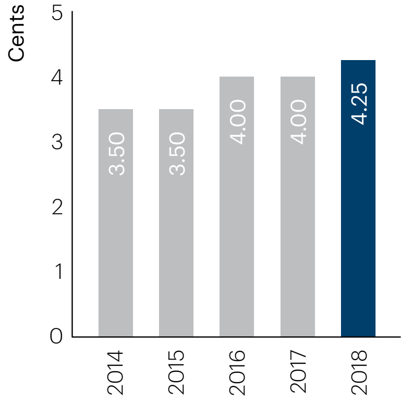


1. Inclusive of non-recurring items.

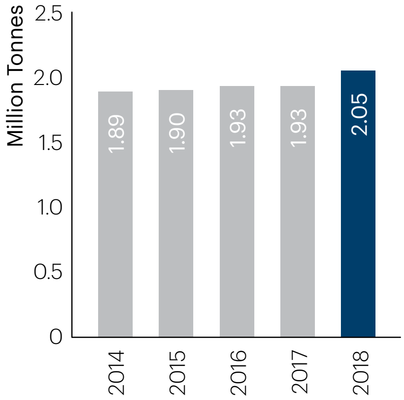
Consolidated net profit



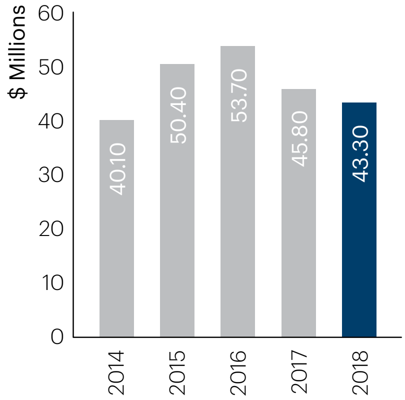
Dividends per share



Ridley AgriProducts volume



Ridley AgriProducts operating EBIT



Ridley Locations and Sectors

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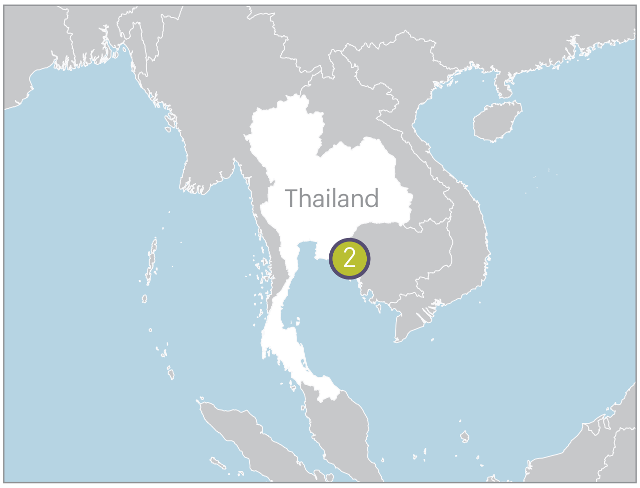
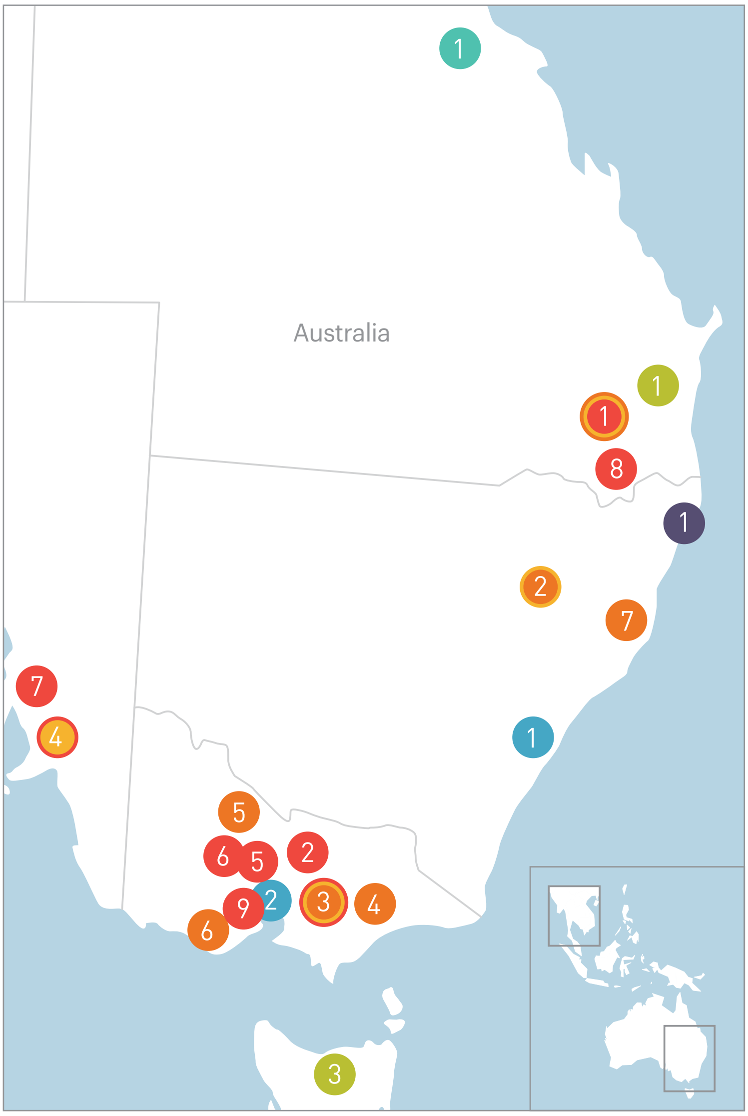




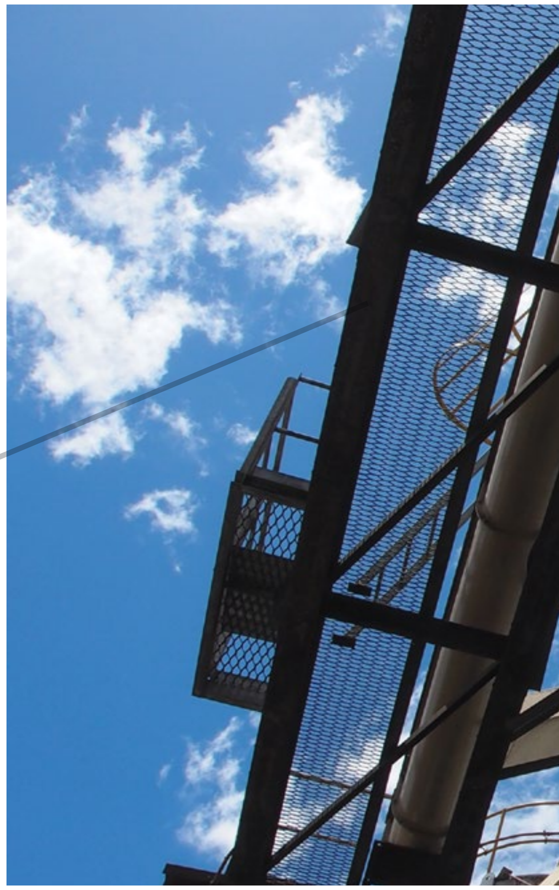
Business Unit	Structure
Monogastric	Pellets, meals, concentrates and pre-mixes for poultry and pigs
Ruminant	Pellets, meals, blends, concentrates and pre-mixes for dairy cattle, beef cattle and sheep
Packaged Products	Bagged poultry, dairy, dog, horse and lifestyle animal feed
Extrusion Plants	Extruded and steam pelleted products for all major finfish 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

Business Unit

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
		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					
	* Novacq™ production site. # 100% interest in Novacq™ production site.	* Existing and under construction.			* 49% interest. # Under construction.		

Chairman's Address

Dr Gary Weiss
Chair



"The new plant at Westbury will be a world class extrusion facility, capable of effectively servicing all aquafeed species, targeting new and returning salmon customers and industry growth, while also expanding Ridley's in-house pet food capability."

The 2018 financial year saw positive contributions from the Poultry, Dairy, Laverton Rendering, Supplements and Beef and Sheep sectors and sales volume growth for the first time in several years in Packaged Products while we experienced significant challenges in the Aquafeed and Maroota Rendering sectors. Our Pig sector held up well in the face of a cyclical industry downturn.

The combination of the above, plus the impacts on margin arising from significant second half year increases in raw material prices, generated Earnings Before Interest and Tax (EBIT) for the 2018 year of $43.3 million (m) before non-recurring items.

The Managing Director's Review sets out the details of the performance drivers for the year, so I will again reflect on some of the other features of what I consider to be a satisfactory year for Ridley.

Feedmill portfolio

In September 2017, we announced our intention to build a new feedmill at Bendigo in Central Victoria. Underpinned by a 10-year supply agreement with Hazeldene's Chickens, our key customer in the region, the new feedmill is located at the Wellsford Industrial Estate near Bendigo Airport and will, on completion, be the largest feedmill in the Ridley portfolio. With an annual 24/7 production capacity in excess of 350,000 tonnes, the new feedmill will be 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 poultry and pig growth for the region.

Total budgeted capital outlay will be between $45m–$50m.

Upon commissioning of the new mill, there will be a period of transition of production tonnes from the existing Bendigo feedmill to the new mill. The existing Bendigo mill will be closed following this transition of production and the site remediated as appropriate in preparation for conducting a sale process. We are currently working through the development approvals process for the new feedmill and are seeking to lock in the engineering contracts and begin construction.

During the year, Ridley commenced construction of the new extrusion plant at Westbury in northern Tasmania. This is another major project for Ridley, with a capital cost of between $45m–$50m and an annual capacity of 50,000 tonnes based on a five day shift structure. The plant is a clear demonstration of Ridley's commitment to the Tasmanian salmon industry, and follows the prior year restructure of the Aquafeed operations which saw the sale of the 25% interest in the extrusion plant at Inverell.

The transfer of salmon production from the existing Narangba plant in Brisbane to the Westbury plant will significantly improve the supply chain, lead times and collaboration with the local customer base, as well as enhance our trial testing capability.

Without a local presence in Tasmania in the medium to long term, our current salmon business would face an uncertain future. The new plant will affirm Ridley's position as a significant and competitive supplier to the Tasmanian aquaculture industry and our intention to participate in the industry's strong growth prospects

The new plant at Westbury will be a world class extrusion facility, capable of effectively servicing all aquafeed species, targeting new and returning salmon customers and industry growth, while also expanding Ridley's in-house pet food capability. We have set a challenging target to commission the new facility by the end of the 2019 financial year and we are currently on track to deliver against this key performance metric.

Pleasingly, agreement was reached with Tassal in June 2018 for Ridley to participate in salmon feed trials. These trials will provide Ridley with the opportunity to further demonstrate its capability to consistently produce high performance diets to the salmon industry. The trials will utilise approximately 3,300 tonnes of the full range of Ridley salmon feed from the hatchery through to the grow out stage

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with an expected harvest in late calendar 2020. Tassal will manage the trials and pay full market value for the trial feed.

In addition to the new Tasmanian extrusion plant, we have installed a dedicated R&D and small feeds production line at Narangba which will enable us to run small production run trial diets and R&D projects without disrupting the operating capacity of the main production line.

Another significant capital project concluded during the year at Narangba has been the installation of a new Fat Coater and new Pellet Cooler which utilise the latest technological developments. These projects are expected to deliver marked improvements in quality, reliability and consistency of pellets manufactured using the latest aquaculture diets, many of which incorporate levels of fats and oils not previously witnessed in the industry. The upgraded extrusion plant at Narangba will continue to service the domestic prawn industry, pet food and fin fish production following the transition of salmon volume to the new Tasmanian plant.

Rendering developments

The progressive reduction and ultimate loss of the Red Lea raw material supply to the Maroota rendering site presented a major challenge during the year given that it had been such a reliable and significant source of poultry raw material for many years. Management is seeking to develop new earnings streams to replace this loss of supply, while also reducing costs at the site to reflect lower input volumes.

Work is taking place on several projects to recover the loss of Maroota earnings attributable to the cessation of Red Lea raw material supply. A rendering solution has now been developed for processing whole birds which addresses both the issue of the birds being supplied without having had their feathers removed and the digestibility concerns over the saleable product. The rendered product is being tested and trialled to determine the market positioning for this new product.

The first sales of fish meal and oil derived from the processing of whole mackerel caught under strict quota requirements off the coast of southern New South Wales have been made in the first quarter of FY19. We are actively seeking the external accreditation required to open up new export markets for this product which attracts a pricing premium by virtue of the whole fish being processed.

Extending the reach of the raw material supply chain through refrigeration and/or preservation of the raw material to manage degradation prior to processing will not only improve the quality of the finished product but will open up access to new sources of supply.

The Laverton Rendering site has been very proactive during the last 12 months in engaging with raw material suppliers to segregate their bi-products and thereby enable Ridley to pay more for the raw materials and produce higher value end products in a 'win-win' outcome. One such example of segregation is the removal of the bovine paunch, which significantly improves the quality of the raw material input and rendered product output to the benefit of both the supplier and Ridley.

Our partnership with CSIRO has enjoyed a positive first year of operation and has developed a combination of sequential and concurrent work packages for the foreseeable future.

Novacq™

We have had a busy and positive year in respect of the Novacq™ project, with a number of key milestones achieved as Ridley moved towards commercialisation in Australia and in Thailand.

The Yamba, New South Wales Novacq™ production site was effectively an R&D site for FY18, conducting numerous tests and making countless modifications to its processes as part of a process of continuous improvement to lift yield and drive down operating costs through further innovation.

A number of dewatering and drying technologies and techniques were trialled prior to selection of the preferred technology which is now being installed at Yamba and shipped to Thailand.

Our partnership with CSIRO has enjoyed a positive first year of operation and has developed a combination of sequential and concurrent work packages for the foreseeable future, the platform for which revolves around identification and timely and accurate prediction of the level of bioactivity of the Novacq™ produced and used in the various studies and diets. Significant and unknown variation of the level of bioactivity of the Novacq™ being used has the potential to distort not only the data derived from the numerous ongoing studies but also the conclusions drawn from the studies and direction of future development activity. This work package was a large focus for FY18 and is continuing in FY19 until solved.

The results of the domestic profit share arrangements with three major domestic prawn farmers were announced in June 2018. The absence of proper commercial trial conditions generated a high degree of variation in the results across the three farms and prevented any firm conclusions being drawn from the arrangements. Nevertheless, some record biomass results were achieved and two of the farmers have indicated their intention to utilise the Novacq™-inclusive diets in the upcoming domestic prawn growing season, with the third farmer deferring any feeding decision pending the outcome of a process to sell the family business.

With the shift from an R&D operation to a commercial operation for the Yamba site effective from 1 July 2018, negotiations are currently underway to establish an appropriate selling price for the inclusion of Novacq™ in domestic prawn feed diets at a 5% inclusion rate.

Novacq™ Thailand

Thailand trial results released to the market in September 2017 showed a 33% improvement in prawn biomass for prawns fed with the Novacq™-inclusive diet in a dedicated trial pond with 48 suspended trial cages. The study was conducted over a 50 day trial period using the same Ridley trial diet with and without a 5% Novacq™-inclusion rate, and was managed exclusively by Ridley personnel on site in Chanthaburi. Twice daily testing was

conducted of water quality, including water temperature, salinity, acidity and alkalinity, and levels of dissolved oxygen. Pellet durability and stability were also monitored for each of the two sizes of feed adopted for the trial.

Following the harvest of the trial biomass, the prawns were tested for growth rate, survival rate and biomass gain, and this data was analysed against the total quantities of feed fed to each cage and the resulting Feed Conversion Ratios calculated for each cage.

With such a high level of control and data capture, and in almost identical conditions across all 48 cages within a single pond, the 33% combined improvement in biomass and productivity was particularly encouraging.

The 14 former prawn ponds secured under long term lease adjacent to the feedmill in which Ridley has a 49% ownership interest, have all now been converted for the production of Novacq™. The aeration and harvesting equipment was purchased and delivered to the Chanthaburi site during the year, and is being progressively installed in the first quarter of FY19. The dewatering and drying equipment solution was identified and tested during the year at the Yamba site and is being shipped to Thailand with installation targeted by the end of the calendar year.

Having secured formal Thailand Board of Investment (BoI) approval for its Novacq™ operations during the year, Ridley is continuing to work with the BoI to determine the extent of its ability to hold land in Thailand under a wholly-owned Ridley subsidiary and, secondly, to conduct Novacq™ dewatering and drying activities within the existing approvals granted for the feedmill site. The outcome of these discussions will help to formulate the next stage of expansion in Thailand, with the ideal location being adjacent or in close proximity to the existing feedmill and leased ponds.

Novacq™ Monetisation

As announced in May 2018, Ridley has appointed Investec to explore options to accelerate the growth of Novacq™. A broad range of flexible options is currently being pursued, including the potential for third party investment in Novacq™. The process to date has involved communication with a number of strategic and complementary third parties who are seen to have the capacity to accelerate the roll out of Novacq™ in a number of overseas jurisdictions through their existing networks and relationships. A detailed Information Memorandum has been prepared and released to selected parties under confidentiality arrangements, with discussions continuing with a number of these parties. Ridley anticipates announcing the outcome of this process before the end of the year.

Property

It was pleasing to receive the final $5 million payment of deferred consideration from Dry Creek in December 2017 and thereby reach a positive conclusion to the transaction to divest this former asset.

There were a number of land sale transactions completed during the year and also subsequent to year end in respect of the former salt field and adjacent land at Lara. Should the Purchase Option to acquire the final remaining parcel of land for $1.5m be exercised in FY19 by the land-based aquaculture operator, then the divestment of all surplus land at Lara will be complete.

Sale of this final remaining parcel of land at Lara would mean that Ridley will have generated aggregate sales proceeds of $17.1m and c.$13.6m of EBIT over the 2018 and 2019 financial years from the disposal of surplus properties.

Management will focus its attention in FY19 on developing a strategy to extract value from the surplus land at Moolap which is incorporated into the Nelson Cove master planned community concept designed with development partner Sanctuary Living.

People

On behalf of the Board, I would like to take this opportunity to thank our shareholders, suppliers and customers for their support throughout the year.

I would also like to acknowledge and thank all members of our 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.

Dr Gary Weiss
Chair

Managing Director's Review

Tim Hart
Managing Director and
Chief Executive Officer

"Our number one focus at Ridley will always be safety: making sure that all persons associated with Ridley, whether employees, contractors, suppliers, customers, service providers or simply visitors, are able to leave Ridley sites in the same state of physical health as when they entered."

The operating business has recorded Earnings Before Interest and Tax (EBIT) and before non-recurring items of $43.3 million (m) for the 2018 financial year (FY18), a reduction of $2.5m from the prior year.

An abnormal, non-recurring pre-tax loss of $11.6m (tax effect of c.$3.4m) has been brought to account in respect of the processing, storage, disposal and write down of inventory manufactured and purchased in prior years to service the supply agreement with Huon, which was terminated as a result of a legal dispute, which was settled in July 2017.

The ongoing operations have been adversely affected by the cessation of raw material poultry supply to the Maroota rendering plant caused by major supplier Red Lea Chickens Pty Ltd (Red Lea) entering voluntary administration on 29 March 2018. The appointment of an administrator followed a dramatic drop in processing volumes received from Red Lea in the six months leading up to the announcement, and there have been no further volumes of raw material received from Red Lea at Maroota during the final quarter of FY18. The full year impact on Maroota FY18 earnings was estimated on 16 April 2018 to be between $6m–$7m, with the full year impact proving to be slightly above this range at c.$7.3m.

