Ridley Corporation Limited

Appendix 4D Half year report

ABN 33 006 708 765

Results for announcement to the market

Reporting period:	Half year ended 31 December 2016
Previous corresponding period:	Half year ended 31 December 2015
Release date:	14 February 2017

				$A'000
Revenue from ordinary activities	down	11%	to	422,452
Profit from ordinary activities after tax attributable to members	up	37%	to	14,101
Net profit for the period attributable to members	up	37%	to	14,101

Dividends	Amount per security		Franked amount per security	
	Current period	Previous corresponding period	Current period	Previous corresponding period
Interim dividend	1.5¢	1.5¢	1.5c	1.5¢

Record date for determining entitlements to the interim dividend	5.00pm on Wednesday 26 April 2017

31 December	2016	2015
Net tangible asset backing per ordinary share	0.57	0.51

Brief Explanation

See pages 2 to 7.

14 February 2017

RIDLEY REPORTS $14.1M HALF YEAR RESULT

For the half year ended 31 December 2016, the Ridley Corporation Limited consolidated group (**Ridley or Group**) today announced half year Earnings Before Interest and Tax (**EBIT**) from the Ridley AgriProducts core business operations of $22.9 million (**m**). The result is $4.8m (17%) behind last year's equivalent result of $27.7m, and reflects the difficult trading conditions experienced in the sectors for Dairy, Aquafeed and to a lesser impact Supplements, and a positive performance from all other operating sectors.

The consolidated net profit before tax of $18.5m is up $0.8m (5%) on the prior period equivalent of $17.7m, and includes $3.5m of taxable insurance proceeds from the Wasleys bushfire damage applied to the replacement of the assets destroyed by the fire.

The consolidated after tax profit for the period is $14.1m, up $3.8m (37%) on the prior period result of $10.3m.

Property costs reflect a standstill of Moolap development approval activity as we await the release by the State Government of Victoria of the Moolap Coastal Strategic Framework Plan, the publication of which has been deferred to "early 2017." As previously advised, there are no residual costs associated with Dry Creek which was divested in the prior year.

Corporate and Net Finance costs have been maintained at similar levels to the prior period, whilst the effective tax rate of 24% has fallen by virtue of the significant uplift in R&D activity, particularly with regard to the commercialisation of Novacq™ at Yamba.

The underlying determinants of the operating result and the financial impacts of the non-operational adjustments are explained within the following summary.

PROFIT AND LOSS SUMMARY

Earnings from operations before finance income and expense and tax expense (**EBIT**):		**Dec 2016 in $m**	**Dec 2015 in $m**	**Movement in $m**
Ridley AgriProducts		22.9	27.7	(4.8)
Corporate		(4.8)	(4.7)	(0.1)
Property Realisation costs	- Dry Creek	-	(3.5)	3.5
	- Other	(0.5)	(1.3)	0.8
Property Realisation - sale of Dandenong		-	2.2	(2.2)
EBIT from operations		**17.6**	**20.4**	**(2.8)**
Wasleys fire insurance proceeds before tax		3.5	-	3.5
Net finance costs		(2.6)	(2.7)	0.1
Income tax expense		(4.4)	(4.6)	0.2
Tax payable on Dry Creek divestment		-	(2.8)	2.8
Reported net profit for period		**14.1**	**10.3**	**3.8**

The Directors believe that the presentation of the unaudited non-IFRS profit and loss summary above is useful for users as it reflects the underlying profits of the business.

Earnings per share (in cents & six months only)	Dec 2016	Dec 2015	Movement
Earnings per share	4.6	3.3	1.3

Ridley AgriProducts

The Ridley AgriProducts core business operations recorded an operating result for the half year of $22.9m. Whilst this result is $4.8m (17%) behind last year's equivalent record result of $27.7m, it has been achieved in a difficult trading period for two of Ridley's major sectors. In the equivalent prior year period, Ridley's Dairy earnings were at a historical high and the Aquafeed sector was enjoying a strong start to the year, only to be impacted in the second half year by the warm water and El Nino conditions experienced in Tasmania. The absence of a dry season in northern Australia adversely impacted demand for Supplements' dry season blocks. The earnings performance of the Poultry, Pig, Rendering and Packaged Products sectors for the half year was positive.

