Ridley Corporation Limited

Appendix 4E Preliminary final report

ABN 33 006 708 765

Results for announcement to the market

Reporting period:	Financial year ended 30 June 2017
Previous corresponding period:	Financial year ended 30 June 2016
Release date:	23 August 2017

	$A'000
Revenue from continuing operations	Down 6.5% to 852,923
Profit from continuing operations after tax	Down 5.1% to 25,815
Net profit for the period attributable to members	Down 6.5% to 25,815

Dividends	**Amount per security**	**Franked amount per security**
Final dividend	2.5	100%
Interim dividend	1.5	100%

After the balance sheet date, a 2017 final dividend of 2.75 cents per share, fully franked and payable on 31 October 2017 was declared by the directors.

Record date for determining entitlements to the final dividend	26 October 2017

	30 June 2017	30 June 2016
Net tangible asset backing per ordinary share	0.59	0.56

Brief Explanation

See pages 2 to 8.

Audit statement

This report is based on accounts which are in the process of being audited. There is not expected to be any dispute or qualification to the Company’s financial report. The audit report will be made available with the Company's financial report.

RIDLEY DELIVERS NET PROFIT OF $25.8 MILLION

For statutory reporting purposes, the Consolidated Statement of Comprehensive Income reports a net consolidated after tax profit of $25.8 million (**m**) and a pre-tax profit from continuing operations of $34.3m.

Results

Table 1	**2017** **$'000**	2016 $'000
Profit from continuing operations before income tax	**34,287**	40,315
Income tax expense	**(8,472)**	(13,112)
Profit from continuing operations after tax	**25,815**	27,203
Profit from discontinued operation after tax	**-**	403
Net profit attributable to members of Ridley Corporation Limited	**25,815**	27,606

OPERATING RESULT

The consolidated group has recorded Earnings Before Interest and Tax (**EBIT**) of $34.9m (Table 2 overleaf), comprising a Ridley operating result of $45.8m, less Corporate costs of $9.9m and Property costs of $1.0m.

The Ridley operating EBIT of $45.8m is $7.9m below last year's $53.7m record as a result of the previously reported challenges in the Dairy and Aquafeed sectors combined with the absence of a Northern Australia dry season which affected the performance of the Supplements business unit. The significant energy price increases and the challenge of not being able to pass through all of these costs has also impacted the operating result for the year and may similarly influence the years ahead absent any government intervention.

Corporate costs have been contained to be comparable with last year's result despite expensing $1.1m in legal costs to resolve the Huon legal dispute, which was settled on 23 June 2017 and the funds remitted after balance date on 20 July 2017.

The $1.0m reduction in Property costs compared to the prior year reflects a combination of the scale back of activity at Moolap and the June 2016 sale of Dry Creek, for which deferred consideration proceeds of $10.0m were received in FY17, with the final $6.0m due by 31 December 2017.

Net finance costs for the year of $5.0m reflect interest on bank debt and the trade payables facility and the amortisation of establishment and other fees, offset by $0.5m for the unwinding of the discount on deferred consideration from the sale of Dry Creek.

The $7.3m tax expense and 24.4% effective tax rate for FY17 continuing operations reflect an overprovision in the prior year and 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.

Other non-recurring items before tax of $4.3m comprise $3.6m of non-recurring, taxable sundry income generated through the finalisation of the Wasleys insurance claim plus $0.7m profit on disposal of the investment in Consolidated Manufacturing Enterprise (**CME**), an equity accounted joint venture investment. The tax effect of these two transactions is $1.1m. The insurance proceeds income was received to replace on a "new for old" basis the feedmill assets damaged by the Pinery, South Australia bushfire at Ridley's Wasleys feedmill. The new assets are reflected in the balance sheet and are being depreciated over their effective lives.

PROFIT AND LOSS

Table 2 in $ million

Earnings from operations before finance income and expense and tax expense (EBIT):	**2017**	**2016**	**Movement**
Ridley operations	45.8	53.7	(7.9)
Corporate	(9.9)	(9.6)	(0.3)
Property - Other than Dry Creek	(1.0)	(2.0)	1.0
EBIT from operations before non-recurring costs	**34.9**	**42.1**	**(7.2)**
Net Finance costs	(5.0)	(5.4)	0.4
Income tax expense - continuing	(7.3)	(12.6)	5.3
Net profit from continuing operations after tax before non-recurring items	**22.6**	**24.1**	**(1.5)**
Discontinued Operation – Dry Creek after tax	-	0.4	(0.4)
Other non-recurring items before tax	4.3	3.6	0.7
Tax on other non-recurring items	(1.1)	(0.5)	(0.6)
Reported net profit	**25.8**	**27.6**	**(1.8)**
Earnings per share (cents):			
(i) continuing	8.4	8.8	(0.4)
(ii) reported	8.4	9.0	(0.6)

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.