The two downsides noted above mask an otherwise positive year in our other major operating sectors. There have been positive year on year earnings uplifts in the Poultry, Dairy, Beef and Sheep, Laverton Rendering and Supplements sectors. The Packaged Products sector has seen an easing of margins due to higher raw material input prices, but for the first time in several years has recorded an increase in sales volumes. While market share has been maintained, Pig volumes have fallen 8,000 tonnes year on year as the industry adjusts to the oversupply, which is causing price weakness and a period of instability. Mid-year increases in energy prices have been felt throughout the business and challenged the Operations team to find efficiencies to neutralise the overall impact on production costs per tonne.

We have had a very active year in respect of the surplus land holdings at Lara, which has culminated in the pre-year end sale of Lot B for $5m and post-year end sale of Lots A and C for combined proceeds of $9.5m. A 12-month option agreement has also been executed after year end for a land-based aquaculture company to purchase the entire residual Lara holding of 97.8 Ha, referred to as Lot D. The purchaser has 12 months in which to conduct its due diligence and determine whether or not it wishes to exercise its option to purchase the land for total consideration of $1.5m.

There have been positive year on year earnings uplifts in the Poultry, Dairy, Beef and Sheep, Laverton Rendering and Supplements sectors.

Unfortunately businesses do not operate with a straight line upward earnings profile, and for the last two years we have fallen below our target growth path, largely due to the breakdown of the Huon feed supply relationship and cessation of poultry raw material supply at Maroota. We have taken a proactive position at year end with regard to the non-recurring Huon legacy issue. We have also changed our pro forma contract templates and inventory management processes to ensure we do not have a similar exposure to inventory overhang in the future. The Maroota site has been restructured to accommodate the foreseeable lower raw material intake volumes and we have embarked on a number of initiatives at our Maroota site to seek to help replace the lost earnings attributable to the cessation of Red Lea supply and, if successful, these projects may make a positive contribution in FY19.

Safety

Our number one focus at Ridley will always be safety: making sure that all persons associated with Ridley, whether employees, contractors, suppliers, customers, service providers or simply visitors to Ridley sites, are able to leave the Ridley site(s) in the same state of physical health as when they entered the site(s).

Our Medically Treated Injuries (MTI) count of four for FY18 (FY17: four) is the equal lowest we have achieved to date, and is encouraging in our drive towards zero injuries. Our reporting of hazards and near misses for the year was our highest on record, with 2,954 reported logs for the year (FY17: 2,679). Our strategy is to report and rectify potential hazards before they cause any personal harm and thereby reduce the incidence of actual injury. It is apparent that the message is permeating the business with a positive spread of hazard reporting received across all Ridley operating sites. As previously noted, all logs are reviewed and actions taken as appropriate to address the issues giving rise to safety concerns.

The Long Term Injury Frequency Rate (LTIFR), measured as the number of injuries incurring lost time for every million hours worked, was 4.2 for FY18 (FY17: 4.4). This is an improvement from last year, but marginally above our internal target.

The Total Recordable Frequency Rate (TRFR) represents our total injury rate, and at 7.1 for FY18 (FY17: 7.4) is a favourable decrease from the prior year and the 9.5 recorded for FY16.

By maintaining the focus on prevention through hazard reporting rather than treatment of actual incidents, we shall continue our endeavours to drive our LTIFR and TRFR even lower in FY19 and beyond.

Core business operating performance for the 2018 financial year

The core business performance of $43.3m of EBIT for FY18, excluding non-recurring items, comprises strong performances in Poultry, Dairy, Beef and Sheep, Laverton Rendering and Supplements, and volume growth for Packaged Products. Maroota Rendering has been adversely impacted by the loss of Red Lea poultry raw material during the year, and Packaged Products margins have been impacted by the increase in grain prices.

(i) Dairy, Beef and Sheep

The Dairy, Beef and Sheep sector has recorded a year on year increase in sales volume of 68.6 thousand tonnes (kt), with significant increases in Dairy sales in Victoria and Tasmania and in sales of beef and sheep feeds in drought-affected New South Wales (NSW) and Queensland.

Average milk prices received by dairy farmers in FY18 were above those paid in FY17 and were well signalled by the milk processors, enabling farmers to determine their herd strategies and capital requirements. Throughout the last three years of turmoil within the Dairy sector, the Ridley Ruminant team's focus has been steadfast in supporting and staying close to our farmer base, being as flexible as possible, and delivering a meaningful and value-adding proposition to optimise the farmers' margin over their feed cost.

Forage shortages and the passing through of raw material price increases to the cost of feed will have some impact on feed sales and margins in the coming year, however, the opening milk prices for FY19 are generally marginally above those paid in FY18. Taking all factors into consideration, the outlook for the Dairy sector remains positive.

Higher feed costs and shortages of home-grown forage for pasture-based beef and sheep farmers are expected to lead to increased livestock sales as farmers look to de-stock, and this may have an impact on sales of beef and sheep feeds in the year ahead.

(ii) Poultry and Pig

The compounding 2% to 3% increase in domestic consumption of poultry products has been a consistent trend for many years now, and our Poultry sales volumes increased by 52kt (4.5%) over the prior year. Broiler and layer volumes for the second successive year represented 60% of all Ridley traded volumes as domestic consumers continue to support poultry products for their health benefits and being the cheapest source of animal protein.

The poultry layer sector (as opposed to broilers, which are reared for their meat) volumes have increased year on year in a period of egg price instability. There is an expectation that the current low egg price will not substantially recover until the second half of FY19 as a result of the traditional influx of eggs reaching the market in spring.

After two consecutive years of growth, Pig sector volumes have retracted by 8kt from last year, and this is reflective of a current industry oversupply which is causing price weakness and financial stress throughout the industry. In recent years the Pig sector has flourished, and this has led to significant investment in increased production capacity, which has now resulted in an oversupply of domestic product. The fundamental economic forces of supply versus demand are now prevailing, with reductions in product prices, supply outstripping demand for the foreseeable future, and a number of producers contemplating exit strategies. The outlook is not entirely gloomy as the Pig sector is cyclical and there will be consolidation opportunities for the most efficient producers. The FY17-commissioned Lara feedmill in particular, can provide a very cost–effective product range for the region's pig farmers, with its operating efficiency and access to local raw materials.

(iii) Aquafeed

The Aquafeeds result for FY18 comprises the ongoing operations and the non-recurring treatment of the Huon inventory legacy. The financial impact associated with the latter has been reported as a non-recurring item of $11.6m before tax and tax effected impact of $8.2m. All residual stock on hand at balance date has been written off to a nil value at 30 June 2018.

The ongoing core Aquafeeds business has faced challenging salmon growing conditions midway through the financial year, with high water temperatures experienced off the coast of Tasmania. These higher than usual temperatures had an immediate impact on the appetite of the salmon, and this flowed through to Ridley as a reduction in feed demand. While the water cooled down to normal seasonalised water temperatures in the fourth quarter, the lost volume was not recovered when normal feed consumption patterns were resumed, and consequently the sales volume has fallen by 3kt year on year.

The prawn, barramundi and kingfish components of the Aquafeeds business performed well, despite the prior year outbreak of White Spot Disease in certain prawn farms located in the Logan River region. Three of the four major prawn farm customers trialled Ridley feed with a 5% Novacq™ inclusion on a profit share arrangement, whereby the incremental earnings derived from the Novacq™ feed were to be shared equally between Ridley and the farmer. The results of the commercial trials are covered in the following section of this report.

In addition to committing to a new Tasmanian extrusion plant, a major upgrade and restructure of the Narangba operations was concluded during the year at the Aquafeeds extrusion plant at Narangba. Ridley has invested in new fat coater and pellet cooler equipment capable of managing the increasingly high fat contents required in the modern salmon diets, and has purchased and installed a trial extrusion facility capable of testing new diets on small runs without disrupting the main production line.

(iv) Rendering

The loss of the Red Lea poultry raw material supply at Maroota has been progressively reported through the ASX announcements platform during the year, with the full year result calculated at c.$7.3m. This value is a combination of the reduction and subsequent loss of Red Lea raw material supply, plus all the related follow-on supply chain, processing costs and overhead recovery ramifications for the Maroota site.

Management has worked through an effective realignment of operations at the Maroota site to downscale processing shifts to anticipated ongoing processing volumes, with the site now reconfigured to a two shift roster. In addition, management is working on a number of initiatives to seek to develop new revenue streams for the Maroota site to start to replace the lost earnings. These initiatives are discussed further in the Outlook section of this report.

While the competition to secure red meat offal processing volumes in Victoria has remained intense throughout FY18, raw material receival volumes at the Laverton site have increased by 30kt as the prior year herd rebuilding process approaches a sustainable equilibrium. Further improvements in plant processing efficiency and reliability have counterbalanced the impact of higher energy prices and a slight softening of average sell prices for an improved year on year Laverton operating result.

(v) Packaged Products

After four successive years of earnings growth, the Packaged Products result was impacted by increases in raw material input prices. The lag between input price rises and sale price adjustments, and/or inability to pass through the full extent of these increases, has resulted in an inevitable shrinkage of product margin. A positive component of the annual performance is that sales volumes have increased, and this is an indication that the strategy to improve our understanding of market dynamics and margin management, and to implement product refreshes and SKU rationalisation, is starting to deliver against its performance metrics.

(vi) Supplements

The Supplements business enjoyed a return to a more traditional dry season in northern Australia, and this led to a resurgence in dry block sales in the first half of FY18. This seasonal impact was a strong contributor to annual sales volumes of all products increasing from the FY17 low of 11kt to the 20kt recorded for FY18. The year on year improvement in earnings returned Supplements to a trading profit from its prior year loss.

(vii) Thailand feedmill

Thailand prawn production continues to be widely exposed to disease, and this is generating a vicious cycle in terms of the farmers' confidence and access to working capital to restock idle ponds. The granting and receipt of credit terms is a significant risk for the feed producer and farmer respectively, and this creates a delicate dynamic that has to be carefully managed and closely monitored.

Production and domestic sales for the Pen Ngem Feed Mill Co., Ltd (PNFM) feedmill in FY18 have continued to be sporadic and largely centred around our joint venture partner's prawn farm, the performance of which has been erratic in terms of prawn harvest survival rates.

Export accreditation has been secured during the year for the Thai feedmill, and the first export sales to Fiji occurred in June 2018 with the prospect of repeat business and further export sales in other markets in the year ahead.

The equity accounted Ridley 49% share of the Thai feedmill operations for FY18 is a loss of A$0.2m.

Commercialisation of Novacq™

FY18 was the fourth year of a five-year program of Applied Research and Development (R&D) for the commercialisation of Ridley's investment in Novacq™, a prawn feed additive capable of transforming the prawn feed industry through the substantial acceleration of growth rates, improvement in feed conversion rates, enhancement of animal wellbeing and survival rates, and reduction in nitrogen emissions from the prawn biomass.

During FY18, we extensively tested the available technologies for dewatering and drying the Novacq™, and made a final technology selection, which is now being implemented at our site at Yamba and also at Chanthaburi, Thailand. Production of Novacq™ has commenced in Thailand in the 14 ponds under long term lease adjacent to our feedmill interest in Chanthaburi.

Through a process of continuous improvement, we continue to develop and refine the Novacq™ production, harvesting and drying process and are currently targeting approximately 50 metric tonnes of pure (dry weight) Novacq™ production per annum from each 0.7 Hectare (Ha) pond in Thailand and each 1.1 Ha pond at Yamba. The differential in expected production output is reflective of the highly stable temperature and weather conditions in Chanthaburi versus the four seasons experienced at Yamba through a full 12-month cycle.

By way of recapitulation, with annual Thailand Novacq™ production in the vicinity of 700 metric tonnes and assuming a 5% feed inclusion rate, the leased area would be able to supply enough Novacq™ to produce c.14kt of prawn feed. The committed spend for these initial 14 ponds is A$7.5m. The local production, harvesting and drying of Novacq™ in Thailand and its sale to the Chanthaburi feedmill for inclusion in the diets will be at arm's length, i.e. will be 100% owned and controlled by Ridley. Sales of Novacq™-inclusive prawn feed by the feedmill joint venture to the local prawn farmers, including our joint venture partner's Sureerath Prawn Farm, will be on a full commercial basis, thereby preserving the maximum value for Ridley shareholders.

First commercial trials of Novacq™

For the Australian prawn growing season, which covers the middle six months of the financial year, three of Ridley's four largest prawn farm customers undertook commercial scale trials of Novacq™-inclusive feed on a 50:50 profit share arrangement.

The objective of the trials was to compare two nutritionally identical steam-pelleted prawn diets on each farm with the exception that one diet contained 5% Novacq™ and the other did not. Both commercial diets were manufactured at the Ridley Narangba extrusion plant using Novacq™ produced at Ridley facilities in Yamba, NSW.

Each farm began its trial in commercial-sized ponds in January 2018, and harvested their biomass in late April/May 2018 using standard commercial procedures managed by the prawn farm operators. Ridley personnel inspected the sites on a regular basis to oversee the stocking and harvesting processes.

Overall, the commercial trials demonstrated a positive response to Novacq™, with all three farm operators delivering on average growth rate outcomes in line with previous Novacq™ disclosed commercial trials. Other significant observations from the trials include:

- Some operators reported record biomass (determined by growth and survival) harvests per hectare.
- There was a high degree of variation in the survivability of prawns on the various farms, in both treatments.
- A low protein Novacq™ diet was successfully trialled at one farm. This lower than usual protein content potentially enables Australian farmers to increase their biomass by up to 25% if they are at or reaching maximum nitrogen farming limits set by the EPA.
- Two operators intend to purchase Novacq™ in 2018/19. The third operator is restructuring its business and intends to defer a decision on 2018/19 feed requirements until a new owner is in place.

Through a process of continuous improvement we continue to develop and refine the Novacq™ production, harvesting and drying process.

With these positive results and testimonials from participating farmers, together with statements of intent to order Novacq™-inclusive feed ahead of the coming prawn farming season, the results reinforce our confidence in pushing ahead with the commercialisation of Novacq™ here in Australia in FY19.

Options to accelerate the growth of Novacq™

As announced on 25 May 2018, having received some preliminary and exploratory stage expressions of interest from a number of parties and in order to accelerate the roll-out of Novacq™, Ridley has engaged Investec to assist it to explore its options to accelerate the growth and maximise the value of Novacq™ for the benefit of Ridley shareholders. A broad range of options is currently being considered, including the potential for a third party investment in Novacq™, and an outcome from this engagement will be released to the market at the appropriate time in FY19.

CSIRO alliance

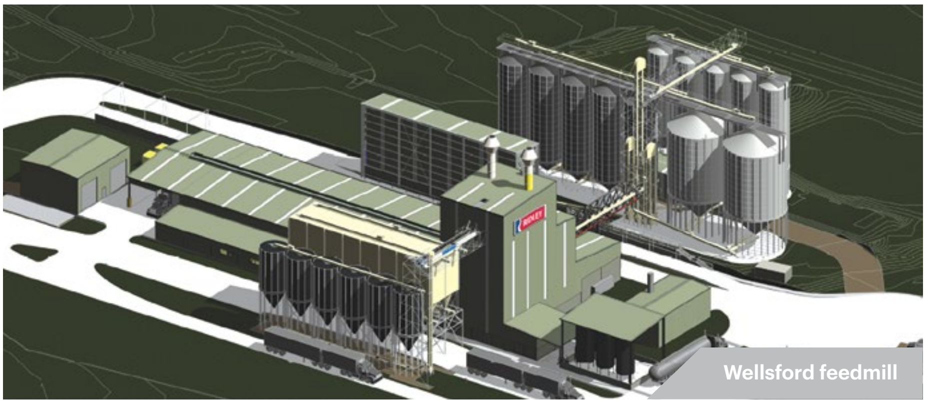
In March 2017, Ridley and CSIRO formed a strategic alliance to conduct collaborative research that will maximise the development of new Novacq™ applications beyond the existing application for prawns and crustaceans. Under the terms of the alliance, Ridley contributes annual cash funding of $1.0m to CSIRO for the parties to work together for the purpose of further advancing collaborative research relating to the existing Novacq™ technology.

The first year of operation of the alliance has been very positive, with the building of a comprehensive platform of Novacq™ data and significant progress being made in developing rapid bio-test assays to demonstrate Novacq™ activity and in understanding how Novacq™ works and how it impacts prawn growth and wellbeing. We are working towards determining the bioactive(s) within Novacq™ and establishing a characterisation profile, which will then be used to identify those species most likely to be positively impacted by the inclusion of Novacq™ into their feed.

Property

With the sales we have achieved in FY18 and in July 2018, and subject to selling the final Lara land holding following a successful outcome to the purchaser's due diligence program currently in progress, Ridley will be able to complete its exit from the Lara site in FY19. With total proceeds from all Lara land sales of $17.1m, a cost base of $1.9m, and after legal and sales commission costs, aggregate pre-tax profits of c.$13.6m will be brought to account in FY18 and FY19. We believe this is an excellent return for our shareholders and vindicates our strategy to be a patient seller and wait for the right market conditions to eventuate.

Westbury extrusion plant


Wellsford feedmill

Our focus can now turn to the Moolap land holdings, where the Nelson Cove project has been in a holding pattern for most of FY17 and all of FY18 given the lack of positive response to the project received from the Victorian State Government. The project is currently in a minimum cost holding pattern and together with our development partner Sanctuary Living, we shall endeavour in the year ahead to find creative ways of unlocking shareholder value from this former salt field.

Our people and communities

There has been a change to the executive lead team in FY18 following the mid-year departure of our General Manager Commercial Feeds, Mrs Anne-Marie Mooney. Following an extensive recruitment process, Mrs Jody Scaife was appointed as General Manager Commercial Feeds in late June 2018.

The management team continues to apply itself to the execution of the long term strategy and is focusing its attention on delivering shareholder value for the new initiatives commenced in the second half of FY18 and on innovation that will maintain Ridley's position as the nation's leading provider of high performance animal nutrition solutions.

We have enjoyed another successful year with our chosen community programs with the Garvan Institute and Aussie Helpers, and our continuing contribution was again recognised at the Garvan Institute annual general meeting and awards ceremony. More details of each of these initiatives, and of our community influence and sustainability programs, are provided in the Safety, People, Innovation and Community section of this 2018 Annual Report.

Outlook

Despite the setback of losing the largest source of poultry raw material supply at Maroota, management continues to review the prospects for three new rendering initiatives in progress, which, if successful, have the potential to provide new revenue streams for the Maroota site, which has been restructured to accommodate the reduction in raw material processing volumes.

The first of the initiatives referred to above is the processing of whole mackerel caught off the NSW coast under strict and sustainable quota requirements, with the aim of producing high quality fish meal and oil for the aquafeed and petfood industries. The second initiative is to develop an effective supply chain and process for the manufacture of a high-protein and digestible poultry meal from whole birds at the end of their life. The third initiative is to stabilise raw material to avoid degradation prior to processing and thereby improve the quality and performance of the rendered product and increase the reach of the raw material supply chain. Each of these initiatives has the prospect of generating earnings in FY19 and thereafter.

The focus for the Laverton Rendering site for the coming year is to segregate raw material intake to isolate sources of higher value protein meals, and to maintain its process of continuous improvement to improve the Overall Equipment Effectiveness (OEE) of the plant and reduce energy consumption. Successful execution of this strategy will facilitate the adoption of an aggressive raw material purchase price strategy to secure incremental processing volumes in a highly competitive marketplace.