Poultry and Pig volumes for the six months were both up on the prior year and enjoy the prospect of further growth in the second half year. The lower manufacturing cost per tonne achieved by switching volume to the newly commissioned Lara feedmill is expected to generate second half year margin improvement, and the commercial team will commence execution of its customer plan to attract new business to the Lara feedmill.

Dairy sector volumes were down 32,000 tonnes on the same period last year, with a corresponding impact recorded in the manufacturing cost per tonne arising from the underutilisation of Dairy feedmill capacity. Positive signs of a Dairy sector recovery were observed in the months of November and December and these signals have carried through to a positive start for the second half year. So whilst the previous financial year finished in a difficult environment, the half year to 31 December 2016 has concluded with upside momentum.

The replacement of Huon salmon sales volumes is a longer term prospect, and the first half Aquafeed performance this year is significantly behind last year's strong first half year, with the widely reported environmental and climatic issues only impacting the last six months performance in FY2016. Ridley remains positive on the medium to long term outlook for aquaculture, and announced on 20 January 2017 its intention to build a new aquafeed mill in Tasmania.

Rendering raw material intake volumes were down at Laverton but average selling prices up, whereas raw material intake was up but selling prices were down at Maroota compared to the equivalent prior period. The variation in performance drivers reflects the different markets for red and white meat and fish, with the overall Rendering result for the half year up on the equivalent prior year period. Improved plant reliability and reduced operating costs have been a feature for the half year at Laverton, however much of the gains have been consumed by significant increases in energy costs. The challenge for the second half year is to maintain pricing and improve red meat raw material intake volumes at Laverton in a highly competitive market.

Margin management and product range remain the keys to an improved Packaged Products result for the half year. A number of new product ranging and brand refresh campaigns are to be run in the second half year to consolidate sales volumes and build a platform for future growth.

The Supplements business has been impacted during the half year by the absence of a dry season in northern Australia, with the abundance of natural pasture resulting in significantly lower demand for the lick blocks compared to the equivalent prior year period. The second half focus is on a strategic pricing and marketing strategy for wet season blocks and loose mix products, and on sourcing new markets for the sale of magnesium capsules.

Property Realisation

As anticipated, Property realisation costs have decreased to $0.5m (2015: $4.8m), which reflects the prior year sale of the Dry Creek site, for which the scheduled deferred proceeds of $5m were received prior to period end.

An application for subdivision has been made for the southern section of the Lara site which will provide an opportunity for some small lot sales and a practical hand back of the leased area to the Victorian State Government in March 2017.

With regard to the Nelson Cove development, we have been assisting the Victorian State Government in conducting its review of the region and will reassess our position and re-engage with the development process once the government's plan is published. In the meantime, we are restricting surplus property holding costs to only essential and value-adding activities.

Corporate costs

Corporate costs of $4.8m (2015: $4.7m) are consistent with the prior year comparatives after deducting unrealised foreign exchange losses at balance date.

Finance costs

Consolidated net interest and financing costs for the period were $2.6m (2015: $2.7m), and consistent with the prior period but with higher debt levels offset by interest released on the net present value of the deferred consideration for the Dry Creek sale.

Tax expense

The current period tax expense of $4.4m (2015: $7.4m which included tax payable of $2.8m on the divestment of Dry Creek) reflects a significant increase in R&D activity. The finalisation of the R&D claim relating to the 2016 financial year resulted in a higher deduction than originally estimated and the release of the prior year overprovision for tax reduced the effective tax rate for the period to 24%.

BALANCE SHEET

The balance of Current Receivables has decreased $2.8m, and includes the $17.7m gross debt owing from Huon less the $1.0m provision for non-recovery. Legal proceedings to recover the Huon debt are continuing and the initiatives in progress to replace the Huon volume lost on a prior period comparison are yet to deliver sales or debtors in the half year to 31 December 2016.