CORE BUSINESS OPERATIONS

Sales revenue for FY17 of $852.9m was down $59.7m (6.5%) on last year's $912.6m, and reflects 1.93m (2016: 1.94m) tonnes of stockfeed and rendered product sold.

The core business recorded an operating result for the full year of $45.8m, which is a resilient result achieved in a difficult trading period for two of Ridley's major sectors, Dairy and Aquafeed. Furthermore, the absence of a dry season in northern Australia adversely impacted demand for dry season blocks and caused a significant turnaround in performance for the Supplements business unit from the prior year.

The earnings performance of the Poultry, Pig, and Packaged Products sectors for FY17 were strong, while a positive aggregate Rendering result was achieved with the reduction in red meat raw material supply to the Laverton plant compensated by strong poultry processing and trading volumes.

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

Margin management and product range remain the keys to a fourth successive performance improvement for Packaged Products, with a number of new product ranging and brand refresh campaigns successfully run to consolidate sales volumes and build a platform for future growth.

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 year up on the prior year. Improved plant reliability and reduced operating costs have been a feature for the year at Laverton, however much of the gains have been consumed by significant increases in energy costs. The challenge for the year ahead is to continue to generate processing efficiencies to offset further rises in energy costs and to maintain pricing and improve raw material intake volumes in a highly competitive market.

In the previous year, Ridley's Dairy earnings were at a historical high on the back of a high milk price and low raw material grain prices for the first ten months and despite a sudden collapse of confidence in May and June 2016 as a result of the imposition of retrospective reductions to the milk price offered by the industry's largest milk processors.

In FY17, Dairy sector volumes were down 58,000 tonnes on last year, with a corresponding impact recorded in the manufacturing cost per tonne arising from the underutilisation of Dairy feedmill capacity. Positive sentiment for a Dairy sector recovery has carried through to create a far more positive outlook at the start of the new year compared to twelve months ago.

Without the Huon salmon sales volumes, the full year Aquafeed volumes were 18,000 tonnes down on last year, with a commensurate reduction in earnings. 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. Since the announcement date, Ridley has executed a contract to acquire its feedmill site at Westbury, situated between Burnie and Launceston in northern Tasmania, and is working through the development approval process to complete the contract and commence construction in the coming year.

The Supplements business was severely impacted in FY17 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 prior year. The year ended on a more positive note due to the second half year focus 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.

BALANCE SHEET

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

(i) An increase of $10.5m in net debt for the year as explained in the following section.

(ii) An increase in current receivables of $5.1m to $117.5m, which includes the non-payment during the year of $17.7m of Huon debt which was recovered in full on 20 July 2017, with Ridley making a payment, net of insurance, to Huon of $1.0m which fully utilised the provision for non-recovery.

(iii) A $4.0m reduction in inventory which is a result of an ongoing effort to reduce the number and ageing of inventory items.

(iv) A $4.7m reduction in non-current receivables which reflects the transfer of the final Dry Creek deferred consideration payment of $5.5m from non-current to current, offset by the $0.8 prepayment of long term pond lease rental in Thailand.

(v) A $22.6m increase in property, plant and equipment, which reflects completion of the new Lara feedmill at North East Geelong and a number of profit maintaining and improving projects across a number of Ridley sites, including Narangba and Yamba and completion of the rebuild at Wasleys.

CASH FLOW AND WORKING CAPITAL

The operating cash inflow for the year (**Table 3**) after working capital movements and maintenance capital expenditure was $37.6m, an improvement of $10.7m on last year's $26.9m.

Maintenance capital expenditure of $14.2m continues to be managed below the $15.2m aggregate charge for depreciation and amortisation.

Ridley has invested $19.6m in development projects during the year, the largest of which reflects completion of the new state of the art feedmill at Lara.

Payments for Intangible assets of $3.6m reflect the capitalisation of Novacq^{TM} development costs.

Dividends paid comprise the 2016 final dividend of 2.5 cents per share paid on 31 October 2016 and the interim FY17 dividend of 1.5 cents per share which was paid on 1 May 2017.

$10.0m of the $35.0m proceeds from the prior year sale of Dry Creek were received during the year and the final $6.0m of proceeds is scheduled to be received by 31 December 2017.

Proceeds from the sale of property assets comprise the disposal of the equity accounted investment in CME and sale of Noorat storage site in Western Victoria.

Tax payments of $14.7m were made during the year compared to $13.9m in the prior year. The reduction in the effective tax rate for FY17, combined with the cumulative tax instalment payments, will generate a lower final tax payment to be made by 1 December 2017.