The long term outlook for the domestic salmon industry remains positive, with sustainable fishery solutions being developed for Macquarie Harbour, continuing growth in domestic salmon consumption, and further investment in biomass by the Tasmanian salmon producers. Ridley is committed to playing an important role in supplying feed to the industry having announced its intention to construct and operate a new extrusion plant in Tasmania on 20 January 2017. $12.4m of capital has been expended in FY18 on the project at Westbury, Tasmania, with a challenging target for commissioning set for the end of FY19.

In June 2018, Ridley and Tassal announced that two salmon trials will be conducted as part of Tassal's research and development program. All feed required for the trials will be purchased from Ridley at market rates, commencing with an appropriate range of hatchery diets and then moving through the seawater transfer diets to the 4mm – 9mm pellet size salmon grow-out feed. The expected total Aquafeeds volume for the trials is c.3.3kt commencing in late June 2018 and concluding in December 2020.

The trials with Tassal will not only provide additional sales volume, but will also test and look to reconfirm, after a period of absence of several years, Ridley's nutritional and production expertise when benchmarked against the equivalent diets provided by Tassal's existing supplier. Prior to segregation of Tasmanian salmon feed supply allegiances, Ridley had performed strongly in similar trials and further improvement in feed quality is anticipated through the adoption of the latest technology at the new extrusion plant under construction at Westbury.

Volume growth across all of its major species, strong performance in the Tassal trials and other anticipated hatchery trials, and the operation of the new test extruder line to develop innovative solutions to industry farming issues, are a focus for Aquafeeds for FY19. Effective management of working capital and preparation for the transfer of feed volumes and rationalisation to a twin site production model at Westbury and Narangba are also significant key performance metrics for Aquafeeds management.

The outlook for FY19 for Dairy is mixed, with a positive milk price forecast being tempered by a lack of on-farm forage and high raw material prices. The FY19 outlook for Beef and Sheep is positive, with new business won in south east Queensland and some drought-related beef and sheep feeding expected to continue throughout the first quarter.

Ingham's announced intention to become a fully integrated poultry producer and not renew its existing supply arrangements with Ridley, which expire in October 2018, will have feed volume and financial implications for the Murray Bridge and Clifton sites and the Poultry earnings for FY19 and thereafter. The Commercial Feeds team is working to secure other sources of new business and sales tonnes to replace this volume, the FY19 EBIT impact of which in isolation would be in the vicinity of $1.5m–$2.0m depending on timing and the plan of transition.

In Victoria, we are working diligently to secure the necessary approvals to finalise the purchase of the land at Wellsford in Central Victoria and commence construction of the new Monogastric feedmill to service key customer Hazeldene's Chickens and other poultry and pig farmers in the region. Currently Ridley manufactures and supplies a significant volume of poultry feed from its East Bendigo facility. This facility has reached capacity at 160,000 tonnes and will be retired once the new feedmill is commissioned and fully operational. The new facility will be similar in design and construction to our new feedmill commissioned last financial year at Lara, Geelong. With an annual production capacity in excess of 350kt, the Wellsford feedmill will be the largest in the Ridley network at nearly twice the size of the Lara feedmill.

> Ridley's 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.

Ridley's 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. The new facility investment strategy reinforces the importance of the animal production industry to Victoria and Tasmania and reflects the confidence we have in our team to consistently produce high quality animal nutrition solutions that are capable of outperforming our competitors. The equipment selected for the new feedmill will reflect all the latest technological advancements, with a strong focus on efficiency and low running costs.

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 Dog and Equine products, and on the assumption that we experience a traditional 12-month dry and wet season weather pattern in northern Australia.

The rising cost of energy continues to be a challenge across all business units, but in particular for the Rendering and Monogastric sectors of our business, where the consumption levels are highest and the ability to pass on cost increases can be limited. Our capital maintenance and continuous improvement programs need to be operating throughout the business in order to contain our production costs per tonne in the face of continuing energy price rises.

In addition to organic growth through the program of mill modernisation, Ridley is continually looking for investment opportunities consistent with its long term strategy to be Australia's leading producer of premium quality, high performance animal nutrition solutions. Novel and value adding feed ingredients that have the potential to reduce the cost of feed and/or improve the returns of the livestock farmer are a key focus of attention in our acquisition discussions and research.

Novacq™ is one such ingredient that has the potential to make a fundamental change to prawn farming throughout the world, and potentially for other species as well. The activities of the strategic alliance with CSIRO in FY19 will continue to be focused on identifying the most likely applications for Novacq™ in other species.

As announced on 25 May 2018, having received some preliminary and exploratory stage expressions of interest from a number of parties and in order to accelerate the roll-out of Novacq™, Ridley has engaged Investec to assist it to explore its options to accelerate the growth and maximise the value of Novacq™ for the benefit of Ridley shareholders. A broad range of options is currently being considered, including the potential for a third party investment in Novacq™, and an outcome from this engagement will be released to the market at the appropriate time.

From 1 July 2018, the Novacq™ operations at Yamba transition from a development site to an operational site, with Novacq™-inclusive feed to be available for the next domestic prawn season. Our 14 ponds under long term lease at Chanthaburi, Thailand, were secured and converted to Novacq™ production in FY18. With all the trialling, testing and selection of the production and harvesting processes conducted at Yamba, the Thailand operations are effectively one year behind the domestic operations.

The harvesting, dewatering and drying equipment has already been purchased for Chanthaburi, with installation to be completed in the first half of FY19 and commercialisation targeted for commencement on 1 July 2019.

With regard to the net pre-tax profit of $4.2m for Property for the year, we received offers for all three of the available lots which we believe represents excellent value for our shareholders. The first lot sale was achieved during the year and the second and third lots were sold in July 2018. An option agreement has also been executed after balance date for the sole remaining lot, Lot D, which is subject to a 12-month period of purchaser due diligence. The sale of Lot D in FY19 would complete the divestment of the surplus land at Lara, leaving the Nelson Cove development at Moolap as the sole remaining Property segment asset.

With so many projects in progress and opportunities to develop, the year ahead promises to be a challenging and exciting one for everyone at Ridley, and we look forward to a productive and rewarding year for our employees, customers, suppliers and shareholders.

Tim Hart
Managing Director and
Chief Executive Officer

Ridley has engaged Investec to assist it to explore its options to accelerate the growth and maximise the value of Novacq™.

Financial Review

Alan Boyd
Chief Financial Officer
and Company Secretary

"Sales revenue for FY18 of $917.7m was up $64.7m (7.5%) on last year's $852.9m, and reflects 2.05m (2017: 1.93m) tonnes of stockfeed and rendered product sold."

Operating result

For statutory reporting purposes, the Consolidated Profit and Loss (Table 1) reports total comprehensive income for the year of $17.9 million (m) and a pre-tax profit from continuing operations of $21.7m.

The consolidated Group has recorded Earnings Before Interest and Tax (EBIT) of $38.0m (Table 2), comprising an operating result before non-recurring items of $43.3m, including net profit on property of $4.2m less corporate costs of $9.5m.

Sales revenue for FY18 of $917.7m was up $64.7m (7.5%) on last year's $852.9m, and reflects 2.05m (2017: 1.93m) tonnes of stockfeed and rendered product sold.

The reported operating EBIT of $43.3m is $2.5m below last year's $45.8m as a result of the loss of Red Lea poultry raw material supply at Maroota. Positive year on year earnings improvements have been recorded in Dairy, Beef and Sheep, Laverton Rendering, Supplements and Poultry, while the result for Packaged Products has been impacted by some margin shrinkage arising from the absorption of increased raw material prices. Mid-year increases in energy costs have again challenged the business and impacted the cost structure for the second half year.

Corporate costs have been contained to be consistent with prior years.

Net finance costs for the year of $4.6m reflect interest on bank debt, the trade payables facility and the amortisation of establishment and other fees, offset by $0.2m for the unwinding of the discount on the final payment of $6.0m of deferred consideration from the sale of Dry Creek received in December 2017.

Table 1	2018 $'000	2017 $'000
Profit from continuing operations before income tax	**21,719**	34,287
Income tax expense	**(4,310)**	(8,472)
Profit from continuing operations after income tax	**17,409**	25,815
Other comprehensive income, net of income tax	**520**	-
Total comprehensive income for the year	**17,929**	25,815

The $4.4m income tax expense and 19.8% effective tax rate for FY18 includes a $3.4m tax benefit for non-recurring items. The low rate reflects an overprovision in the prior year and a tax benefit from a significant increase in Research and Development (R&D) activity, much of which is associated with the Novacq™ project and a full year of applied R&D activities at Yamba in NSW.

The pre-tax non-recurring items of $11.6m comprise the incremental costs associated with the management, storage, processing, fumigation, freight and inventory write down of raw materials and finished goods purchased and manufactured respectively to service the former Huon supply agreement, which was terminated in the prior year following a legal dispute that was resolved in June 2017. The tax effected impact of this item is c.$8.2m.

A pre-tax mark to market uplift of $0.7m for the investment in a UK-listed specialist ingredients business has contributed $0.5m of other comprehensive income, post-tax, for the year.

The $4.2m net profit recorded for the Property segment in Table 2 above reflects the sale of Lot B plus two other smaller lots during the year for total proceeds of $6.1m offset by the relevant property cost bases and by the ongoing landholding costs at the former salt field sites at Lara and Moolap.

Subsequent to balance date, sales contracts were executed to sell Lots A and C for total proceeds of $9.5m, with a 12-month option agreement also executed for a land-based aquaculture business to acquire Lot D, the only remaining Ridley land at Lara (Table 3). Deferred consideration for the sales of Lots A, B and C is receivable at 12-month intervals over the coming four years.

Table 3 – Lara land

Profit and loss

Table 2 – Profit and loss account in $ million

	2018	2017	Movement
Earnings from operations before net interest and tax expense (EBIT)			
Ridley operations	**43.3**	45.8	(2.5)
Corporate costs	**(9.5)**	(9.9)	0.4
Property net profit/(costs)	**4.2**	(1.0)	5.2
EBIT from operations before non-recurring costs	**38.0**	34.9	3.1
Net finance costs	**(4.6)**	(5.0)	0.4
Income tax expense – continuing	**(7.8)**	(7.3)	(0.5)
Net profit from continuing operations after tax before non-recurring items	**25.6**	22.6	3.0
Other non-recurring items before tax	**(11.6)**	4.3	(15.9)
Tax on other non-recurring items	**3.4**	(1.1)	4.5
Reported net profit	**17.4**	25.8	(8.4)
Other comprehensive income, net of tax	**0.5**	-	0.5
Total comprehensive income for the year	**17.9**	25.8	(7.9)
Earnings per share (cents)			
(i) continuing	**5.7**	8.4	(2.7)
(ii) reported	**5.7**	8.4	(2.7)

Balance Sheet

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

(i) A $1.2m increase in net debt for the year from $51.7m to $52.8m.

(ii) A $12.2m decrease in current receivables to $104.0m, which includes the payment in July 2017 of the $17.7m receivable following the resolution of the Huon legal dispute.

(iii) A $7.0m reduction in inventory to $76.7m, which reflects a $8.4m write off of all Huon legacy inventory at balance date.

(iv) A new current assets held for sale classification of $1.1m, which reflects the residual historical cost base of Lara land either sold in July 2018 or subject to an option agreement to sell in FY19 subject to purchaser due diligence. For FY17, this asset was reported within non-current investment properties.

(v) A $7.8m increase in non-current receivables to $8.6m to comprise (i) the net present value of the $3.0m of gross deferred consideration receivable more than 12 months after balance date in respect of the $5.0m Lara property sale, which was completed and reported on 28 June 2018; and (ii) an unsecured loan of $5.3m to the Thailand feedmill joint venture.

(vi) A $1.9m reduction in non-current investment properties to $1.3m, which, following the reclassification under (iv) above and property sales during the year, now only represents the Nelson Cove development site at Moolap, carried at historical cost.

(vii) A $19.8m increase in non-current property, plant and equipment to $202.6m, which reflects another significant year of investment and the first $12.4m of activity for the new extrusion plant at Westbury. There have been several other significant profit improvement and capital maintenance projects conducted during the year, notably the establishment of the Novacq™ production ponds at Chanthaburi and the installation of a new test extruder line, fat coater and pellet cooler at Narangba.

(viii) A $0.2m reduction in non-current investments accounted for using the equity method to $1.1m, 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.

(ix) A $1.0m increase in non-current other investments to $2.3m, which reflects (i) the write off of the Bluewave Pty Ltd investment, and (ii) the purchase of a 1.2% equity interest in a UK-listed specialist ingredients business, uplifted to reflect the last traded value for that stock prior to 30 June 2018.

Dividend

The Board paid a 2017 final dividend of 2.75 cents per share, fully franked, on 31 October 2017 and a 2018 interim dividend of 1.5 cents per share, fully franked, on 30 April 2018.

After the balance sheet date, a 2018 final dividend of 2.75 cents per share, fully franked and payable on 31 October 2018 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 2018 and will be recognised in subsequent financial reports.

Cash flow and working capital

The operating cash inflow for the year (Table 4) after working capital movements and maintenance capital expenditure was $43.9m, an improvement of $6.3m on last year's $37.6m.

EBITDA before non-recurring items has risen from $50.1m in the prior year to $55.3m in FY18, an improvement of $5.2m.

Maintenance capital expenditure of $15.1m was below the $17.3m aggregate charge for depreciation and amortisation on property, plant and equipment. Ridley has invested a further $21.1m in development projects during the year, the largest of which reflects commencement of activity for the new extrusion plant at Westbury, Tasmania.

Payments for intangible assets of $4.3m comprise the capitalisation of Novacq™ development costs.

The Board paid a 2017 final dividend of 2.75 cents per share, fully franked, on 31 October 2017 and a 2018 interim dividend of 1.5 cents per share, fully franked, on 30 April 2018.

Dividends paid for the year of $12.9m comprise the 2017 final dividend of 2.75 cents per share paid on 31 October 2017 and the interim FY18 dividend of 1.5 cents per share, which was paid on 30 April 2018.

Proceeds from the sale of the discontinued operation of $6.0m reflect the receipt of the final instalment in respect of the Dry Creek property sale. The $1.2m sale of property assets represents the aggregate proceeds from two of the properties sold during the year at Lara, with the deposit of $0.5m relating to the third 28 June 2018 property sale in transit at balance date and banked on 2 July 2018.

The payment for the other investment of $1.8m represents the on-market purchase of a 1.2% shareholding in a UK-listed specialist ingredients business.

Tax payments of $5.9m were made during the year (FY17: $14.7m) and are considered to be sufficient to cover the full year liability for FY18.

Financial Review continued

Table 4 – Statement of Cash Flows in $ million

Cash flows for the year ended	2018	2017
EBIT from operations before non-recurring costs	**38.0**	34.9
Depreciation and amortisation	**17.3**	15.2
EBITDA before non-recurring items	**55.3**	50.1
EBITDA from non-recurring items	**(11.6)**	4.3
EBITDA after non-recurring items	**43.7**	54.4
Add back non-cash write off of Huon inventory legacy	**8.4**	-
(Increase)/decrease in working capital	**6.9**	(2.6)
Maintenance capital expenditure	**(15.1)**	(14.2)
Operating cash flow	**43.9**	37.6
Development capital expenditure	**(21.1)**	(19.6)
Payment for intangibles (software and assets under development)	**(4.3)**	(3.6)
Dividends paid	**(12.9)**	(12.2)
Share-based payments	**(4.2)**	(4.2)
Proceeds from sale of discontinued operation (Dry Creek)	**6.0**	10.0
Proceeds from sale of property assets and associate	**1.2**	3.5
Payment for other investment	**(1.8)**	-
Net finance cost payments	**(4.6)**	(5.5)
Net tax payments	**(5.9)**	(14.7)
Other items	**2.6**	(1.8)
Cash flow for the period	**(1.2)**	(10.5)
Opening net debt balance at 1 July	**(51.6)**	(41.1)
Closing net debt balance at 30 June	**(52.8)**	(51.6)

Earnings per share	2018	2017
Basic earnings per share – continuing	**5.7c**	8.4c
Basic earnings per share	**5.7c**	8.4c

Gearing

Gearing is reported as net debt to equity in accordance with the covenants of the Group banking facility.

Gearing	2018 $'000	2017 $'000
Gross debt	**76,222**	68,079
Less: cash	**(23,441)**	(16,535)
Net debt	**52,781**	51,544
Total equity	**263,107**	259,823
Gearing ratio	**20.1%**	19.8%

Capital movements

During FY18, a total of 3,116,507 (FY17: 3,023,250) shares were acquired by the Company on market for an outlay of $4.2m (FY17: $4.2m) in satisfaction of:

(i) the issue of 2,430,232 (FY17: 2,400,000) shares allocated to Ridley employees under the Ridley Long Term Incentive Plan; and

(ii) 686,275 (FY17: 623.250) shares allocated under the Ridley Employee Share Scheme.

There were no new issues of capital during either financial year.

Segments

The ongoing reportable segments are as follows:

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. At the date of this report, the residual sites are now the former salt field at Moolap and a single residual lot, Lot D, at Lara.

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, 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 what happened with the outbreaks of Avian Influenza several years ago, which effectively closed most of the export markets for poultry meal products.
- **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 Ridley's Maroota rendering site. The potential for disputes to arise with customers over feed performance is a significant risk.
- **Surplus property holdings** – Ridley currently utilises its in-house finance and legal resources, supported when needed by external experts and its development partner for the Nelson Cove project at Moolap, to manage the orderly disposal of its surplus land holdings.
- **Corporate** – risks such as safety, recruitment and retention of high-calibre employees, inadequate innovation and new product development, customer credit 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.

Alan McBoyd

Alan Boyd
Chief Financial Officer
and Company Secretary

Safety, People, Innovation and Community

Michael Murphy
General Manager Safety, People and Technical Development

"We are lucky at Ridley to enjoy the services of a talented and committed employee group, endeavouring to deliver the best solutions to our customers, on time, every time."

Safety

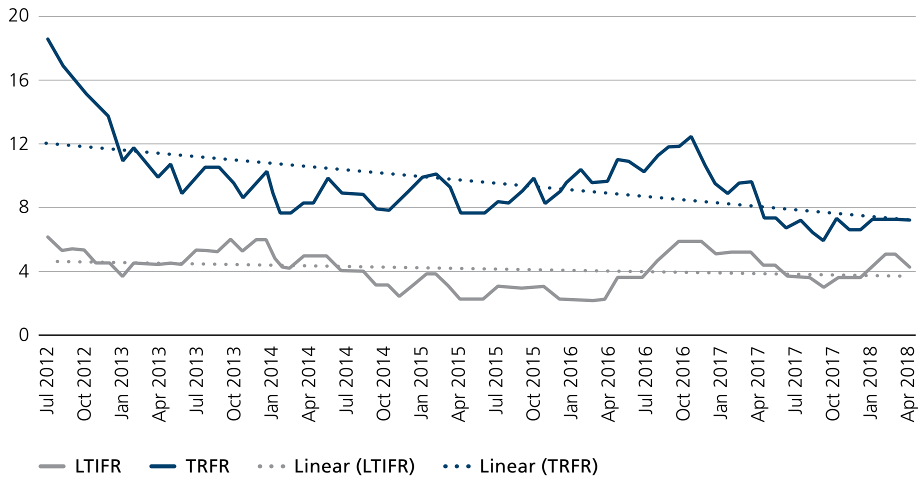
The safety and wellbeing of our people is our number one priority when conducting business at Ridley, reflected in the fact that safety is identified both as one of our five core values, and as one of our six strategic platforms.