$3.8m of the $6.1m increase in Inventories comprises longer positions and higher prices in red meat, poultry and fish meal rendered products to take advantage of market conditions. The remainder of the increase is largely reflective of a number of product lines purchased to service the former Huon salmon requirements being deployed in other diets, albeit at lower tonnages and inclusion rates.

Payables has decreased by $22.9m, of which $12.5m relates to a reduction in drawdown of the Trade Payables facility. The movement from one period to the next reflects the timing of payments within historic trading terms and conditions. With grain prices at historically low levels and Ridley's trading positions as short as they can realistically be without creating raw material supply issues at the feedmills, the Trade Payables facility has been wound back at half year.

The combined impact of the above balance sheet movements is a significant increase in working capital which we are aiming to reverse over the second half year to return to the traditional levels of cash generation.

The short term cash flow impact of this increase in working capital is a corresponding increase in Borrowings, partly offset by a $2.9m increase in Cash and cash equivalents on hand at balance date.

The $14.8 million increase for the period in Property, plant and equipment (**P,P&E**) primarily reflects $21.9m of capital expenditure offset by depreciation and amortisation of $7.1m.

CASH FLOWS

As noted above, short term operating cash flow for the period has been affected by the increase in working capital of $26.1m (2015: $35.6m) and the capital expenditure programs in progress. Working capital will be a major focus for the second half year. In addition to the impact of working capital, the movement in Borrowings reflects net tax payments of $10.9m, and the $7.6m outlay for the 2016 final dividend of 2.5 cents per share paid on 31 October 2016.

Net proceeds from prior year asset sales of $5.0m were received in the period as part of the deferred consideration of the Dry Creek sale, with a further $11m receivable within the next twelve months.

Maintenance capital expenditure of $7.3m (2015: $5.5m) is consistent with prior periods and a close approximation to the $7.1m of depreciation and amortisation. The largest single item of Development capital expenditure for the period within a total outlay of $14.6m represents the construction of the new poultry and pig feedmill at Lara, which was commissioned in late December 2016 and officially launched on 6 February 2017. The next most significant project for the period is a major plant upgrade at Narangba, with the installation of a new fat coater and pellet cooler as well as a new, small extruder line through which samples and trial diets can be produced without disrupting the main production line.

Cash flows for the six months in $m	**Half year ended**	
	31 Dec 2016	**31 Dec 2015**
EBIT from operations	17.6	20.4
Net cash flow from non-recurring items	2.1	-
Depreciation and amortisation	7.1	7.5
EBITDA from operations	**26.8**	**27.9**
Increase in working capital	(26.1)	(35.6)
Maintenance capital expenditure	(7.3)	(5.5)
Operating cash flow	**(6.6)**	**(13.2)**
Development capital expenditure	(14.6)	(3.7)
Dividends paid	(7.6)	(6.1)
Payment for Intangibles	(1.0)	(0.5)
Net finance expense	(2.8)	(2.8)
Net tax payments	(10.9)	(9.6)
Proceeds from deferred consideration of Dry Creek sale	5.0	7.0
Proceeds from asset held for sale (2015: Dandenong)	0.7	2.9
Share-based payments	(3.4)	(0.1)
Movement in other balance sheet items	2.5	(0.1)
Cash flow for the period	**(38.7)**	**(26.2)**
Opening net debt balance at 1 July	(41.0)	(32.7)
Closing net debt balance at 31 December	**(79.7)**	**(58.9)**

The above cash flow summary, together with a prior period comparison, has not been subject to review or audit. The Directors believe that the presentation of this non-IFRS financial cash flow is useful for the shareholders as it reflects the significant cash flows of the business.

DIVIDEND AND CAPITAL MANAGEMENT

A final dividend for the 2016 financial year of 2.5 cents per share, fully franked, was paid to shareholders on 31 October 2016.

The current intention of the Ridley Board continues to be to only pay dividends from retained profits and that dividend payments will be determined by the forecast earnings and cash flow conversion of the business, plus the capital growth opportunities at the time of dividend contemplation.

The Ridley Board has approved a fully franked interim dividend of 1.5 cents per share payable on Monday 1 May 2017.

MANAGING DIRECTOR'S REVIEW

Managing Director, Mr Tim Hart, made the following comments on the half year performance. "The most pleasing aspect of the half year result is that it was achieved with two of our major sectors operating under difficult economic or commercial conditions. We believe as an organisation we have come a long way in the last five years, and a result such as this would not have been possible without the unyielding commitment of everyone at Ridley to improve and de-risk the business to be able to withstand periods of tough trading conditions. We have also continued to strongly believe and invest in our value proposition which enables us to maximise shareholder value as sectors return back to positive fundamentals."

"Since the end of the half year, we have announced three significant transactions, the first of which was to secure the technology for the production and harvesting of Novacq™. Soon after executing the long term lease of several ponds at Yamba in January 2016, and converting the ponds from the production of prawns to the production of Novacq™, we engaged with a company called UAT. UAT's Managing Director Ian Nielsen is an expert in the treatment and management of water and water flows. Together, we have adapted and modified UAT's patented technology to the specific application of Novacq™ production, and we have made great progress to date in improving efficiency and driving down costs of production and harvesting. Whilst still subject to a daily process of continuous improvement, the adapted technology is now ready to be transported offshore. We are endeavouring to secure an appropriate facility in close proximity to our Chanthaburi feedmill in which Novacq™ can be grown for the Thai market, a market many times the size of the Australian domestic market. Although we are very excited by the long term commercial prospects for Novacq™, we are only half way through a five year program of applied R&D and there is a body of work still to be conducted prior to full scale commercial launch of the Novacq™ inclusive range of diets."

"The second January 2017 release to the market was to announce on 20 January 2017 our intention to build a new aquafeed mill in Tasmania. Located at Westbury, in northern Tasmania just west of Launceston and south of Burnie, the feedmill will manufacture and supply feed primarily to Tasmania's salmon industry, as well as other aquaculture species on the mainland and in New Zealand. Based on committed and anticipated volume from existing customers, the proposed new feedmill will meet internal financial hurdle return rates, with upside in the form of spare capacity which will be available to target new and returning customers and general industry growth."

"Currently, we manufacture and supply a significant volume of aquafeed to the Tasmanian market from our Narangba facility near Brisbane, Queensland. The new facility will bring Ridley closer to its Tasmanian customers, who will benefit from reduced supply chain costs, shorter delivery lead times and from being able to collaborate more closely on new product development and dietary enhancements."

Mr Hart concluded on operational matters that "The transfer of salmon production from Narangba to Tasmania upon commissioning of the new feedmill will be accommodated within a restructure of the Narangba operations and the transition over time of products manufactured externally and through our 25% interest in CME, the divestment of which was our third post balance date announcement on 31 January 2017. CME is an entity with an extruder plant located at Inverell, NSW, and has been an ideal and cost effective overflow outlet for aquafeed and pet food production when the Narangba plant has been at full capacity or suspended for repairs and maintenance. CME will continue to assist Ridley on a toll manufacturing basis until such time as the new feedmill is fully operational, whereupon all aquafeed and packaged products volumes are expected to be manufactured in-house."

OUTLOOK

Commenting on the outlook, Mr Hart said "There are positive signs of recovery in the Dairy and Aquafeed sectors where we have endured a tough six months. Confidence appears to be returning to the Dairy sector, with small but steady uplifts in milk pricing, low raw material prices and abundant forage all combining to improve sentiment and prospects for the coming six months. Replacing the Huon volume is a longer term proposition, however we are working on a number of initiatives to improve the second half year performance and we believe we are sending a strong signal of support to the salmon industry following a stressful year of warm water, El Nino and oxygenation issues in Macquarie Harbour. Our other core business sectors are moving forward nicely, and the budgeted returns from the new Lara feedmill are expected to commence in the second half year with strong opportunities to secure new volumes and customers by virtue of the location and efficiency of the new, state of the art plant."