Our commitment to improving Health, Safety & Environment (HSE) at Ridley is of course continuous, and there should always remain scope for potential improvement. Nonetheless, our annual reporting commitments do 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.

In this context, as the following chart illustrates, the long term downward trend in both our Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Frequency Rate (TRFR) continued during FY18, with a notable achievement being a record low TRFR of 7.1 recorded at year end.

In arriving at the overall HSE result, there is no single factor that we can identify as being responsible for the improvement. In reality, a healthy HSE environment is only achieved thanks to a confluence of factors across people, processes and physical equipment. That said, it was particularly gratifying to see the lower incidences

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.

of Medically Treated Injuries being driven by a marked reduction in head and hand injuries. This improvement was the result of a sustained program whereby we firstly examined in detail the head and hands protection being worn by our people, and identified a number of improvements, which, together with a targeted awareness campaign and additional training, has had a real impact in the number of times our workers sustain injuries to their head or hands.

Aligned with the programs around physical protection, FY18 also saw us trial some behavioural-type programs whereby we invited our people at certain sites to identify the five things that really matter to them. They were then encouraged to use these five important things as a permanent visual reminder of why they come to work and, consequently, the importance of remaining vigilant from a safety perspective at all times. Feedback from these sessions was uniformly positive, and we will look to do more of the same as part of our ongoing HSE Strategy.

People

We are lucky at Ridley to enjoy the services of a talented and committed employee group, endeavouring to deliver the best solutions to our customers, on time, every time.

To achieve this outcome, our people contribute high level expertise and skill sets across a range of fields and business functions, from expert nutritional advice delivered directly on farm, through consistent manufacturing of high quality pellets across the seasonal raw material basket, to reliable and efficient back office support providing our people with the data and processes they require to excel in the performance of their daily roles.

Ridley is well known as a major employer in many regional communities in Australia, a role it has played for many years. From this solid base at the heart of our agricultural sector, it is therefore exciting to now be rolling out our model as an employer in a new country, namely Thailand.

Whilst our Novacq™ product is an exciting technology, it can ultimately only be a success if we have the right people in place to deliver it to market. To this end, FY18 saw us connect our people on the ground in Thailand, with two members of Australian senior management relocating to the Chanthaburi region of Thailand, plus the recruitment of permanent Thai nationals to form the nucleus of the team to establish the product in the local Thai market.

This year as part of our ongoing engagement with employees, we conducted our biennial Employee Opinion Survey, which provides up-to-date information on the ideas and issues which are front of mind for our people.

It was pleasing to successfully lodge seven site-based Enterprise Agreements with the Fair Work Commission during FY18, and these agreements will continue to provide us with a solid platform for our manufacturing footprint across Australia.

Finally, as recognition of the breadth and diversity of our people, we are pleased this year to include in this Annual Report for the first time a specific Diversity section, which provides some data around the diversity of our people in respect of gender, geographical location, age and working arrangements. This data complements our Diversity Policy and provides an interesting new lens into our business, which we will maintain in future Annual Reports.

Ridley is well known as a major employer in many regional communities in Australia, a role it has played for many years.

Safety, People, Innovation and Community continued

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 nearly 700 people from a wide range of backgrounds, beliefs and personal experiences.

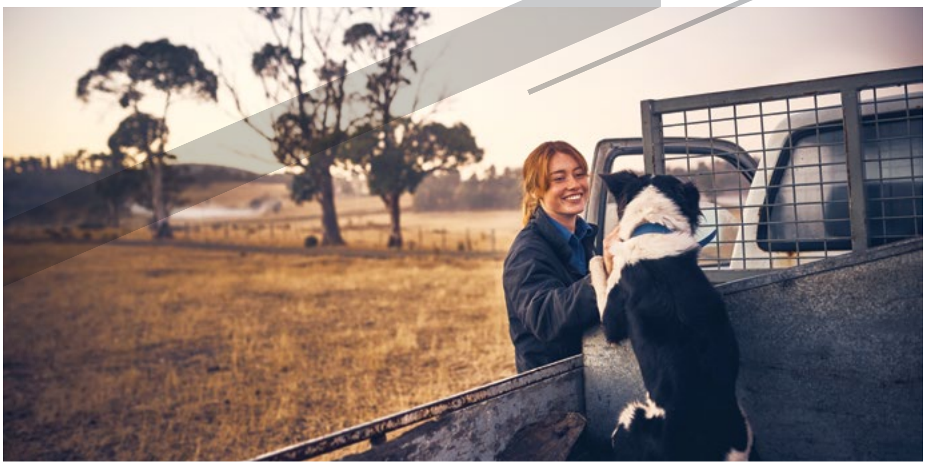
Our Diversity Policy and commitment to non-discrimination on grounds of gender, age, ethnicity, sexuality, cultural beliefs or other personal circumstances is an active and core part of how we recruit our people. A copy of our Diversity Policy is provided below.

Ridley understands the importance of evaluating the reality of its workplace environment, and conducts an Employee Opinion Survey every two years to generate feedback and improvement opportunities from its employees.

In the Employee Opinion Survey of April 2018, amongst other data:

- 77% of surveyed employees agreed that Ridley has a clear set of organisational values and behaviours that guide their everyday actions; and
- 71% of surveyed employees agreed that Ridley capitalises on the potential of all employees regardless of gender, ethnicity or disability.

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.



	Number of employees	Proportion of category
Female representation		
Board member	1	20.0%
Management reports to CEO	2	20.0%
All staff	147	20.6%

	Number of employees	Proportion of total workforce
Regional vs metro		
Regional	381	53.4%
Metropolitan	332	46.6%
Age		
<30	77	10.8%
30–39	151	21.2%
40–49	201	28.2%
50–59	184	25.8%
60+	100	14.0%
Working arrangements		
Part time	32	4.5%

Diversity Policy

At Ridley we strive to foster a working environment that is not only exciting and challenging, but is also flexible, inclusive and supportive. That means a place where everyone is treated with respect and dignity, and can work in an environment where they can achieve their maximum potential.

We respect diversity in our people, in their ideas, work styles and perspectives. Diversity recognises and values the contribution of people with differences in background, experience and perspective. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

The Policy applies to all casual, part time and full time employees of Ridley.

To achieve the objective of creating a culture that is flexible, inclusive and supportive, the Ridley Board expects each manager employed at Ridley 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. 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 six topics.

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 dependent on a temporary basis.

5. Gender diversity

Gender diversity 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.

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.

From an IT perspective, FY18 saw a number of milestone achievements, including a world-first deployment of Format Solutions' leading edge diet formulation software 'Indigo'. Other successfully implemented projects included (i) deployment of a new, best-in-class Customer Relationship Management platform, (ii) launch of an online portal for use by our raw material suppliers, which delivers significantly reduced administration costs, (iii) more applications moved to the cloud and made available on our employees' mobile devices, and (iv) in-house development of some proprietary applications (apps) which are delivering real value either as part of our internal processes or as tools in the hands of our salespeople in the field.

With regard to R&D, clearly the main focus remains on execution of our Novacq™ technology in the prawn industry; however, the extension of our alliance with CSIRO to explore potential applications in other species is a logical and exciting step to be taken in the years ahead.

Outside of Novacq™, work continued on some other, mostly earlier stage initiatives in the diet and ingredients field, and we continue to target universities and other experts in order to ensure that our diets and feed products remain at the forefront of the latest learnings and technologies. The highlight amongst these other initiatives was the commercial production of our novel Poultry Protein Concentrate (PPC) in our Rendering business, and its subsequent successful inclusion in selected barramundi diets in our Aquafeed division. PPC is a high-protein, high-digestibility ingredient, which, importantly, can act as a substitute for fishmeal in diets. Substitution of fishmeal represents a major commercial advantage given the declining stocks of fishmeal globally and the imperative to find a more sustainable solution.

Finally, innovation is of course not confined to our nutritional assets. It also has a role to play across all our business functions, including manufacturing. In this context, FY18 saw us really leverage some of the emerging and latest world-class operational technologies at our new feedmill in Lara, near Geelong, and we will be sure to extract further value from these technologies as we construct our new extrusion plant in Tasmania and feedmill in Bendigo.

Community

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

Garvan Institute

In 2012, the Garvan Institute (Garvan) and Ridley joined forces to raise awareness about health and wellbeing in regional and rural Australia through the establishment of the *Healthy Families, Healthy Communities* program.

During the past six years the *Healthy Families, Healthy Communities* program has consistently:

- advocated the importance of medical research to rural and regional Australia;
- shared important health messages with rural and regional Australia; and
- conveyed messages supporting healthy living and risk mitigation.

Ridley has supported and continues to support improvement in the health outcomes of Australians in regional and remote areas, and in particular in the regions where we operate. In the years ahead, the *Healthy Families, Healthy Communities* program intends to continue to focus on delivering health and awareness messages about key health issues affecting regional and rural communities.

Pursuant to the above objectives, in late 2016 Garvan issued a report titled 'A Rural Perspective: Cancer and Medical Research', which provides data on the incidence and impact of cancer in rural Australia. The report highlights the need to make available the same standard of care in rural communities as is available in the larger cities. The report is still relevant today and provides an understanding into the main health issues facing rural and regional communities today, identifying who in those communities are affected, explaining why the challenges exist and what is the outlook and way forward to rectify some of these major health issues.

Importantly, the Garvan reports considered the role that medical research and, in particular, personalised medicine can play in the health of all Australians. Moving forward, Garvan will extend its purpose into rural and regional Australia by launching a series of reports and round tables on each of the national health priorities.

In support of Garvan, two teams of Ridley runners participated in the 10km and 5km distances respectively for the Run Melbourne event held in Melbourne on Sunday the 29 July 2018, raising money for Garvan. On a sunny but windy morning, the 10km run was completed by all team members in under one hour, with the 5km team cheering them home after successfully completing their event.

The Ridley Ken Davies Award

Ridley established the Ridley Ken Davies Award to honour our former colleague and to make a positive difference to support medical research and make a positive contribution to change the direction of medicine that will have major impacts on human health.

The Ridley Ken Davies Award is 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 2018 Ridley Ken Davies Award was awarded to Dr Liz Caldon, Group Leader Replication and Genome Stability – Cancer Division. Dr Liz Caldon plans to work on a project with Dr Nicole Verrills at the University of Newcastle, using phosphoproteomics for discovery of biomarkers and therapeutic targeting of CDK4/6 inhibitor resistant breast cancer.

CDK4/6 inhibitors are emerging as the standard of care to halt the spread of advanced breast cancer; however, breast cancers are becoming resistant to these drugs. The means by which cancers escape CDK4/6 inhibitors is unknown, and these

Megan Gourlay (Ridley) presenting the award to Dr Liz Caldon (Garvan)

cancers then become incurable. At the Garvan Institute, Dr Liz Caldon and Associate Professor Elgene Lim have analysed breast cancer cells that are resistant to these drugs. In collaboration with Dr Nikki Verrills of the University of Newcastle, they will analyse which proteins change with resistance. The outcome of this project will be the identification of potential diagnostic markers of resistance and drug targets, with the aim of developing new clinical tools for the treatment of advanced breast cancer.

Dr Caldon commented: "Thank you so much to Ridley. We have been trying to find funding for this research for a number of years. This project capitalises on Garvan's strengths in cellular genomics in combination with the strengths at the University of Newcastle in proteomics. Both Garvan and the Newcastle research precincts are hubs for breast cancer research, but with relatively few current links. This project will establish new collaborations that will significantly improve the exchange of resources and ideas between these centres."

The funds are dedicated to the Ridley Ken Davies Award to continue Garvan's work in helping to build strong, healthy and sustained communities. It is Garvan and Ridley's hope that the funding of researchers will lead to better outcomes for those faced with chronic disease and terminal illness.

Aussie Helpers

As NSW is now declared 100% in drought, the work of organisations like Aussie Helpers is absolutely critical in helping to support our nation's farming families. Ridley has been supporting Aussie Helpers since 2012, and is proud of the work that Brian Egan and his team are doing to support our rural communities.

Aussie Helpers supports farmers who are going through really tough times. Aussie Helpers is unique in its aim to not only encourage financial support for struggling farmers, but also in respect of donations of food, stock feed, time and most importantly emotional support. Brian Egan and his network of volunteers spend time on each farm talking to the families and, where needed, will call in paid psychologists to assist families in dealing with the strains and pressures of looking after their farms and livestock.

Aussie Helpers is currently receiving more than 50 calls for assistance per day, plus the Aussie Helpers psychologist telephone program is taking about 70 calls a week from farmers suffering depression and anxiety. Aussie Helpers is now trucking in stock water to areas where water supplies are short, and has introduced a farmer feed program delivering boxed meat, vegetables and supplies to farms in need.

Aussie Helpers is a direct link to the rural communities where Ridley operates and our relationship with Aussie Helpers is a reflection of our strategy to work closely with the communities where our staff, customers and suppliers live. They have helped thousands of farmers who have been affected by fire, flood, drought and rising costs of living.

In addition to NSW, other regions of rural Australia are in the grip of severe drought conditions, where the help and support provided to local farmers by the Aussie Helpers network has been able to provide some relief and comfort. Aussie Helpers is currently assisting farming families not only in NSW, where it has bases in Gunnedah, Dubbo, Orange, Bathhurst, Mathoura, Gundy, Merrima, Kempsey and Mulgrave, but also in Queensland and Victoria, where there is significant distress from the effects of this severe drought.

Aussie Helpers founder Brian Egan

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.

The provision of supplementary feed has become critical as hay supplies have reached critically low levels in these regions. Ridley is also engaging with select customers and suppliers to encourage further support of Aussie Helpers and our employees are running non-perishable food collection drives at our feedmill sites around Australia.

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

Safety, People, Innovation and Community continued


2017 Cobber Challenge winner Flow with proud owner Brad MacDonald

Cobber Challenge

For the third successive year, Ridley is engaging with rural communities across Australia in launching the 2018 Cobber Challenge.

The Cobber Challenge is the equivalent of State of Origin competition for working dogs, whereby 12 working dogs from six states are provided with GPS collar trackers which capture the speed, distance and duration travelled by the dogs on a daily basis over a three-week period in August 2018.

The importance of the working dog to rural Australia has been highlighted by the data generated in the first two years of the competition.


Courtesy of © Bec Sneath, Rural Love Photography

The 2017 Cobber Challenge winner was a six year old kelpie called Flow. Flow works on a sheep and beef property in Tasmania and recorded a total of 716 kilometres (km) travelled in 19 days, which at an average of 37.7km per day, equates to almost a full marathon every day. In the final week of the competition, Flow recorded 54.1km, 57.8km and 50.8km over three consecutive days. The formulation of Ridley's Cobber Working Dog feed provides working dogs like Flow with the nutrients and energy required to manage such an incredible workload. By the time this 2018 Annual Report is released, we will have a new winner, and details can be found on the website www.cobberchallenge.com.au.

Barastoc partnerships

In 2018, we have celebrated our 21st anniversary of the partnership between Barastoc and the Joyce family. In 1996, a young family of passionate equine enthusiasts, based in a small town called Jumbunna in Victoria, joined the Barastoc horse feed sponsored rider team, affectionately referred to as Team Joyce. The family team comprises father Wesley, mother Trisha, and daughters Sarah and Tiffany. With a combination of enthusiasm, talent and commitment, Team Joyce makes an impact in everything they are involved in, whether it be in championship showjumping, breeding and, more recently, mentoring the blossoming Barastoc Junior Squad team.

Details of Team Joyce can be found on the dedicated sponsored riders website at http://www.barastochorse.com.au/sponsored-riders/.


Wesley Joyce courtesy of Gone Riding Media, Geoffrey McClean


Barastoc Junior Squad member Emma Plitz

The Barastoc Junior Squad was launched in 2016 and each month for two years, a young rider was selected to become part of the Barastoc Junior Squad team. The winners don't need to be champions, or the best in their field, they just need to be passionate about horses and our Barastoc brand. We now have over 20 riders as part of the squad and a dedicated website, which can be viewed at http://www.barastochorse.com.au/junior-squad/.

Horse of the Year

From 8-10 February 2019, we will be celebrating the 50th anniversary of the Barastoc Horse Of The Year Show. Our long-standing partnership with Equestrian Victoria has been highly successful, such that this is one of the most prestigious horse events in Australia, expected to attract over 1,000 competitors to the Werribee Park National Equestrian Centre.

A special celebratory event is being held on the evening of Saturday 9 February 2019, which all past winners from 1970 to 2018 have been invited to attend. Past champions will be invited to attend the show to help celebrate the 50 years of memorable moments and achievements from the Barastoc-sponsored show.

Details can be found at http://www.barastochorse.com.au

BARASTOC

1970 50 2019

HORSE OF THE YEAR

Sustainability

In addition to generating returns for its shareholders, Ridley also understands the importance of its responsibilities from a social and environmental perspective.

Australian Packaging Covenant signatory

The Australian Packaging Covenant (APC) is a sustainable packaging initiative, which aims to change the culture of businesses to design more sustainable packaging, increase recycling rates and reduce packaging litter. Since 2012, Ridley has been a signatory of the APC, and Ridley has committed to developing and implementing an action plan that will see the business contribute to the APC's objective and goals of 'Design, Recycling and Product Stewardship'.

Each year we are required to submit a report on our achievements throughout the year, and this year's commendable

Anna and John Muys

achievements include (i) reductions in electricity use by 28% and gas by over 50% at the new Lara feedmill when compared to Ridley's older style mills, and (ii) the development of the Ridley Sustainability Working Group.

Sustainability Working Group

Ridley's employee-led Sustainability Working Group (SWG) was voluntarily established with the objectives to increase and maintain awareness of the importance of the environment and sustainability throughout the Ridley Group through actions and communications and a process of continuous improvement. Employees are being encouraged to engage and promote awareness of environmental responsibility into their daily business activities.

The SWG comprises an employee group across a range of roles, departments and locations. Significant steps forward in sustainability often start with small changes across multiple sites and locations, and this is exactly the approach the group has taken this year. While the tangible changes may appear to be somewhat small, they are helping to improve awareness and ultimately change behaviour and culture.

Some of the achievements of the SWG in FY18 include:

- requirement for all sites to buy only 100% recycled paper;
- donation of surplus unused 20kg feed bags to local Boomerang Bag groups;
- establishment of Reusable Feed Bag recycling fundraising pack;
- recycling of all electronic waste;
- business Clean Up Australia Day at a local community reserve in Pakenham, Victoria, with over 80kg of household rubbish such as plastic bags, containers, paper, bottles and cans removed in just over an hour.

Ridley Reusable Feed Bags

At Ridley, we are always looking for innovative ways to reduce our impact on the environment. Everyone needs reusable bags now that the big supermarkets are removing the single use plastic bag from the checkout area, and what better way to 'reduce, reuse, recycle' than to use bags that may have ended up in landfill.

In response to a Ridley request for sustainably produced bags for Equitana, which is the largest event in Australia for the equestrian community held at the Melbourne Show Grounds, this year the senior generation of Team Joyce came to the rescue with an innovation to produce general purpose bags made from discarded Barastoc stockfeed bags.

Using the ideas provided by Trish Joyce's parents, Anna and John, Ridley has created a Reusable Feed Bag recycling fundraising pack. Single use plastic bags are on the way out and reusable bags are here to stay. The Ridley Reusable Feed Bag kit includes unused 20kg surplus feed bags and allows schools, sporting clubs and community groups to create their own reusable bags and sell them throughout their local community as part of their fundraising activities.