Mr Hart concluded "In addition to dedicating ourselves to the long term growth of our core business and to securing the development approvals to unlock shareholder value at Moolap, we are at a very exciting stage of our journey with Novacq™. Over the coming months we look forward to sharing our milestones and successes with the market as we move towards a commercial launch of the ground breaking diets which we hope and believe will change the prawn feed market forever."

For further information please contact:

Tim Hart
Chief Executive Officer
Ridley Corporation Limited

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RIDLEY CORPORATION LIMITED

Directors' Report for the half year ended 31 December 2016

The Directors present their report on the consolidated entity consisting of Ridley Corporation Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2016.

Directors

The Directors of Ridley Corporation Limited at any time during or since the end of the half year and up to the date of this report are as follows:

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

Review of Operations

The review of operations is set out on pages 2 to 7.

Rounding of Amounts to Nearest Thousand Dollars

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 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.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is on page 9 and forms part of the Directors' report.

Signed at Melbourne on 14 February 2017 in accordance with a resolution of the Directors.

G H Weiss
CHAIRMAN

T J Hart
MANAGING DIRECTOR

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 review for the half year ended 31 December 2016 there have been:

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

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Chris Sargent
Partner

Melbourne

14 February 2017

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	December 2016 $'000	December 2015 $'000
Revenue		422,452	472,698
Cost of sales		(386,281)	(432,545)
Gross profit		36,171	40,153
Finance income		15	68
Other income	2	5,722	7,284
Expenses:			
Selling and distribution		(6,791)	(6,544)
General and administrative		(13,958)	(20,541)
Finance costs	3	(2,616)	(2,759)
Share of net profits from equity accounted investments	6	8	47
Profit before income tax		18,551	17,708
Income tax expense		(4,450)	(7,415)
Net profit after tax attributable to members of Ridley Corporation Limited		**14,101**	**10,293**
Other comprehensive income		-	-
Total comprehensive income for the period		**14,101**	**10,293**
Total comprehensive income for the period attributable to members of Ridley Corporation Limited		**14,101**	**10,293**

Earnings per share	Cents	Cents
Basic earnings per share	4.6	3.3
Diluted earnings per share	4.6	3.3

The above consolidated condensed statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED CONDENSED BALANCE SHEET AS AT 31 DECEMBER 2016

	Note	December 2016 $'000	June 2016 $'000
Current assets			
Cash and cash equivalents		31,352	28,468
Receivables		109,559	112,352
Inventories		93,738	87,683
Assets held for sale	6	2,348	-
Total current assets		236,997	228,503
Non-current assets			
Receivables		-	5,537
Investment properties		3,199	3,140
Property, plant and equipment		174,965	160,209
Intangible assets		77,394	76,355
Investments accounted for using the equity method		1,324	3,663
Deferred tax asset		6,173	7,443
Total non-current assets		263,055	256,347
Total assets		500,052	484,850
Current liabilities			
Payables		123,018	145,916
Provisions		13,002	12,909
Tax liability		530	8,260
Total current liabilities		136,550	167,085
Non-current liabilities			
Borrowings		111,007	69,435
Provisions		581	446
Total non-current liabilities		111,588	69,881
Total liabilities		248,138	236,966
Net assets		251,914	247,884
Equity			
Share capital		214,445	214,445
Reserves		2,129	2,170
Retained earnings		35,340	31,269
Total equity		251,914	247,884

The above consolidated condensed balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	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 period	-	-	14,101	14,101
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**14,101**	**14,101**
Transactions with owners recorded directly in equity				
Dividends paid	-	-	(7,692)	(7,692)
Share based payment transactions	-	(41)	(2,338)	(2,379)
Total transactions with owners recorded directly in	**-**	**(41)**	**(10,030)**	**(10,071)**
Balance at 31 December 2016	**214,445**	**2,129**	**35,340**	**251,914**

	Share Capital $'000	Share Based Payment Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2015	**214,445**	**853**	**14,536**	**229,834**
Profit for the period	-	-	10,293	10,293
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**10,293**	**10,293**
Transactions with owners recorded directly in equity				
Dividends paid	-	-	(6,156)	(6,156)
Share based payment transactions	-	929	-	929
Total transactions with owners recorded directly in	**-**	**929**	**(6,156)**	**(5,227)**
Balance at 31 December 2015	**214,445**	**1,782**	**18,673**	**234,900**

The above consolidated condensed statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	December 2016 $'000	December 2015 $'000
Cash flows from operating activities		
Receipts from customers	477,547	510,474
Payments to suppliers and employees	(478,143)	(521,694)
Other revenue received	3,809	3,418
Net interest and other finance costs paid	(2,771)	(2,825)
Income taxes paid	(10,911)	(9,627)
Net cash (outflow) from operating activities	(10,469)	(20,254)
Cash flows from investing activities		
Payments for property, plant and equipment	(21,866)	(9,293)
Payments for intangible assets	(1,040)	(451)
Proceeds from sale of discontinued operation	5,000	10,000
Proceeds from assets held for sale	670	-
Net cash (outflow)/inflow from investing activities	(17,236)	256
Cash flows from financing activities		
Share based payment transactions	(3,392)	(88)
Proceeds from borrowings	41,572	30,060
Dividends paid	(7,591)	(6,074)
Net cash inflow from financing activities	30,589	23,898
Net increase/(decrease) in cash held	2,884	3,900
Cash at the beginning of the financial year	28,468	34,991
Cash at the end of the half year	31,352	38,891

The above consolidated condensed statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements
For the half year ended 31 December 2016

Note 1 – Basis of preparation of interim financial report

These condensed consolidated interim financial statements as at, and for the six months ended, 31 December 2016, have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, International Financial Reporting Standard IAS 34 *Interim Financial Reporting* and the *Corporations Act 2001*. This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016. Certain comparative amounts have been reclassified to conform with the current interim financial report presentation.

These interim financial statements were approved by the Board of Directors on 14 February 2017.

The principal accounting policies adopted in the preparation of these interim financial statements are consistent with those applied by the Group in its consolidated financial statements as at, and for the year ended, 30 June 2016, except for any impact of the revised standards and interpretations described below.

New accounting standards and interpretations

The Group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current half year. New and revised standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Disclosure Initiative (Amendments to IAS 1)
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards.

The application of the new and revised standards has had no material impact on the disclosures or on the amounts recognised in the consolidated interim financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but which is not yet effective.

The following standards, are effective for annual periods beginning after 1 July 2016 and have been identified as those which may impact the Group in the period of initial application. They have not been applied in preparing this consolidated financial report.

- AASB 9 Financial Instruments (applies from years commencing 1 January 2018);
- AASB 15 Revenue from Contracts with Customers (applies from years commencing 1 January 2018); and
- AASB 16 Leases (applies from years commencing 1 January 2019).

Estimates

The preparation of the interim financial report 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. In preparing these consolidated interim financial statements, the significant judgements, estimates and assumptions made by management in applying the Group's accounting policies, and the key sources of estimation uncertainty, were the same as those that applied to the consolidated statements as at, and for the year ended, 30 June 2016.

Notes to the financial statements
For the half year ended 31 December 2016

	CONSOLIDATED	
	December 2016	December 2015
Note 2 – Other income	**$'000**	$'000
Business services	**329**	531
Insurance claim proceeds (Note 3)	**4,038**	2,998
Rent received	**191**	356
Profits from sales of residual property site assets	**-**	2,616
Foreign exchange gain	**-**	626
Other	**1,164**	157
	5,722	7,284
Note 3 – Expenses		
Depreciation and amortisation	**7,109**	7,513
Finance costs:		
Interest expense	**2,744**	2,760
Amortisation of borrowing costs	**72**	59
Unwind of discount on deferred consideration	**(167)**	-
Capitalisation of borrowing costs	**(33)**	(60)
	2,616	2,759
General and administrative costs include, in respect of the Wasleys feedmill:		
Incremental operating costs	**538**	2,000
Impairment loss on property, plant & equipment	**-**	998
Insurance policy deductible	**-**	250
	538	3,248

On 25 November 2015, the Pinery Bushfire in South Australia caused significant damage to Ridley's feedmill at Wasleys, giving rise to an impairment of damaged assets. The assets, plus the lost profits and Additional Increased Costs of Working (**AICW**) to accommodate customer commitments, subject to a deductible of $250,000, are covered by insurance, the claim for which commenced during the 2016 financial year and will conclude in the second half of the 2017 financial year.