More details of the fundraising initiative can be viewed at https://www.ridley.com.au/fundraising-with-ridley

Board of Directors

Dr Gary H Weiss
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.

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

Clearview Wealth Limited from October 2012 until May 2016.

Tag Pacific Limited from 1988 until 31 August 2017

Premier Investments Limited from 1994 until July 2018.

Pro-Pac Packaging Limited from 2012 until November 2017.

Tim Hart
BSc, MM(T), MMkting, MEd (Melb), PGDipSI, PGDDipOL (Oxon), FAICD, FIML

Chief Executive Officer and Managing Director

Mr Hart commenced employment with Ridley on 2 April 2013, was appointed a Director on 24 June 2013, and was formally appointed as Chief Executive Officer and Managing Director on 1 July 2013. Tim was previously CEO of Sugar Australia and Sugar New Zealand, being joint ventures between Wilmar/CSR and Mackay Sugar Limited. Prior to that, Tim held management positions with SCA Hygiene Australasia, Carter Holt Harvey, ACI Plastics Packaging, Amcor Limited and Pasminco Limited.

Other current listed company directorships

iSignthis Limited.

Former listed company directorships in the last three years

None.

Patria M Mann
BEc CA 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 is a Chartered Accountant and a Fellow of the Institute of Company Directors.

Other current listed company directorships

Event Hospitality & Entertainment Limited from October 2013.

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 Boards of Australasian Pork Research Institute Ltd and Pork CRC 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 (formerly known as Insitor Holdings, 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 (formerly known as Insitor Holdings, 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.

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 and 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.

Other current listed company directorships

None.

Former listed company directorships in the last three years

Managing Director Warrnambool Cheese and Butter Factory Company Holdings Limited until May 2014.

Financial Report

Directors' Report

For the Year Ended 30 June 2018

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 2018.

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	R J van Barneveld
T J Hart	E Knudsen
P M Mann	D J Lord

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 total comprehensive income for the year of $17.9 million (m) and a pre-tax profit from continuing operations of $21.7m.

Table 1	2018 $'000	2017 $'000
Profit from continuing operations before income tax	**21,719**	34,287
Income tax expense	**(4,310)**	(8,472)
Profit from continuing operations after income tax	**17,409**	25,815
Other comprehensive income, net of income tax	**520**	–
Total comprehensive income for the year	**17,929**	25,815

4. Review of operations

Operating result

The consolidated Group has recorded Earnings Before Interest and Tax (EBIT) of $38.0m (Table 2), comprising an Operating result before non-recurring items of $43.3m, including net profit on property of $4.2m less corporate costs of $9.5m.

Sales revenue for FY18 of $917.7m was up $64.7m (7.5%) on last year's $852.9m, and reflects 2.05m (2017: 1.93m) tonnes of stockfeed and rendered product sold.

The reported operating EBIT of $43.3m is $2.5m below last year's $45.8m as a result of the loss of Red Lea poultry raw material supply at Maroota. Positive year on year earnings improvements have been recorded in Dairy, Beef and Sheep, Laverton Rendering, Supplements and Poultry, while the result for Packaged Products has been impacted by some margin shrinkage arising from the absorption of increased raw material prices. Mid-year increases in energy costs have again challenged the business and impacted the cost structure for the second half year.

Corporate costs have been contained to be consistent with prior years.

Net finance costs for the year of $4.6m reflect interest on bank debt, the trade payables facility and the amortisation of establishment and other fees, offset by $0.2m for the unwinding of the discount on the final payment of $6.0m of deferred consideration from the sale of Dry Creek received in December 2017.

The $4.4m income tax expense and 19.8% effective tax rate for FY18 includes a $3.4m tax benefit for non-recurring items. The low rate reflects an overprovision in the prior year and a tax benefit from a significant increase in Research and Development (R&D) activity, much of which is associated with the Novacq™ project and a full year of applied R&D activities at Yamba in NSW.

4. Review of operations continued

The pre-tax non-recurring items of $11.6m comprise the incremental costs associated with the management, storage, processing, fumigation, freight and inventory write down of raw materials and finished goods purchased and manufactured respectively to service the former Huon supply agreement which, was terminated in the prior year following a legal dispute that was resolved in June 2017. The tax effected impact of this item is c.$8.2m.

A pre-tax mark to market uplift of $0.7m for the investment in a UK-listed specialist ingredients business has contributed $0.5m of other comprehensive income, post-tax, for the year.

Profit and loss

Table 2 – Profit and loss account in $ million	2018	2017	Movement
Earnings from operations before net interest and tax expense (EBIT):			
Ridley operations	**43.3**	45.8	(2.5)
Corporate costs	**(9.5)**	(9.9)	0.4
Property net profit/(costs)	**4.2**	(1.0)	5.2
EBIT from operations before non-recurring costs	**38.0**	34.9	3.1
Net finance costs	**(4.6)**	(5.0)	0.4
Income tax expense – continuing	**(7.8)**	(7.3)	(0.5)
Net profit from continuing operations after tax before non-recurring items	**25.6**	22.6	3.0
Other non-recurring items before tax	**(11.6)**	4.3	(15.9)
Tax on other non-recurring items	**3.4**	(1.1)	4.5
Reported net profit	**17.4**	25.8	(8.4)
Other comprehensive income, net of tax	**0.5**	–	0.5
Total comprehensive income for the year	**17.9**	25.8	(7.9)
Earnings per share (cents)			
(i) continuing	**5.7**	8.4	(2.7)
(ii) reported	**5.7**	8.4	(2.7)

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 $4.2m net profit recorded for the Property segment in Table 2 above reflects the sale of Lot B plus two other smaller lots during the year for total proceeds of $6.1m offset by the relevant property cost bases and by the ongoing landholding costs at the former salt field sites at Lara and Moolap.

Subsequent to balance date, sales contracts were executed to sell Lots A and C for total proceeds of $9.5m, with a 12-month option agreement also executed for a land-based aquaculture business to acquire Lot D, the only remaining Ridley land at Lara (Table 3). Deferred consideration for the sales of Lots A, B and C is receivable at 12-month intervals over the coming four years.

Table 3 – Lara land

Balance Sheet

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

(i) A $1.2m increase in net debt for the year from $51.7m to $52.8m.

(ii) A $12.2m decrease in current receivables to $104.0m, which includes the payment in July 2017 of the $17.7m receivable following the resolution of the Huon legal dispute.

(iii) A $7.0m reduction in inventory to $76.7m, which reflects a $8.4m write off of all Huon legacy inventory at balance date.

(iv) A new current assets held for sale classification of $1.1m, which reflects the residual historical cost base of Lara land either sold in July 2018 or subject to an option agreement to sell in FY19 subject to purchaser due diligence. For FY17, this asset was reported within non-current investment properties.

(v) A $7.8m increase in non-current receivables to $8.6m to comprise (i) the net present value of the $3.0m of gross deferred consideration receivable more than 12 months after balance date in respect of the $5.0m Lara property sale, which was completed and reported on 28 June 2018; and (ii) an unsecured loan of $5.3m to the Thailand feedmill joint venture.

(vi) A $1.9m reduction in non-current Investment properties to $1.3m, which, following the reclassification under (iv) above and property sales during the year, now only represents the Nelson Cove development site at Moolap, carried at historical cost.

(vii) A $19.8m increase in non-current property, plant and equipment to $202.6m, which reflects another significant year of investment and the first $12.4m of activity for the new extrusion plant at Westbury. There have been several other significant profit improvement and capital maintenance projects conducted during the year, notably the establishment of the Novacq™ production ponds at Chanthaburi and the installation of a new test extruder line, fat coater and pellet cooler at Narangba.

(viii) A $0.2m reduction in non-current investments accounted for using the equity method to $1.1m, 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.

(ix) A $1.0m increase in non-current other investments to $2.3m, which reflects (i) the write off of the Bluewave Pty Ltd investment, and (ii) the purchase of a 1.2% equity interest in a UK-listed specialist ingredients business, uplifted to reflect the last traded value for that stock prior to 30 June 2018.

Dividend

The Board paid a 2017 final dividend of 2.75 cents per share, fully franked, on 31 October 2017 and a 2018 interim dividend of 1.5 cents per share, fully franked, on 30 April 2018.

After the balance sheet date, a 2018 final dividend of 2.75 cents per share, fully franked and payable on 31 October 2018 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 2018 and will be recognised in subsequent financial reports.

Cash flow and working capital

The operating cash inflow for the year (Table 4) after working capital movements and maintenance capital expenditure was $43.9m, an improvement of $6.3m on last year's $37.6m.

EBITDA before non-recurring items has risen from $50.1m in the prior year to $55.3m in FY18, an improvement of $5.2m.

Maintenance capital expenditure of $15.1m was below the $17.3m aggregate charge for depreciation and amortisation on property, plant and equipment. Ridley has invested a further $21.1m in development projects during the year, the largest of which reflects commencement of activity for the new extrusion plant at Westbury, Tasmania.

Payments for intangible assets of $4.3m comprise the capitalisation of Novacq™ development costs.

Dividends paid for the year of $12.9m comprise the 2017 final dividend of 2.75 cents per share paid on 31 October 2017 and the interim FY18 dividend of 1.5 cents per share, which was paid on 30 April 2018.

Proceeds from the sale of the discontinued operation of $6.0m reflect the receipt of the final instalment in respect of the Dry Creek property sale. The $1.2m sale of property assets represents the aggregate proceeds from two of the properties sold during the year at Lara, with the deposit of $0.5m relating to the third 28 June 2018 property sale in transit at balance date and banked on 2 July 2018.

The payment for the other investment of $1.8m represents the on-market purchase of a 1.2% shareholding in a UK-listed specialist ingredients business.

Tax payments of $5.9m were made during the year (FY17: $14.7m) and are considered to be sufficient to cover the full year liability for FY18.

4. Review of operations continued

Table 4 – Statement of cash flows in $ million

Cash flows for the year ended	30 June 2018	30 June 2017
EBIT from operations before non-recurring costs	**38.0**	34.9
Depreciation and amortisation	**17.3**	15.2
EBITDA before non-recurring items	**55.3**	50.1
EBITDA from non-recurring items	**(11.6)**	4.3
EBITDA after non-recurring items	**43.7**	54.4
Add back non-cash write off of Huon inventory legacy	**8.4**	–
(Increase)/decrease in working capital	**6.9**	(2.6)
Maintenance capital expenditure	**(15.1)**	(14.2)
Operating cash flow	**43.9**	37.6
Development capital expenditure	**(21.1)**	(19.6)
Payment for intangibles (software and assets under development)	**(4.3)**	(3.6)
Dividends paid	**(12.9)**	(12.2)
Share-based payments	**(4.2)**	(4.2)
Proceeds from sale of discontinued operation (Dry Creek)	**6.0**	10.0
Proceeds from sale of property assets and associate	**1.2**	3.5
Payment for other investment	**(1.8)**	–
Net finance cost payments	**(4.6)**	(5.5)
Net tax payments	**(5.9)**	(14.7)
Other items	**2.6**	(1.8)
Cash flow for the period	**(1.2)**	(10.5)
Opening net debt balance at 1 July	**(51.6)**	(41.1)
Closing net debt balance at 30 June	**(52.8)**	(51.6)

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

	2018	2017
Basic earnings per share – continuing	**5.7c**	8.4c
Basic earnings per share	**5.7c**	8.4c

Gearing

Gearing is reported as net debt to equity in accordance with the covenants of the Group banking facility.

Gearing	2018 $'000	2017 $'000
Gross debt	**76,222**	68,079
Less: cash	**(23,441)**	(16,535)
Net debt	**52,781**	51,544
Total equity	**263,107**	259,823
Gearing ratio	**20.1%**	19.8%

Capital movements

During FY18, a total of 3,116,507 (FY17: 3,023,250) shares were acquired by the Company on market for an outlay of $4.2m (FY17: $4.2m) in satisfaction of:

(i) the issue of 2,430,232 (FY17: 2,400,000) shares allocated to Ridley employees under the Ridley Long Term Incentive Plan; and

(ii) 686,275 (FY17: 623,250) shares allocated under the Ridley Employee Share Scheme.

There were no new issues of capital during either financial year.

Segments

The ongoing reportable segments are as follows:

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. At the date of this report, the residual sites are now the former salt field at Moolap and a single residual lot, Lot D, at Lara.

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, Aqua, 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, 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 what happened with the outbreaks of Avian Influenza several years ago, which effectively closed most of the export markets for poultry meal products.
- **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 Ridley's Maroota rendering site. The potential for disputes to arise with customers over feed performance is a significant risk.
- **Surplus Property holdings –** Ridley currently utilises its in-house finance and legal resources, supported when needed by external experts and its development partner for the Nelson Cove project at Moolap, to manage the orderly disposal of its surplus land holdings.
- **Corporate –** risks such as safety, recruitment and retention of high-calibre employees, inadequate innovation and new product development, customer credit 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.

Outlook

Despite the setback of losing the largest source of poultry raw material supply at Maroota, management continues to review the prospects for three new rendering initiatives in progress, which, if successful, have the potential to provide new revenue streams for the Maroota site, which has been restructured to accommodate the reduction in raw material processing volumes.

The first of the initiatives referred to above is the processing of whole mackerel caught off the NSW coast under strict and sustainable quota requirements, with the aim of producing high quality fish meal and oil for the aquafeed and petfood industries. The second initiative is to develop an effective supply chain and process for the manufacture of a high-protein and digestible poultry meal from whole birds at the end of their life. The third initiative is to stabilise raw material to avoid degradation prior to processing and thereby improve the quality and performance of the rendered product and increase the reach of the raw material supply chain. Each of these initiatives has the prospect of generating earnings in FY19 and thereafter.

The focus for the Laverton Rendering site for the coming year is to segregate raw material intake to isolate sources of higher value protein meals, and to maintain its process of continuous improvement to improve the Overall Equipment Effectiveness (OEE) of the plant and reduce energy consumption. Successful execution of this strategy will facilitate the adoption of an aggressive raw material purchase price strategy to secure incremental processing volumes in a highly competitive marketplace.

The long term outlook for the domestic salmon industry remains positive, with sustainable fishery solutions being developed for Macquarie Harbour, continuing growth in domestic salmon consumption, and further investment in biomass by the Tasmanian salmon producers. Ridley is committed to playing an important role in supplying feed to the industry having announced its intention to construct and operate a new extrusion plant in Tasmania on 20 January 2017. $12.4m of capital has been expended in FY18 on the project at Westbury, Tasmania, with a challenging target for commissioning set for the end of FY19.

4. Review of operations continued

In June 2018, Ridley and Tassal announced that two salmon trials will be conducted as part of Tassal's research and development program. All feed required for the trials will be purchased from Ridley at market rates, commencing with an appropriate range of hatchery diets and then moving through the seawater transfer diets to the 4mm – 9mm pellet size salmon grow-out feed. The expected aggregate Aquafeeds volume for the trials is c.3.3kt in total commencing in late June 2018 and concluding in December 2020. The trials with Tassal will not only provide additional sales volume, but will also test and look to reconfirm, after a period of absence of several years, Ridley's nutritional and production expertise when benchmarked against the equivalent diets provided by Tassal's existing supplier. Prior to segregation of Tasmanian salmon feed supply allegiances, Ridley had performed strongly in similar trials and further improvement in feed quality is anticipated through the adoption of the latest technology at the new extrusion plant under construction at Westbury.

Volume growth across all of its major species, strong performance in the Tassal trials and other anticipated hatchery trials, and the operation of the new test extruder line to develop innovative solutions to industry farming issues are a focus for Aquafeeds for FY19. Effective management of working capital and preparation for the transfer of feed volumes and rationalisation to a twin site production model at Westbury and Narangba are also significant key performance metrics for Aquafeeds management.

The outlook for FY19 for Dairy is mixed, with a positive milk price forecast being tempered by a lack of on-farm forage and high raw material prices.

The FY19 outlook for Beef and Sheep is positive, with new business won in south east Queensland and some drought-related beef and sheep feeding expected to continue throughout the first quarter.

Ingham's announced intention to become a fully integrated poultry producer and not renew its existing supply arrangements with Ridley, which expire in October 2018, will have feed volume and financial implications for the Murray Bridge and Clifton sites and the Poultry earnings for FY19 and thereafter. The Commercial Feeds team is working to secure other sources of new business and sales tonnes to replace this volume, the FY19 EBIT impact of which in isolation would be in the vicinity of $1.5m–$2.0m depending on timing and the plan of transition.

In Victoria, we are working diligently to secure the necessary approvals to finalise the purchase of the land at Wellsford in Central Victoria and commence construction of the new Monogastric feedmill to service key customer Hazeldene's Chickens and other poultry and pig farmers in the region. Currently Ridley manufactures and supplies a significant volume of poultry feed from its East Bendigo facility. This facility has reached capacity at 160,000 tonnes and will be retired once the new feedmill is commissioned and fully operational. The new facility will be similar in design and construction to our new feedmill commissioned last financial year at Lara, Geelong. With an annual production capacity in excess of 350kt, the Wellsford feedmill will be the largest in the Ridley network at nearly twice the size of the Lara feedmill.

Ridley's 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. The new facility investment strategy reinforces the importance of the animal production industry to Victoria and Tasmania and reflects the confidence we have in our team to consistently produce high quality animal nutrition solutions that are capable of outperforming our competitors. The equipment selected for the new feedmill will reflect all the latest technological advancements, with a strong focus on efficiency and low running costs.

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 Dog and Equine products, and on the assumption that we experience a traditional 12-month dry and wet season weather pattern in northern Australia.

The rising cost of energy continues to be a challenge across all business units, but in particular for the Rendering and Monogastric sectors of our business, where the consumption levels are highest and the ability to pass on cost increases can be limited. Our capital maintenance and continuous improvement programs need to be operating throughout the business to contain our production costs per tonne in the face of continuing energy price rises.

In addition to organic growth through the program of mill modernisation, Ridley is continually looking for investment opportunities consistent with its long term strategy to be Australia's leading producer of premium quality, high performance animal nutrition solutions. Novel and value adding feed ingredients that have the potential to reduce the cost of feed and/or improve the returns of the livestock farmer are a key focus of attention in our acquisition discussions and research.

Novacq™ is one such ingredient that has the potential to make a fundamental change to prawn farming throughout the world, and potentially for other species as well. The activities of the strategic alliance with CSIRO in FY19 will continue to be focused on identifying the most likely applications for Novacq™ in other species.

As announced on 25 May 2018, having received some preliminary and exploratory stage expressions of interest from a number of parties and in order to accelerate the roll-out of Novacq™, Ridley has engaged Investec to assist it to explore its options to accelerate the growth and maximise the value of Novacq™ for the benefit of Ridley shareholders. A broad range of options is currently being considered, including the potential for a third party investment in Novacq™, and an outcome from this engagement will be released to the market at the appropriate time.

From 1 July 2018, the Novacq™ operations at Yamba transition from a development site to an operational site, with Novacq™-inclusive feed to be available for the next domestic prawn season. Our 14 ponds under long term lease at Chanthaburi, Thailand were secured and converted to Novacq™ production in FY18. With all the trialling, testing and selection of the production and harvesting processes conducted at Yamba, the Thailand operations are effectively one year behind the domestic operations.

The harvesting, dewatering and drying equipment has already been purchased and delivered on site at Chanthaburi, with installation to be completed in the first half of FY19 and commercialisation targeted for commencement on 1 July 2019.