Based on the replacement of the damaged assets, lost profits and AICW to 31 December 2016, by which time the Wasleys feedmill rebuild was complete and the mill fully operational, total insurance proceeds of $9,125,000 have been received (after allowing for the deductible of $250,000), with a further $2,495,168 recognised as a receivable at balance date.

There is a net Consolidated Statement of Comprehensive Income gain (before income tax) of $3,500,000 between Insurance Claim Proceeds received and receivable and incremental General and Administrative costs incurred for the half year. The income tax on the insurance proceeds received has been brought to account within the income tax expense for the half year ended 31 December 2016.

Notes to the financial statements
For the half year ended 31 December 2016

Note 4 - Dividends

Dividends paid during the half year:

Half year ended 31 December 2016	**$'000**
Final dividend in respect of the 2016 financial year	
Paid on 31 October 2016 of 2.5 cents, fully franked per share	**7,692**
Half year ended 31 December 2015	
Final dividend in respect of the 2015 financial year	
Paid on 30 October 2015 of 2.0 cents, fully franked per share	**6,156**

Dividends not recognised at half year end
In addition to the above dividends, since half year end, the directors have approved a fully franked interim dividend of 1.5 cents per fully paid share payable on 1 May 2017.

The aggregate amount of the proposed dividend expected to be paid out of retained profits at 31 December 2016, but not recognised as a liability at half year end:	**4,617**

No foreign conduit income is attributed to the dividend.

Note 5 – Segment reporting

Operating Segments
The Group has two reportable segments, as described below, which are the Group's strategic business units. The Group has identified its operating segments based on internal reports that are reviewed and used by the Chief Executive Officer (the Chief Operating Decision Maker) in assessing performance and in determining the allocation of resources. The operating segments identified by management are consistent with the manner in which products are sold or how future economic benefits will be realised. Discrete financial information about each of these operating businesses is reported to the Chief Executive Officer and his management team on at least a monthly basis.

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.

Notes to the financial statements
For the half year ended 31 December 2016

Note 5 – Segment reporting (continued)

The basis of inter-segmental transfers is market pricing.

31 December 2016 $'000	AGRIPRODUCTS	PROPERTY	UNALLOCATED	TOTAL
Total sales revenue	**422,452**	**-**	**-**	**422,452**
Share of net profit of equity accounted investments	8	-	-	**8**
Interest expense	-	-	(2,616)	**(2,616)**
Reportable segment profit before income tax	**26,418**	**(450)**	**(7,417)**	**18,551**
Segment assets	446,194	3,199	50,659	**500,052**
Segment liabilities	134,994	-	113,144	**248,138**

31 December 2015 $'000	AGRIPRODUCTS	PROPERTY	UNALLOCATED	TOTAL
Total sales revenue	**472,698**	**-**	**-**	**472,698**
Share of net profit of equity accounted investments	47	-	-	**47**
Interest expense	-	-	(2,759)	**(2,759)**
Reportable segment profit before income tax	**27,745**	**(4,862)**	**(5,175)**	**17,708**
Segment assets	429,045	36,698	41,390	**507,133**
Segment liabilities	159,156	7,824	105,253	**272,233**

Notes to the financial statements
For the half year ended 31 December 2016

Note 6 – Asset held for sale

At 31 December 2016, the Group has classified its 25% Investment in Consolidated Manufacturing Enterprise Pty Ltd and Swanbrook Road Holding Trust as held for sale. The contract of sale was executed on 23 December 2016, which for Ridley comprised the sale of its entire 25% shareholding in CME, and completed on 31 January 2017. A $0.7m deposit was received on 23 December 2016.