With regard to the net pre-tax profit of $4.2m for the Property segment for the year, we have sold three of the available lots, which we believe represents excellent value for our shareholders. The first lot sale was achieved during the year and the second and third lots were sold in July 2018. An option agreement has also been executed after balance date for the sole remaining lot, Lot D, which is subject to a 12-month period of purchaser due diligence. The sale of Lot D in FY19 will complete the divestment of the surplus land at Lara, leaving the Nelson Cove development at Moolap as the sole remaining Property segment asset.

With so many projects in progress and opportunities to develop, the year ahead promises to be a challenging and exciting one for everyone at Ridley, and we look forward to a productive and rewarding year for our employees, customers, suppliers and shareholders.

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 2018.

6. Dividends and distributions to shareholders

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

	2018 $'000
Interim dividend	
In respect of the 2018 financial year paid on 30 April 2018 of 1.5 cents, 100% franked	**4,618**
Final dividend	
In respect of the 2017 financial year paid on 31 October 2017 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)	7,725,000	Various
Ridley Employee Share Scheme (Options) *	4,681,155	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

On 24 July 2018, Ridley announced the completion of contracts for the sale of two of the residual lots at Lara for total proceeds of $9.5m and a pre-tax profit of approximately $8.2m. A 12-month option agreement was also signed after balance date for a land-based aquaculture company to acquire the sole remaining lot of surplus land at Lara for $1.5m subject to satisfactory completion of its due diligence program.

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.

The Baiada claim does not specify the quantum of damages, or other compensation, that Baiada is seeking. Ridley believes the claim is not of merit, and as such it will be vigorously defended. Ridley's insurers have been notified of the claim and, if required, Ridley believes insurance cover exists in respect of the claim.

No other matters or circumstances have arisen since 30 June 2018 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 Committee		Ridley Innovation and Operational Committee	
Directors	**H**	**A**	**H**	**A**	**H**	**A**	**H**	**A**
G H Weiss	12	12	4	3	3	3	–	–
T J Hart	12	12	–	–	–	–	4	4
P M Mann	12	12	4	4	–	–	–	–
R J van Barneveld	12	11	4	4	–	–	4	4
E Knudsen	12	10	–	–	–	–	4	3
D J Lord	12	12	–	–	3	3	–	–

H: Number of meetings held during period of office.

A: Number of meetings attended.

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 FY18 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 53 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	75,577
Transaction advisory and other services	20,800
Total	**96,377**

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 2017/191 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 22 August 2018 in accordance with a resolution of the Directors.

G H Weiss
Director

T J Hart
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 2018. This report forms part of the Directors' Report for the year ended 30 June 2018.

Remuneration Committee

The Remuneration 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. The Committee is not responsible for evaluating the Board's performance, reviewing Board size and composition and setting the criteria for membership and candidates to fill vacancies; these responsibilities are managed by 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 has continued to apply the existing policies and practices throughout the 2018 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 thoroughly 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.

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.

		2018	2017	2016	2015	2014
Profit/(loss) attributable to members of Ridley Corporation Ltd	$'000	**17,409**	25,815	27,606	21,171	17,613
Earnings Before Interest, Tax, Depreciation and Amortisation	$'000	**43,629**	54,484	61,125	51,456	41,011
Earnings Before Interest and Tax	$'000	**26,368**	39,264	45,734	36,141	27,435
Cash flow from operating activities	$'000	**50,900**	29,655	17,612	47,059	31,349
Return on shareholders' funds before significant items and discontinued operations	%	**6.7**	10.2	11.4	9.4	7.8
Dividends paid	$'000	**13,083**	12,313	10,774	10,774	4,617
TSR#	%	**2.3**	1.8	15.0	62.0	8.0
Short term incentive to KMP	$'000	**–**	–	1,322	1,559	1,142

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 and Ridley Innovation and Operational Committee each receive $10,000 of incremental fees, in addition to the base Director fees. The total amount paid to Non-Executive Directors in FY18 was $535,000 (FY17: $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) (FY17: Group to personal split 60%:40%).

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 KPI 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.

Remuneration Report – Audited continued

Short-term incentives continued

Following the end of the 2018 financial year, the financial results and each individual's performance against KPIs have been reviewed to determine STI payments for each executive. For FY18, the Committee assessed the financial performance hurdles as being 75.0% for EBITDA after non-recurring items and 70.5% for NPAT after comprehensive income. Given the shortfall in consolidated financial performance to budget and to the prior year for the reasons as outlined in the Review of operations in Section 4 of the Directors' Report, the Committee recommended that no STI be awarded in respect of FY18. The Committee's recommendations were adopted by the Board. 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 2018, 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 2017 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 is 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 2018, 2,700,000 (2017: 2,825,000) Rights were issued under the LTIP, of which 1,300,000 (2017: 1,300,000) were granted as remuneration to KMP and the balance issued to other, non-KMP senior executives within the organisation.

Summary of Ridley TSR performance

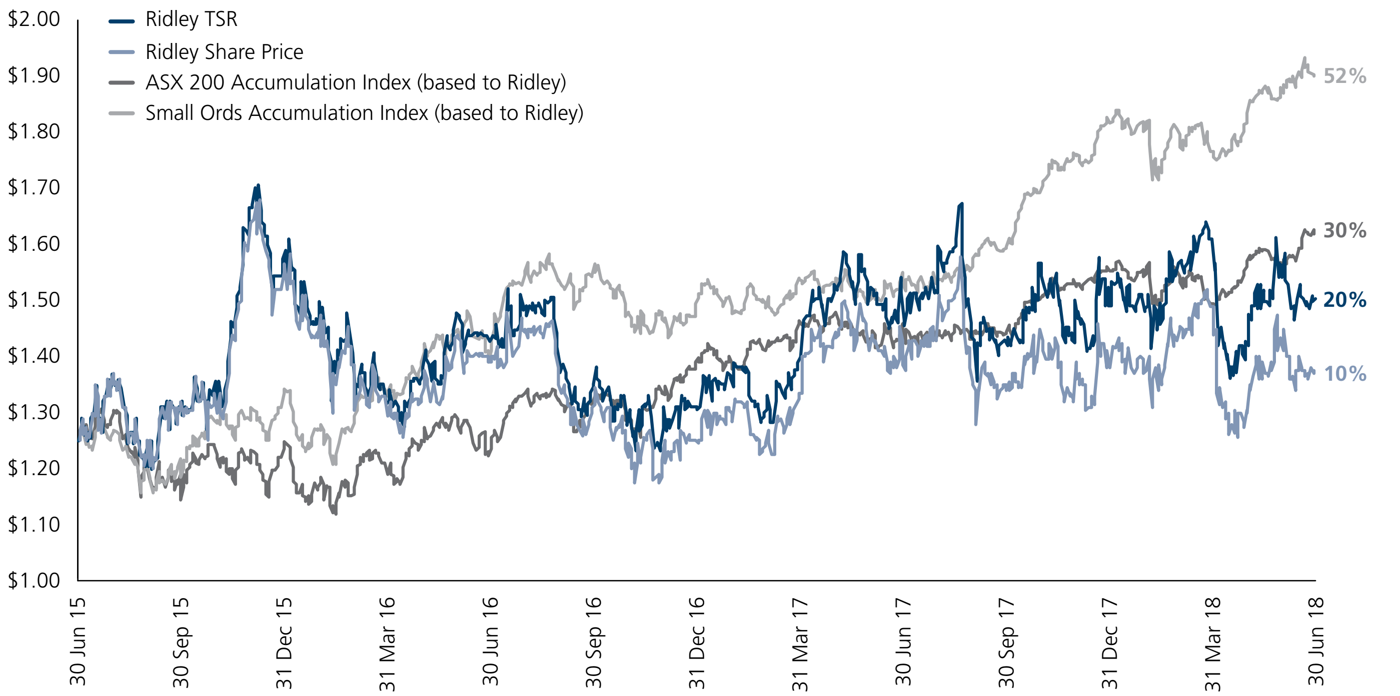
The following table provides a summary of Ridley TSR performance for each tranche of the LTIP Rights on issue at year end measured against the median percentage rankings of the comparator group and using 30 June 2018 as the hypothetical end date. TSR calculations use a 30-day average period rather than 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 2018	% Hypothetically vested at 30 Jun 2018
1 July 2015	24.8%	19.6%	55.0	2,425,000	1,408,925 *	58.1%
1 July 2016	4.4%	14.7%	37.5	2,600,000	–	–
1 July 2017	0.4%	9.9%	33.8	2,550,000	–	–

* 1,408,925 Rights vested to be settled through the payment of $33,000 plus an allocation of 1,384,802 shares awarded and purchased on-market after balance date.

Graph: Ridley share price performance (last three years)

Comparison of growth of Ridley (RIC) share price to the ASX Small Ords and ASX 200 Accumulation Index for FY18:



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 2018, nil (2017: 150,000) SRP Rights were issued under the SRP, of which nil (2017: nil) were granted as remuneration to KMP but to employees critical to the success of the Novacq™ project.

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. 686,275 (2017: 623,250) 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 $945,000 (2017: $885,000).

Current long-term incentive plans continued

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	
Incentive plan	2018	2017	2018 $'000	2017 $'000
Employee Share Scheme	**686,275**	623,250	**945**	885
Long Term Incentive Plan*	**2,430,232**	2,400,000	**3,382**	3,392
Total	**3,116,507**	3,023,250	**4,327**	4,277

* Shares awarded under the Long Term Incentive Plan are issued on a pro-rata basis in respect of employees whose departure from the Ridley Group is for a qualifying reason as defined in the Plan rules.

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 current financial year unless otherwise stated.

Name	Position	Status
Directors		
G H Weiss	Chair	
T J Hart	Managing Director and CEO	
P M Mann	Director	
R J van Barneveld	Director	
E Knudsen	Director	
D J Lord	Director	
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	
A M Mooney	General Manager Commercial Feeds	Resigned 16 March 2018
J C Scaife	General Manager Commercial Feeds	Appointed 25 June 2018

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 2017 and 2018 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.

2018	Short term benefits		Post-employment benefits		Share-based payments			
Name	**Directors' fees and cash salary $**	**STI $**	**Super-annuation $**	**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.

Remuneration Report – Audited continued

Details of remuneration continued

2017	Short term benefits			Post-employ-ment benefits	Share-based payments			
Name	Directors' fees and cash salary $	STI $	Other benefits $	Super-annuation $	Perfor-mance rights/ options $	Total $	%[1]	%[2]
Directors								
G H Weiss – Chair	159,091	–	–	15,909	–	175,000	–	–
T J Hart – Managing Director	730,101	–	–	34,808	381,168	1,146,077	33%	33%
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	**1,232,829**	**–**	**–**	**67,080**	**381,168**	**1,681,077**		
Executives								
A M Boyd	431,879	–	–	25,000	127,835	584,714	22%	22%
M Murphy	300,447	–	–	24,353	50,585	375,385	13%	13%
C W Klem	310,785	–	–	31,078	80,335	422,198	19%	19%
A I Lochland	310,785	–	–	31,078	80,335	422,198	19%	19%
A M Mooney	339,778	–	–	30,000	79,167	448,945	18%	18%
S Butler[4]	–	–	193,961	–	–	193,961	–	–
Total executives	**1,693,674**	**–**	**193,961**	**141,509**	**418,257**	**2,447,401**		
Total	**2,926,503**	**–**	**193,961**	**208,589**	**799,425**	**4,128,478**		

1. Percentage remuneration consisting of performance rights/options.
2. Percentage remuneration performance related.
3. Director fee paid to a Company or Family Trust.
4. Made redundant on 1 July 2016.

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

- Base remuneration, inclusive of superannuation and any elected benefits, of $787,856 for FY18, increasing by 2.17% to $804,952 on 1 July 2018. A further increase of 2.17% will be payable effective from 1 January 2019, which will 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.
- Full 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 FY18 included a mix of performance against budgeted EBITDA and Net Profit After Tax, excluding property. The 10% of Ridley safety performance included measures of LTIFR, TRFR, Training, Good Manufacturing Practice (GMP) audits, hazard reporting, and Safety Walks. The measures of personal performance included targets on training, operational excellence, customer focus, and people values and development.
- 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 2017 for the 600,000 performance rights issued to Mr Hart in FY18 with a three-year performance test period.
- 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.

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 $1,458,814 payable to KMP had all STI performance targets been achieved.

				2018		2017	
Name	STI percentage range of TEP	STI maximum potential award	2018 STI payment in $	Paid %	Forfeited %	Paid %	Forfeited %
T J Hart	0%–100%	787,856	–	–	100	–	100
A M Boyd	0%–50%	238,770	–	–	100	–	100
M Murphy	0%–30%	101,846	–	–	100	–	100
C W Klem	0%–30%	107,196	–	–	100	–	100
A I Lochland	0%–30%	107,196	–	–	100	–	100
A M Mooney	0%–30%	115,950	–	–	100	–	100
J C Scaife[1]	0%–30%	–	–	–	–	–	–

1. Mrs Scaife was appointed on 25 June 2018.

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 2018' 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 2017	Granted[1]	Vested[2]	Forfeited	Balance at 30 June 2018[3]
Directors					
T J Hart	1,800,000	600,000	(600,000)	–	**1,800,000**
Key Management Personnel					
A M Boyd	600,000	200,000	(200,000)	–	**600,000**
M Murphy	225,000	125,000	(50,000)	–	**300,000**
C W Klem	375,000	125,000	(125,000)	–	**375,000**
A I Lochland	375,000	125,000	(125,000)	–	**375,000**
A M Mooney[4]	375,000	125,000	(125,000)	(375,000)	**–**
J C Scaife	–	–	–	–	**–**
Total issued to Directors and Key Management Personnel	**3,750,000**	**1,300,000**	**(1,225,000)**	**(375,000)**	**3,450,000**

1. The fair value per option at the grant date was $0.69 per share. Shareholder approval was received on 30 November 2017 for the 600,000 performance rights granted to Mr Hart on 30 November 2017.
2. Vested at the end of the performance period on 1 July 2017. The value as at the date of exercise was $1.39 per share. 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 2018 through to July 2020.
4. Forfeited upon termination of employment on 16 March 2018.

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 2017	Received during the year[1]	Holding at date of termination	Acquired/ (disposed) during the year	Balance at 30 June 2018
G H Weiss	270,000	–	–	–	**270,000**
T J Hart	661,889	600,709	–	7,518	**1,270,116**
P M Mann	96,625	–	–	–	**96,625**
R J van Barneveld	83,053	–	–	–	**83,053**
E Knudsen	703,286	–	–	–	**703,286**
D J Lord	18,200	–	–	55,000	**73,200**
Total Directors	**1,833,053**	**600,709**	**–**	**62,518**	**2,496,280**
A M Boyd	1,101,530	199,294	–	(350,824)	**950,000**
M Murphy	59,448	50,709	–	–	**110,157**
C W Klem	455,714	125,709	–	–	**581,423**
A I Lochland	129,647	125,709	–	–	**255,356**
A M Mooney	495,324	124,294	(613,240)	(6,378)	**–**
J C Scaife	–	–	–	–	**–**
Total executives	**2,241,663**	**625,715**	**(613,240)**	**(357,202)**	**1,896,936**
Total Key Management Personnel	**4,074,716**	**1,226,424**	**(613,240)**	**(294,684)**	**4,393,216**

1. Received from the vesting of performance rights and/or through the Ridley Employee Share Scheme.

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 2018 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

KPMG

Chris Sargent
Partner

Melbourne

22 August 2018

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2018

	Note	2018 $'000	2017 $'000
Revenue from continuing operations	4	**917,660**	852,923
Cost of sales		**(848,914)**	(781,826)
Gross profit		**68,746**	71,097
Finance income		**465**	49
Other income	4	**6,248**	8,581
Expenses from continuing operations:			
Selling and distribution		**(13,246)**	(12,863)
General and administrative	5(d)	**(35,193)**	(27,559)
Finance costs	5(b)	**(5,113)**	(5,026)
Share of net (losses)/profits from equity accounted investments	14	**(188)**	8
Profit from continuing operations before income tax expense		**21,719**	34,287
Income tax expense	6	**(4,310)**	(8,472)
Profit from continuing operations after income tax expense		**17,409**	25,815
Net profit after tax attributable to members of Ridley Corporation Limited		**17,409**	25,815
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Available for sale financial assets – net change in fair value		**520**	–
Other comprehensive income for the year, net of tax		**520**	–
Total comprehensive income for the year		**17,929**	25,815
Total comprehensive income for the year attributable to:			
Ridley Corporation Limited		**17,929**	25,815
Earnings per share			
Basic earnings per share – continuing	1	**5.7c**	8.4c
Basic earnings per share	1	**5.7c**	8.4c
Diluted earnings per share – continuing	1	**5.6c**	8.2c
Diluted earnings per share	1	**5.6c**	8.2c

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

Consolidated Balance Sheet

As at 30 June 2018

	Note	2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents	7	**23,441**	16,535
Receivables	8	**104,005**	116,223
Inventories	9	**76,666**	83,717
Tax asset	15	**3,019**	380
Assets held for sale	10	**1,133**	–
Total current assets		**208,264**	216,855
Non-current assets			
Receivables	8	**8,644**	840
Investment properties	11	**1,275**	3,181
Property, plant and equipment	12	**202,596**	182,794
Intangible assets	13	**82,485**	79,284
Investments accounted for using the equity method	14	**1,136**	1,324
Available-for-sale financial assets	27(e)	**2,300**	1,268
Deferred tax asset	15	**3,619**	5,057
Total non-current assets		**302,055**	273,748
Total assets		**510,319**	490,603
Current liabilities			
Payables	16	**155,897**	148,580
Provisions	17	**14,592**	13,540
Total current liabilities		**170,489**	162,120
Non-current liabilities			
Borrowings	18	**76,222**	68,079
Provisions	17	**501**	581
Total non-current liabilities		**76,723**	68,660
Total liabilities		**247,212**	230,780
Net assets		**263,107**	259,823
Equity			
Share capital	19	**214,445**	214,445
Reserves	20	**3,760**	2,895
Retained earnings	20	**44,902**	42,483
Total equity		**263,107**	259,823

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 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**

	Share capital $'000	Share-based payment reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2016	**214,445**	**2,170**	**31,269**	**247,884**
Profit for the year	–	–	25,815	25,815
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**25,815**	**25,815**
Transactions with owners recorded directly in equity				
Dividends paid	–	–	(12,313)	(12,313)
Share-based payment transactions	–	725	(2,288)	(1,563)
Total transactions with owners recorded directly in equity	**–**	**725**	**(14,601)**	**(13,876)**
Balance at 30 June 2017	**214,445**	**2,895**	**42,483**	**259,823**

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 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		**1,031,925**	938,609
Payments to suppliers and employees		**(972,277)**	(897,361)
Interest received		**465**	49
Other income received		**1,820**	8,581
Interest and other costs of finance paid		**(5,087)**	(5,499)
Income tax payment		**(5,946)**	(14,724)
Net cash from operating activities	7	**50,900**	29,655
Cash flows from investing activities			
Payments for property, plant and equipment		**(36,131)**	(33,779)
Payments for intangibles		**(4,292)**	(3,593)
Payments for financial investments		**(1,256)**	–
Proceeds from sale of discontinued operation		**6,000**	10,000
Proceeds from sale of non-current assets		**1,170**	3,520
Net cash from investing activities		**(34,509)**	(23,852)
Cash flows from financing activities			
Purchase of shares for share-based payments		**(4,182)**	(4,221)
Proceeds/(repayment) of borrowings		**8,143**	(1,356)
Dividends paid	2	**(12,918)**	(12,159)
Loans to related parties		**(528)**	–
Net cash from financing activities		**(9,485)**	(17,736)
Net movement in cash held		**6,906**	(11,933)
Cash at the beginning of the financial year		**16,535**	28,468
Cash at the end of the financial year	7	**23,441**	16,535

There were no non-cash financing and investing activities during the current or prior years.