	CONSOLIDATED	
	December 2016 $'000	June 2016 $'000
Asset held for sale		
25% Investment in Consolidated Manufacturing Enterprise Pty Ltd and Swanbrook Road Holding Trust	**2,348**	-

Name of Company	Principal Activity	Country of Incorporation	Ownership Interest %		Contribution to Net Profit $'000	
Associates:			**2016**	2015	**2016**	2015
Consolidated Manufacturing Enterprise Pty Ltd and Swanbrook Road Holding Trust	Feed production	Australia	**25**	25	**8**	47

Note 7 – Investments accounted for using the equity method

Name of Company	Principal Activity	Country of Incorporation	Ownership Interest %		Contribution to Net Profit $'000	
Jointly controlled entities:						
Ridley Bluewave Pty Ltd	Animal protein production	Australia	**50**	50	-	-
Nelson Landholdings Pty Ltd as Trustee for Nelson Landholdings Trust	Property	Australia	**50**	50	-	-
Pen Ngern Feed Mill Co	Aquafeed production	Thailand	**49**	-	-	-
Investments accounted for using the equity method					-	-

Investments in associates and jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting.

Note 8 – Contingent liabilities

Litigation

On Monday 8 August 2016, Ridley initiated proceedings to recover an outstanding debt from an individual customer, Huon, of $17,579,000. A provision for doubtful debts of $1.0m was raised and included in the determination of the 2016 consolidated Ridley result, and supply to the customer ceased in July 2016. A counterclaim has been lodged by the customer.

Notes to the financial statements
For the half year ended 31 December 2016

Note 8 – Contingent liabilities (continued)

As at 31 December 2016 and up to the date of this report, the court proceedings are continuing towards a directions hearing on 19 May 2017, following the process of discovery and mediation. As at the date of this report, in the opinion of management and the directors, the provision of $1.0m raised last year remains the most appropriate provision to cover the likely costs associated with settling the claim made by Huon against the Group and the recovery of the outstanding receivable balance.

No other significant changes have occurred in contingent liabilities since the last annual reporting date.

Note 9 – Events occurring after the balance sheet date

On 20 January 2017, the Group announced its intention to build a new state of the art, fit for purpose aqua feedmill in Tasmania. Located at Westbury, in northern Tasmania just west of Launceston and south of Burnie, the feedmill will manufacture and supply feed to primarily Tasmania's Salmon industry as well as other aquaculture species on the mainland and in New Zealand.

On 31 January 2017, the Group announced the sale of the Group's 25% shareholding in Consolidated Manufacturing Enterprise Pty Ltd and Swanbrook Road Holding Trust, with estimated net cash proceeds and pre-tax profit in the vicinity of $3.0m and $0.7m respectively.

No other matters or circumstances have arisen since 31 December 2016 that have significantly affected, or may significantly affect:

(i) the consolidated entity's operations in future financial periods; or

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

(iii) the consolidated entity's state of affairs in future financial periods.

Directors' Declaration

In the opinion of the Directors of Ridley Corporation Limited:

a. the financial statements and notes set out on pages 10 to 19 are in accordance with the Corporations Act 2001 including:

   i. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

   ii. giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the six month period ended on that date; and

b. there are reasonable grounds to believe that Ridley Corporation Limited will be able to pay its debts as and when they become due and payable.

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

G H Weiss
CHAIRMAN

T J Hart
MANAGING DIRECTOR

Melbourne
14 February 2017

Independent auditor's review report to the members of Ridley Corporation Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Ridley Corporation Limited (the "Company"), which comprises the consolidated condensed balance sheet as at 31 December 2016, consolidated condensed statement of comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed statement of cash flows for the interim period ended on that date, notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the interim period.

Responsibility of the Directors for the interim financial report

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

Auditor's responsibility for the review of the interim financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Ridley Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Ridley Corporation Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the interim period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Chris Sargent
Partner

Melbourne

14 February 2017