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 2018

Note 1 – Earnings per share

	2018 Cents	2017 Cents
Basic earnings per share – continuing	**5.7**	8.4
Basic earnings per share	**5.7**	8.4
Diluted earnings per share – continuing	**5.6**	8.2
Diluted earnings per share	**5.6**	8.2

	2018		2017	
	Basic $'000	Diluted $'000	Basic $'000	Diluted $'000
Earnings used in calculating earnings per share:				
Profit after income tax	**17,409**	**17,409**	25,815	25,815

	2018	2017
Weighted average number of shares used in calculating		
Basic earnings per share	**307,817,071**	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.

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.

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 1,408,925 (2017: 4,328,073) 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.

	2018	2017
Diluted earnings per share	**310,685,570**	313,410,014

Note 2 – Dividends

Dividends paid during the year	Franking	Payment date	Per share (cents)	2018 $'000	2017 $'000
Interim dividend in respect of the current financial year	Fully franked	30 April 2018 (2017: 1 May 2017)	1.5 (2017: 1.5)	**4,618**	4,618
Final dividend in respect of the prior financial year	Fully franked	31 October 2017 (2017: 31 October 2016)	2.75 (2017: 2.5)	**8,465**	7,695
				13,083	12,313
Paid in cash				**12,918**	12,159
Non-cash dividends paid on employee in-substance options				**165**	154
				13,083	12,313
Since the end of the financial year, the Directors declared the following dividend:					
2018 final dividend of 2.75 cents per share, fully franked, payable on 31 October 2018				**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				**21,273**	20,934

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 two reportable 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. At the date of this report and following the recent property sales at Lara, the residual sites are now the former salt field at Moolap and a single residual lot, Lot D, at Lara.

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.

Geographical segments

The Group predominantly operates in Australasia.

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 13)	(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
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

2017 financial year $'000	AgriProducts	Property	Unallocated	Consolidated total
Total sales revenue – external (Note 4)	**852,923**	**–**	**–**	**852,923**
Other revenue (Note 4)	7,738	213	630	8,581
Total revenue	**860,661**	**213**	**630**	**861,504**
Share of profits of equity accounted investments (Note 13)	8	–	–	8
Depreciation and amortisation expense (Note 5)	(14,967)	(18)	(235)	(15,220)
Interest income	–	–	49	49
Finance costs (Note 5)	–	–	(5,026)	(5,026)
Reportable segment profit/(loss) before income tax	**50,131**	**(789)**	**(15,055)**	**34,287**
Segment assets	452,300	3,181	33,798	489,279
Investments accounted for using the equity method	1,324	–	–	1,324
Total segment assets	453,624	3,181	33,798	490,603
Segment liabilities	160,826	–	69,954	230,780
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets (excluding the impact of business combinations)	40,972	–	–	40,972

Note 4 – Revenue and other income

	2018 $'000	2017 $'000
Revenue from continuing operations		
Sale of goods	**917,660**	852,923
Other income from continuing operations		
Business services	**68**	630
Rent received	**197**	330
Insurance proceeds	**–**	4,156
Profit on sale of associate	**–**	717
Profit on sale of land	**4,696**	92
Foreign exchange gains – net	**302**	–
Other	**985**	2,656
	6,248	8,581

Revenue recognition

Revenue from the sale of goods in the course of ordinary business is measured at the fair value of the consideration received or receivable, net of returns, trade allowances and duties and taxes paid. Sales revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer. The Group recognises revenue when pervasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

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)	2018 $'000	2017 $'000
Buildings	**1,665**	1,516
Plant and equipment	**13,712**	11,889
Software	**1,134**	1,064
Intangible assets	**751**	751
	17,262	15,220

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

(b) Finance costs	2018 $'000	2017 $'000
Interest expense	**5,136**	5,414
Amortisation of borrowing costs	**144**	144
Unwind of discount on deferred consideration	**(167)**	(499)
Capitalisation of borrowing costs	**–**	(33)
	5,113	5,026

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 which 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. Where funds are borrowed specifically for the production of a qualifying asset, the interest on those funds is capitalised, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average interest rate.

(c) Other expenses	2018 $'000	2017 $'000
Employee benefits expense	**80,528**	76,623
Operating lease expense#	**4,116**	3,947
Bad and doubtful debt expense – net of recoveries	**505**	33
Research and development (Note 12)	**19,200**	19,674

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. 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.

(d) General and administrative expenses include:	2018 $'000	2017 $'000
Incremental operating costs, Wasleys feedmill bushfire	**–**	556
Aquafeed inventory legacy costs	**11,658**	–
	11,658	556

Material volumes of raw material and finished goods inventory purchased, stored, reprocessed and manufactured to service the former Huon supply agreement, which was terminated in the prior year following a legal dispute, have been progressively utilised wherever possible during FY18. The remaining carrying value of this inventory has been written off to nil at 30 June 2018. The total cost for the year in dealing with this non-recurring legacy issue is $11,658k before income tax.

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	2018 $'000	2017 $'000
Current tax	**3,681**	7,207
Deferred tax	**1,215**	2,386
(Over)/under provided in prior year	**(586)**	(1,121)
Aggregate income tax expense	**4,310**	8,472
Income tax expense is attributable to:		
Profit from continuing operations	**4,310**	8,472

(b) Reconciliation of income tax expense and pre-tax accounting profit		
Profit from continuing operations before income tax expense	**21,719**	34,287
Income tax using the Group's tax rate of 30%	**6,516**	10,286
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:		
Share-based payments	**28**	23
Non-deductible expenses	**78**	396
(Over)/under provision in prior year	**(586)**	(1,121)
Research and development allowance	**(1,940)**	(1,191)
Disposal of non-current assets	**232**	118
Other	**(18)**	(39)
Income tax expense	**4,310**	8,472

(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	**223**	–

Note 7 – Cash and cash equivalents

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

	2018 $'000	2017 $'000
Cash at bank	**23,441**	16,535

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

	2018	2017
Net profit after tax for the year	**17,409**	25,815
Adjustments for non-cash items:		
Depreciation and amortisation (Note 5(a))	**17,262**	15,220
Net profit on sale of non-current assets	**(4,696)**	(789)
Share of profit from equity accounted investment	**188**	(8)
Non-cash share-based payments	**2,308**	2,210
Non-cash finance movements	**(283)**	(355)
Bad debts expense	**505**	33
Foreign exchange movements	**(302)**	441
Other non-cash movements	**3,340**	260
Change in operating assets and liabilities, net of effects from purchase and sale of controlled entities and businesses:		
Decrease/(increase) in receivables	**3,904**	(9,933)
Decrease/(increase) in inventories	**7,051**	4,702
Increase/(decrease) in trade creditors	**7,319**	2,318
Increase/(decrease) in provisions	**972**	766
Increase/(decrease) in net income tax liability	**(2,639)**	(8,639)
Increase/(decrease) in deferred income tax	**(1,438)**	(2,386)
Net cash from operating activities	**50,900**	29,655

Note 8 – Receivables

	2018 $'000	2017 $'000
Current		
Trade debtors	**96,150**	103,808
Less: Allowance for doubtful debts (a)	**–**	(1,000)
	96,150	102,808
Prepayments and other receivables	**5,976**	3,095
Lara land sale deferred consideration receivable	**1,879**	–
Other receivable – joint venture entity (b)	**–**	4,487
Dry Creek deferred consideration receivable	**–**	5,833
	104,005	116,223
Non-current		
Prepayments	**713**	840
Other receivable – joint venture entity (b)	**5,275**	–
Lara land sale deferred consideration receivable	**2,656**	–
	8,644	840

Trade receivables

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

The allowance for doubtful debts is established when there is objective evidence that the Group may not be able to collect all amounts owing in accordance with the original terms of the receivable and where suitable insurance arrangements or collateral do not cover any uncollected amounts. In determining the recoverability of the receivables, the Group considers any material changes in the credit quality of the receivable on an ongoing basis. The allowance for doubtful debts and the receivables written off are included in 'general and administrative' expense in the Consolidated Statement of Comprehensive Income.

The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the Consolidated Statement of Comprehensive Income.

(a) Movement in the allowance for doubtful debts:	2018 $'000	2017 $'000
Balance brought forward at 1 July	**1,000**	1,000
Provision for impairment during the year	**505**	33
Receivables written off during the year	**(1,505)**	(33)
Balance carried forward at 30 June	**–**	1,000

As at 30 June 2018, trade receivables against which a provision for doubtful debts has been raised is nil (2017: $17,707,000). 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 that 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 2018, the age profile of trade receivables that were past due amounted to $8,752,000 (2017: $23,188,000) as shown in the following table. In the prior year, an overdue receivable of $17,707,000 relating to one major customer, Huon, was recovered in full on 20 July 2017. As part of the settlement, Ridley made a payment, net of insurance, of $1.0m to Huon, which fully utilised its provision for non-recovery.

	2018 $'000	2017 $'000
The ageing analysis of trade receivables is shown as follows:		
Past due by 1–30 days	**7,334**	4,544
Past due by 31–60 days	**858**	590
Past due by 61–90 days	**319**	138
Past due by greater than 90 days	**241**	17,916
	8,752	23,188

(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 in order to secure the release from its banking arrangements with Bangkok Bank Ltd. The amount utilised at 30 June 2018 was $5,275,000 (2017: $4,487,000). The loan was extended for a two-year term commencing on 1 May 2018 and is capped at 140 million Baht, or approximately A$5.6m at an exchange rate of 25 Baht:AUD$1. Interest on the loan is charged at 5% and capitalised for the first 12 months of the loan.

Note 9 – Inventories

		2018 $'000	2017 $'000
Current			
Raw materials and stores	– at cost	**35,952**	46,116
Finished goods	– at cost	**36,286**	36,733
	– at net realisable value	**4,428**	868
		76,666	83,717

Write downs of inventories to net realisable value of $0.6m (2017: $0.1m) have been recognised as an expense during the year.

Material volumes of raw material and finished goods inventory purchased, reprocessed and manufactured to service the former Huon supply agreement, which was terminated in the prior year, have been progressively utilised during FY18. The remaining carrying value of this inventory with an accumulated cost of $8.4m has been written off to nil at 30 June 2018.

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.

	2018 $'000	2017 $'000
Assets held for sale	**1,133**	–

The Group classified $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, with an aggregate cost base of $0.95m and estimated pre-tax profit of approximately $8.2m.

The terms of the two separate sale agreements for Lots A and C include the combined payment of $1.15 million 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;

(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, a 12-month option agreement was executed on 2 July 2018 for a land-based aquaculture company to purchase the entire residual holding of 97.8 hectares. The purchaser has 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.

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.

	2018 $'000	**2017 $'000**
Movement in investment properties		
Carrying amount at cost at 1 July	**3,181**	3,140
Sale in part of Lara site	**(762)**	–
Transfer of Lara site to assets held for sale (Note 10)	**(1,133)**	–
Additions	**–**	59
Depreciation expense	**(11)**	(18)
Carrying amount at cost at 30 June	**1,275**	3,181

In the prior year, investment properties comprised former salt field sites at Lara and Moolap that have ceased operating and are held for the purpose of property realisation. In FY18, the Lara site has been sold in part and the remaining Lara land parcels have been reclassified to assets held for sale (Note 10) at 30 June 2018.

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:

	2018 $'000	**2017 $'000**
Direct operating expenses that did not generate rental income	**547**	546

Note 12 – Property, plant and equipment

$'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**
2017			
Cost at 1 July 2016	60,509	222,903	283,412
Accumulated depreciation	(6,050)	(117,153)	(123,203)
Carrying amount at 1 July 2016	**54,459**	**105,750**	**160,209**
Additions	170	37,209	37,379
Disposals	(98)	(140)	(238)
Transfers from plant under construction to intangible assets	–	(1,151)	(1,151)
Transfers from plant under construction	3,811	(3,811)	–
Depreciation	(1,516)	(11,889)	(13,405)
Carrying amount at 30 June 2017	**56,826**	**125,968**	**182,794**
At 30 June 2017			
Cost	64,345	254,181	318,526
Accumulated depreciation	(7,519)	(128,213)	(135,732)
Carrying amount at 30 June 2017	**56,826**	**125,968**	**182,794**

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 $2,000,000 was awarded by Tasmania Development and Resources, and nil (2017:$1,000,000) received in the current year, as a contribution to plant and equipment purchased for Ridley's new extrusion plant at Westbury, Tasmania. The balance of the grant will be received no later than the 2022 financial year upon satisfaction of the final project milestone and commissioning of the new feedmill.

A Victorian Government Grant of $800,000 was awarded by the Geelong Region Innovation & Investment Fund (GRIIF), and the balance of the grant of $80,000 (2017: $529,000) received in the current year 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
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**

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
2017					
Carrying amount at 1 July 2016	3,558	68,950	2,250	1,597	76,355
Transfer from property, plant and equipment/additions	1,151	–	–	3,593	4,744
Amortisation charge	(1,064)	–	(751)	–	(1,815)
Carrying amount at 30 June 2017	**3,645**	**68,950**	**1,499**	**5,190**	**79,284**
At 30 June 2017					
Cost	15,213	69,903	4,500	5,190	94,806
Accumulated amortisation/impairment losses	(11,568)	(953)	(3,001)	–	(15,522)
Carrying amount at 30 June 2017	**3,645**	**68,950**	**1,499**	**5,190**	**79,284**

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.

Note 13 – Intangible assets continued

(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 for the purpose of impairment testing.

$56.6m of goodwill has been recognised in the Rendering Cash Generating Unit (CGU), whilst the balance has been accumulated from a combination of other CGUs over many years as summarised below:

	2018 $'000	2017 $'000
Rendering	**56,616**	56,616
AgriProducts	**12,334**	12,334
Total goodwill	**68,950**	68,950

(iii) Contracts

The Contracts Intangible asset represents acquired contractual legal rights that have a finite useful life and that are amortised over a period of six years, according to the period of the contractual legal rights. Amortisation methods, useful lives and residual values are 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 NSW 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 2019.

Research and development expenditure

Research and development expenses of $19,200,000 have been incurred in the current year (2017: $19,674,153), which have been included as eligible research and development 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 FY19 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 that 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% (2017: 2%). A growth rate of 2% is applied to the terminal value (2017: 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 8.1% (2017: 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

Whilst all CGUs in the Group have been tested for impairment and have met their required hurdle rates to support the current carrying values, the reduction in earnings for the year for the Supplements CGU has eroded the CGU's impairment assessment headroom. 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 this sector; however, any deterioration in the discount rate or earnings profile for the Supplements CGU will raise impairment concerns in the future.

Note 14 – Investments accounted for using the equity method

			Ownership interest		Carrying amount	
Name of company	**Principal activity**	**Country of incorporation**	**2018 %**	**2017 %**	**2018 $'000**	**2017 $'000**
Joint venture entities:						
Ridley Bluewave Pty Ltd[1]	Animal protein production	Australia	**–**	50	**–**	–
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	**1,136**	1,324
Investments accounted for using the equity method					**1,136**	1,324

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 impose certain restrictions on Thai businesses whose shares owned by non-Thai nationals exceed 49%. The pertinent contracts have been structured, however, 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.

Note 14 – Investments accounted for using the equity method continued

	2018 $'000	2017 $'000
Carrying amount of investments accounted for using the equity method		
Opening carrying amount at 1 July	**1,324**	3,663
Share of operating (losses)/profits after income tax	**(188)**	8
Disposal of Consolidated Manufacturing Enterprise Pty Ltd and Swanbrook Road Holding Trust	**–**	(2,347)
Closing carrying amount at 30 June	**1,136**	1,324

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.

	2018 $'000	2017 $'000
Current assets	**259**	148
Non-current assets	**5,088**	5,401
Total assets	**5,347**	5,549
Current liabilities	**29**	184
Non-current liabilities	**5,670**	4,905
Total liabilities	**5,699**	5,089
Net (liabilities)/assets	**(352)**	460
Revenue	**290**	1,757
Net (loss)/profit after tax	**(376)**	32

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

Note 15 – Tax assets and liabilities

	2018 $'000	2017 $'000
Current		
Tax asset	**3,019**	380
Non-current		
Deferred tax asset	**3,619**	5,057
Movement in deferred tax asset:		
Opening balance at 1 July	**5,057**	7,443
Credited/(charged) to the Statement of Comprehensive Income (Note 6)	**(1,438)**	(2,386)
Closing balance at 30 June	**3,619**	5,057

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Consolidated						
Intangibles	**–**	–	**(3,052)**	(2,293)	**(3,052)**	(2,293)
Doubtful debts	**–**	–	**–**	–	**–**	–
Property, plant and equipment	**2,866**	3,183	**(678)**	(789)	**2,188**	2,394
Employee entitlements	**4,544**	4,262	**–**	–	**4,544**	4,262
Provisions	**–**	–	**–**	–	**–**	–
Other	**162**	105	**(223)**	589	**(61)**	694
Tax assets/(liabilities)	**7,572**	7,550	**(3,953)**	(2,493)	**3,619**	5,057

Movement in net deferred tax assets and liabilities

$'000	Balance 1 July 2016	Recognised in profit or loss	Balance 30 June 2017	Recognised in profit or loss	Balance 30 June 2018
Consolidated					
Intangibles	(1,627)	(666)	**(2,293)**	(759)	**(3,052)**
Doubtful debts	–	–	**–**	–	**–**
Property, plant and equipment	3,639	(1,245)	**2,394**	(206)	**2,188**
Employee entitlements	5,057	(795)	**4,262**	282	**4,544**
Provisions	81	(81)	**–**	–	**–**
Other	293	401	**694**	(755)	**(61)**
Tax asset/(liability)	7,443	(2,386)	**5,057**	(1,438)	**3,619**

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 that 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.

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

	2018 $'000	2017 $'000
Current		
Trade creditors and accruals	**155,897**	148,580

Trade payable facility

The Group has a trade payable facility that 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 (2017:$50,000,000). The amount utilised and recorded within trade creditors at 30 June 2018 was $42,462,143 (2017: $48,639,345).

Note 17 – Provisions

	2018 $'000	2017 $'000
Current		
Employee entitlements	**14,592**	13,540
Non-current		
Employee entitlements	**501**	581

Note 17 – Provisions continued

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

	2018 $'000	2017 $'000
Non-current		
Bank loans	**76,222**	68,079

The bank loans are subject to bank covenants based on financial ratios of the Group. As at 30 June 2018, and throughout all relevant times during the financial year ended 30 June 2018, the Group was in compliance with these covenants. The bank loans are unsecured.

Total loan facilities available to the Group in Australian dollars

	2018		2017	
	Limits $'000	Utilised $'000	Limits $'000	Utilised $'000
Long term loan facility (a)	**160,000**	**76,500**	160,000	68,500
Cash	**–**	**(23,441)**	–	(16,535)
	160,000	**53,059**	160,000	51,965

(a) Long term loan facility

The Group's dual bank long term loan facility is a combination of floating core debt funding of $80m plus an additional $80m of fixed term project funding with a maturity date of 18 April 2021. 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 2018, the value of legally enforceable cash balances, which, upon default or bankruptcy, would be applied to the loan facility is $23,441,000 (2017: $16,535,000).

Note 19 – Share capital

	Parent entity 2018 $'000	Parent entity 2017 $'000
Fully paid up capital:		
307,817,071 ordinary shares with no par value (2017: 307,817,071)	**214,445**	214,445

There were no movements in issued capital or the number of shares on issue in either of the financial years.

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.

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:

	2018 $'000	2017 $'000
Gross debt	**76,222**	68,079
Less: cash	**(23,441)**	(16,535)
Net debt	**52,781**	51,544
Total equity	**263,107**	259,823
Gearing ratio	**20.1%**	19.8%

Note 20 – Reserves and retained earnings

	2018 $'000	2017 $'000
Reserves		
Share-based payments reserve		
Opening balance at 1 July	**2,895**	2,170
Options and performance rights expense	**2,308**	2,210
Share-based payment transactions	**(3,870)**	(3,773)
Retained earnings transfer	**1,907**	2,288
Closing balance at 30 June	**3,240**	2,895

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

	2018 $'000	2017 $'000
Opening balance at 1 July	**–**	–
Available-for-sale financial assets – net change in fair value, net of tax	**520**	–
Closing balance at 30 June	**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.

Note 20 – Reserves and retained earnings continued

Retained earnings

	2018 $'000	2017 $'000
Opening balance at 1 July	**42,483**	31,269
Net profit for the year	**17,409**	25,815
Dividends paid	**(13,083)**	(12,313)
Share-based payments reserve transfer	**(1,907)**	(2,288)
Closing balance at 30 June	**44,902**	42,483

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 2018	Ownership interest 2017
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%
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 2018, and throughout the financial year ending on that date, the parent company of the Group was Ridley Corporation Limited.

	2018 $'000	2017 $'000
Result of the parent entity		
Profit for the year	**14,275**	29,506
Comprehensive income for the year	**520**	–
Total comprehensive income for the year	**14,795**	29,506
Financial position of the parent entity at year end		
Current assets	**5,916**	15,808
Non-current assets	**333,155**	314,594
Total assets	**339,071**	330,402
Current liabilities	**2,008**	1,699
Non-current liabilities	**76,366**	68,156
Total liabilities	**78,374**	69,855
Net assets	**260,697**	260,547
Total equity of the parent entity comprising of:		
Share capital	**214,445**	214,445
Share-based payment reserve	**3,240**	2,895
Retained earnings	**43,012**	43,207
Total equity	**260,697**	260,547

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee (see Note 23 below) 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

	2018 $'000	2017 $'000
Profit before income tax	**21,719**	34,287
Income tax expense	**(4,310)**	(8,472)
Profit after income tax	**17,409**	25,815
Other comprehensive income		
Available-for-sale financial assets – net change in fair value	**520**	–
Total comprehensive income for the year	**17,929**	25,815

(b) Summary of movements in retained profits

	2018 $'000	2017 $'000
Opening balance at 1 July	**42,483**	31,269
Comprehensive income for the year	**17,929**	25,815
Dividends paid	**(13,083)**	(12,313)
Share-based payment reserve transfer	**(1,907)**	(2,288)
Closing balance at 30 June	**45,422**	42,483

Notes to the Financial Statements continued

30 June 2018

Note 23 – Deed of Cross Guarantee continued

(c) Balance Sheet

	2018 $'000	2017 $'000
Current assets		
Cash and cash equivalents	**23,441**	16,535
Receivables	**104,005**	116,223
Inventories	**76,666**	83,717
Tax asset	**3,019**	380
Total current assets	**207,131**	216,855
Non-current assets		
Receivables	**8,644**	840
Property, plant and equipment	**202,596**	182,794
Intangible assets	**82,485**	79,284
Investments accounted for using the equity method	**1,136**	1,324
Deferred tax asset	**3,619**	5,057
Available-for-sale financial asset	**2,300**	1,268
Total non-current assets	**300,780**	270,567
Total assets	**507,911**	487,422
Current liabilities		
Payables	**153,489**	145,399
Provisions	**14,592**	13,540
Total current liabilities	**168,081**	158,939
Non-current liabilities		
Borrowings	**76,222**	68,079
Provisions	**501**	581
Total non-current liabilities	**76,723**	68,660
Total liabilities	**244,804**	227,599
Net assets	**263,107**	259,823
Equity		
Share capital	**214,445**	214,445
Reserves	**3,240**	2,895
Retained earnings	**45,422**	42,483
Total equity	**263,107**	259,823

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.

Transactions with related parties

		2018 $'000	2017 $'000
Transactions with related parties were as follows:			
Sales of products	– associate	–	2,622
Purchases of products/services	– associate	–	6,716
	– joint venture entity	–	21
Outstanding balances with related parties were as follows:			
Current receivable – joint venture entity (Note 8(b))		**5,275**	4,487

Outstanding balances are unsecured and repayable in cash.

Key Management Personnel compensation

	2018 $	2017 $
Short-term employee benefits	**2,931,832**	2,926,503
Post-employment benefits	**167,870**	208,589
Other benefits	**111,439**	193,961
Share-based payments	**772,071**	799,425
Total Key Management Personnel compensation	**3,983,212**	4,128,478

Note 25 – Share-based payments

Share-based payment expense

	2018 $'000	2017 $'000
Shares issued under the Employee Share Scheme	**579**	525
Performance rights issued under Long Term Incentive Plan	**1,729**	1,685
Total share-based payment expense	**2,308**	2,210

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.

Note 25 – Share-based payments continued

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 2017
Expiry date	30 June 2020
Share price at grant date	$1.39
Fair value at grant date	$0.69
Expected price volatility of the Company's shares	23%
Expected dividend yield	3.1%
Risk-free interest rate	1.9%

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 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 2018	**2,450,000**	**–**	**–**	**(2,450,000)**	**–**
1 July 2015	1 July 2018	**2,675,000**	**–**	**(250,000)**	**–**	**2,425,000**
1 July 2017	1 July 2019	**2,800,000**	**–**	**(200,000)**	**–**	**2,600,000**
1 July 2018	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 2018	1 January 2020	**150,000**	**–**	**–**	**–**	**150,000**
		8,075,000	**2,700,000**	**(600,000)**	**(2,450,000)**	**7,725,000**
2017						
Long Term Incentive Plan						
1 July 2013	1 July 2017	2,400,000	–	–	(2,400,000)	–
1 July 2014	1 July 2018	2,575,000	–	(125,000)	–	2,450,000
1 July 2015	1 July 2018	2,675,000	–	–	–	2,675,000
1 July 2017	1 July 2019	–	2,825,000	(25,000)	–	2,800,000
		7,650,000	**2,825,000**	**(150,000)**	**(2,400,000)**	**7,925,000**
Special Retention Plan						
1 January 2018	1 January 2020	–	150,000	–	–	150,000
		7,650,000	**2,975,000**	**(150,000)**	**(2,400,000)**	**8,075,000**

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 is 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	**31 May 2018**
Restricted life	**3 years**
Fair value at grant date	**$0.84**
Expected price volatility of the Company's shares	**25%**
Expected dividend yield	**3.4%**
Risk-free interest rate	**2.5%**

Ridley Employee Share Scheme movements

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**

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 (2017: three years).

Note 25 – Share-based payments continued

2017 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	35,000	–	(5,000)	30,000	30,000
28 January 2003	28 January 2006	$0.74	63,450	–	(6,750)	56,700	56,700
5 April 2005	5 April 2008	$0.77	88,740	–	(10,440)	78,300	78,300
10 April 2006	10 April 2009	$0.66	113,700	–	(15,160)	98,540	98,540
13 April 2007	13 April 2010	$0.57	131,925	–	(14,072)	117,853	117,853
11 April 2008	11 April 2011	$0.56	175,714	–	(25,102)	150,612	150,612
3 April 2009	3 April 2012	$0.34	298,556	–	(32,516)	266,040	266,040
30 April 2010	30 April 2013	$0.61	227,920	–	(30,932)	196,988	196,988
30 April 2011	30 April 2014	$0.66	242,788	–	(39,208)	203,580	203,580
30 April 2012	30 April 2015	$0.61	284,488	–	(38,042)	246,446	246,446
26 April 2013	26 April 2016	$0.41	683,111	–	(109,395)	573,716	573,716
23 May 2014	23 May 2017	$0.48	829,500	–	(101,910)	727,590	727,590
31 May 2015	31 May 2018	$0.66	700,719	–	(64,188)	636,531	–
20 May 2016	20 May 2019	$0.85	675,903	–	(56,202)	619,701	–
19 May 2017	19 May 2020	$0.84	–	623,250	–	623,250	–
			4,551,514	623,250	(548,917)	4,625,847	2,746,365
Weighted average exercise price			$0.59	$0.84	$0.57	$0.63	$0.52

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 $5,555,000 (2017: $5,398,000).

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.

(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:

			2018					2017		
$'000 Australian dollars	**USD**	**NZD**	**EUR**	**THB**	**GBP**	**USD**	**NZD**	**EUR**	**THB**	**GBP**
Gross debt										
Cash	**3,315**	**1,176**	**2,982**	**2,121**	**–**	4,356	258	476	510	–
Assets	**–**	**–**	**–**	**5,275**	**2,300**				4,487	1,268
Payables	**–**	**–**	**–**	**(3,533)**	**–**	–	–	–	(1,526)	–
Net balance sheet exposure	**3,315**	**1,176**	**2,982**	**3,863**	**2,300**	4,356	258	476	3,471	1,268

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 $1,068,000 (2017: $465,000) or increased by $1,305,000 (2017: $567,000) 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 the 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 4.0% (2017: 4.0%).

Note 27 – Financial risk management continued

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.

	Interest rate	2018 $'000	Interest rate	2017 $'000
Variable rate instruments				
Cash	**–**	**23,441**	–	16,535
Bank loans	**4.0%**	**76,500**	4.0%	68,500

Interest rate sensitivity

A change of 100 basis points 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 $534,000 (2017: $477,000).

(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:

	2018 $'000	2017 $'000
Trade receivables	**96,150**	102,808
Other receivables	**13,410**	11,821
Cash and cash equivalents	**23,441**	16,535
	133,001	131,164

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 17.

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

	Carrying amount $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000	4 to 5 years $'000	Total contractual cash flows $'000
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**
2017							
Non-derivative financial liabilities							
Trade and other payables	148,580	148,580	–	–	–	–	148,580
Bank loans	68,079	5,959	5,959	5,959	74,038	5,959	97,874
	216,659	154,539	5,959	5,959	74,038	5,959	246,454

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

	2018 $'000	2017 $'000
Fair value through other comprehensive income		
Equity securities – available for sale	**2,300**	1,268

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

(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.

Note 27 – Financial risk management continued

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

	2018 $'000	2017 $'000
Expenditure contracted for but not recognised as liabilities:		
Capital Plant and equipment (a)	**51,493**	15,901
CSIRO Novacq™ Research Alliance (b)	**3,750**	4,750
	55,243	20,651
Total Group commitments for non-cancellable operating leases:		
Due within one year	**4,855**	4,644
Due within one to two years	**3,470**	3,545
Due within two to five years	**3,475**	4,162
Due after five years	**1,202**	1,485
	13,002	13,836

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 20 January 2017, the Group announced its intention to build a new state-of-the-art, fit for purpose extrusion plant at Westbury, Northern Tasmania. The plant will have a 50,000 tonne annual production capacity on a five-day shift structure and will cost between $45m–$50m.
- On 7 September 2017, 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.

(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.

	2018 $'000	2017 $'000
Bank guarantees	**954**	954

Litigation

At the time of preparing this Financial Report, some companies included in the Group are parties to pending legal proceedings, including the claim received after balance date as detailed in Note 31. 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.

Note 30 – Auditor's remuneration

	2018 $	2017 $
(a) Audit and review of Financial Reports		
Auditor of the Company		
KPMG Australia	**349,513**	344,020
(b) Other services		
Auditors of the Company		
KPMG Australia – in relation to other assurance, taxation and due diligence services	**96,377**	112,950
Total remuneration of auditor	**445,890**	456,970

Note 31 – Events occurring after the balance sheet date

On 24 July 2018, Ridley announced the completion of contracts for the sale of two of the residual lots at Lara for total proceeds of $9.5m and a pre-tax profit of approximately $8.2m. A 12-month option agreement was also signed after balance date for a land-based aquaculture company to acquire the sole remaining lot of surplus land at Lara for $1.5m subject to satisfactory completion of its due diligence program.

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. The claim does not specify the quantum of damages, or other compensation, that Baiada is seeking. Ridley believes the claim is not of merit, and as such it will be vigorously defended. Ridley's insurers have been notified of the claim and, if required, Ridley believes insurance cover exists in respect of the claim.

No other matters or circumstances have arisen since 30 June 2018 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 (the Company) 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 2018 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 22 August 2018.

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. 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

A number of new standards are effective for annual periods beginning 1 July 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

- **AASB 15 Revenue from Contracts with Customers**

IFRS 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. IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The Group plans to adopt IFRS 15 for the year ending 30 June 2019.

For the sale of products, revenue is currently recognised when the goods are 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 goods 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 core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognised. This standard becomes mandatory for the Group's 30 June 2019 financial statements.

Under AASB 15, revenue will be recognised when a customer obtains control of the goods. Based on management's analysis of the requirements of this standard and the Group's contractual relationships, control of the goods is deemed to pass to the customer at the same time as the risks and rewards are deemed to transfer under the current accounting standard (AASB 118).

Given the above, management has concluded that the adoption of this standard will not have a material impact on the reported financial performance of position of the Group.

- **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. This standard becomes mandatory for the Group's 30 June 2019 financial statements. Management has assessed the impact of this standard and has determined that adopting AASB 9 will have no material impact on the reported financial position or performance of the Group.

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

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items.

The standard is effective for annual periods beginning on or after 1 January 2019. The Group plans to adopt AASB 16 for the year ending 30 June 2020. The Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of some sites and machinery/forklifts.

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.

Note 32 – Corporate information and accounting policy summary continued

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191 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 impairment 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.

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) 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.

(ii) 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.

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.

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 54 to 91 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 2018 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 2018.
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

G H Weiss
Director

T J Hart
Director

Melbourne
22 August 2018

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 2018 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 2018
- 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.

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; – comparing cash flows to signed customer contracts continuing into the forecast cash flow period (where relevant); – 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 and other bodies to challenge the Group’s cash flow assumptions and the Group’s assessment of the impacts of technology, 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 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, terminal valuations 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. This involved giving consideration to the outcome of commercial trials, licencing approvals, market analysis and development timetables; and • assessing the related disclosures in the financial report against accounting standard requirements.

KPMG

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; • comparing a sample of inventory values against current selling prices for products to identify any items selling for less than their carrying value; and • challenging the Group's judgements relating to the determination of net realisable value (including slow moving or excess inventory), by comparing current inventory levels to forecast sales. We assessed the level of write-down in light of our knowledge of the industry the Group operates in, and from challenge of key personnel.

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.

KPMG

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 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 2018, 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 2018.

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

KPMG

KPMG

Chris Sargent
Partner
Melbourne
22 August 2018

Shareholder Information

	Number of holders	Number of securities	% Held by 20 largest shareholders
Holdings of securities – ordinary shares			
Each fully paid	6,582	307,817,071	76.6%

Distribution of holdings – ordinary shares

Number held	Number of ordinary shareholders	Number of ordinary shares held
1 – 1,000	1,181	502,644
1,001 – 5,000	2,370	7,128,031
5,001 – 10,000	1,248	9,518,266
10,001 – 100,000	1,692	41,878,968
100,001 – 9,999,999,999	91	248,789,162
Total	**6,582**	**307,817,071**

There are 553 holders of unmarketable parcels (comprising shareholdings less than 348 shares at $1.44 per share) of ordinary shares.

20 largest fully paid shareholders	Number of ordinary shares	% of fully paid ordinary shares
Citicorp Nominees Pty Limited	87,602,051	28.46
HSBC Custody Nominees (Australia) Limited	69,712,106	22.65
JP Morgan Nominees Australia Limited	37,301,249	12.12
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	16,283,313	5.29
National Nominees Limited	8,341,103	2.71
BNP Paribas Noms Pty Ltd <DRP>	5,387,302	1.75
LJ Thomson Pty Ltd	1,550,000	0.50
Mr James Fong Seeto	1,375,000	0.45
Timothy Hart	1,205,356	0.39
RCL Retirement Pty Ltd	1,017,014	0.33
Neweconomy Com Au Nominees Pty Limited <900 Account>	803,020	0.26
Mr Russell N Lyons	772,157	0.25
Mr Alan Maclean Boyd	750,000	0.24
BNP Paribas Nominees Pty Ltd <Albert Fried Customer DRP>	703,286	0.23
Moggs Creek Pty Ltd <Moggs Creek Super A/C>	663,000	0.22
Charles Klem	581,422	0.19
Pacific Salt Superannuation Pty Limited <Employees Retire Fund A/C>	500,000	0.16
Garmaral Pty Ltd	426,377	0.14
Abeille Investments Pty Ltd	423,000	0.14
UBS Nominees Pty Ltd	412,744	0.13
Top 20 ordinary fully paid shareholders	**235,809,500**	**76.61**
Balance of ordinary fully paid shareholders	**72,007,571**	**23.39**

Substantial Shareholders	Holding	% Holding
Insitor Holdings LLC/AGR Partners LLC	60,727,615	19.73
Lazard Asset Management	45,827,977	14.89
Schroder Investment Management Australia Limited	20,263,741	6.58
Dimensional Fund Advisors Group	15,954,589	5.18

Shareholder Information continued

Directors' Holdings

On 13 September 2018, 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	-
TJ Hart	1,270,116	1,200,000*
PM Mann	96,625	-
RJ van Barneveld	83,053	-
E Knudsen	703,286	-
DJ Lord	73,200	-
	2,496,280	1,200,000

* Mr TJ Hart's 1,200,000 Performance Rights were approved at the 2016 and 2017 Ridley Annual General Meetings. Of the 600,000 Performance Rights approved at the 2015 Annual General Meeting, 58.1% vested on 1 July 2018 and have converted into 348,600 Ordinary Fully Paid Shares in accordance with the terms and conditions of the Ridley Long Term Incentive Plan, with the 251,400 balance lapsing on 1 July 2018. These 348,600 shares are being acquired on-market and have yet to be allocated to Mr Hart's personal holding.

Voting Rights

As at 13 September 2018, the number of holders of Fully Paid Ordinary Shares with full voting rights was 6,582. 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.

2018 Annual Report 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
CI	Continuous Improvement
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
Deed	Deed of Indemnity between Company and its Directors and executive officers
Disc Ops	Discontinued Operations
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EEO	Equal Employment Opportunity
EPS	Earnings Per Share
FCR	Feed Conversion ratio(s)
Fund	Ridley Superannuation Plan – Australia
FY14	2014 Financial year
FY15	2015 Financial year
FY16	2016 Financial year
FY17	2017 Financial year
FY18	2018 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
ITS	Information Technology Services

2018 Annual Report Glossary continued

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
MCSFP	MOOLAP coastal strategic framework PLAN
MTI	Medically Treated Injury/ies
NFF	National Farmers Federation
NGER	National Greenhouse and Energy Reporting Act 2007 (Cth)
NPAT	Net Profit After Tax
NSW	New South Wales
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
Rights	Performance Rights 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
SWP	Saltworks and Wetland Precinct
TEP	Total Employment Package
TRFR	Total Recordable Frequency Rate
TSR	Total Shareholder Return
US	United States of America
VWAP	Volume Weighted Average Price

Corporate Directory

Ridley Corporation Limited
ABN 33 006 708 765

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Head office
Level 4, 565 Bourke Street
Melbourne Victoria 3000 Australia

Telephone 03 8624 6500
Facsimile 03 8624 6505

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