Table 3 in $ million

Cash flows for the year ended	**30 June 2017**	**30 June 2016**
EBIT from operations after transaction costs and before Discontinued Operation & non-recurring costs	34.9	42.1
Net cash flow from non-recurring items	4.3	4.0
Depreciation and amortisation	15.2	15.0
Consolidated group EBITDA	**54.4**	**61.1**
(Increase) in working capital	(2.6)	(19.3)
Maintenance capital expenditure	(14.2)	(14.9)
Operating cash flow	**37.6**	**26.9**
Development capital expenditure	(19.6)	(19.3)
Payment for intangibles	(3.6)	(0.7)
Dividends paid	(12.2)	(10.6)
Share-based payments	(4.2)	(1.0)
Proceeds from sale of discontinued operation (Dry Creek)	10.0	19.0
Proceeds from sale of property assets and associate	3.5	3.0
Payment for Investment in Thailand joint venture	-	(1.3)
Net finance cost payments	(5.5)	(5.4)
Net tax payments	(14.7)	(13.9)
Other items	(1.8)	(5.0)
Cash flow for the period	**(10.5)**	**(8.3)**
Opening net debt balance at 1 July	(41.0)	(32.7)
Closing net debt balance at 30 June	**(51.5)**	**(41.0)**

The cash flow summary with a prior period comparison provided in Table 3 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 3 is useful for users as it reflects the underlying cash flows of the business.

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. The residual sites are now the former saltfields at Moolap and 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 well-being 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 three 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 surety of volumes required 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.

- Surplus Property holdings – following the realisation of the majority of its surplus land assets, Ridley has released its dedicated property team. Ridley has retained in-house legal resources supported when needed by external experts to manage the maintenance of existing and potential new operating sites. Ridley continues to engage with the state government and alongside its development partner to secure appropriate redevelopment approvals to optimise the realisation of shareholder value from the remaining surplus property at Lara and Moolap.

- 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 actively managed through the company's risk management framework which includes review and monitoring by the executive lead team.

EARNINGS PER SHARE

The continuing earnings per share of 8.4 cents reflects the result on a stable equity platform. The prior year earnings per share of 9.0 cents reflects the impact of the discontinued operation from the sale of Dry Creek in FY16.

	2017	2016
Basic earnings per share – continuing	**8.4c**	8.8c
Basic earnings per share	**8.4c**	9.0c

GEARING

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

Gearing	**2017 $'000**	2016 $'000
Gross debt	**68,079**	69,435
Less: cash	**(16,535)**	(28,468)
Net debt	**51,544**	40,967
Total equity	**259,823**	247,884
Gearing ratio	**19.8%**	16.5%

CAPITAL MOVEMENTS

During FY17, a total of 3,023,250 (FY16: 735,552) shares were acquired by the Company on market for an outlay of $4.2m (FY16: $1.0m) in satisfaction of:

(i) the issue of 2,400,000 (FY16: 59,649) shares allocated to Ridley employees under the Ridley Long Term Incentive Plan; and

(ii) 623,250 (FY16: 675,903) shares allocated under the Ridley Employee Share Scheme.

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

DIVIDEND

The Board paid a 2016 final dividend of 2.5 cents per share, fully franked, on 31 October 2016 and a 2017 interim dividend of 1.5 cents per share, fully franked, on 1 May 2017. Ridley does not have a formal dividend policy but its intention is to adopt a consistent dividend profile in the future which reflects the earnings and cash flow conversion of the business and the growth opportunities prevalent and foreseeable at the time of dividend declaration.

After the balance sheet date, a 2017 final dividend of 2.75 cents per share, fully franked and payable on 31 October 2017 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 2017 and will be recognised in subsequent financial reports.

PROPERTY

A two stage application for subdivision is in progress for the southern section of the Lara site, which excludes the two large plots of Ridley-owned land at Lara which remain available for purchase. The first stage of the subdivision was approved during the year and the new land titles are expected to be issued after balance date. The expected net returns will be examined in the coming year to determine whether or not to proceed to stage 2 of the plan, which will provide opportunity for further small lot sales and development of a local aquaculture precinct for the region.

With regard to the proposed Nelson Cove development at Moolap, the Victorian State Government's published vision for the leased and Ridley-owned land at Moolap was disappointing and a missed opportunity to generate jobs and prosperity for the region. Ridley and its development partner's endeavour to engage with the government in meaningful discussion on value creation will continue in the year ahead but with property holding costs restricted to only essential and value-adding activities.

OUTLOOK

As previously reported, difficult trading conditions were experienced throughout the 2017 financial year in the Dairy, Aquafeed and, to a lesser extent, the Supplements sectors, and this pulled the operating result back from last year's third successive record operating result. Continued growth was experienced in the Poultry and Pig and Packaged Products sectors, with positive poultry growth offset by reductions in red meat raw material supply providing a counterbalance of overall performance in the Rendering business sector.

The twelve month outlook for the Dairy sector is a lot more positive this year than last year, when the industry was still reeling from the imposition of retrospective reductions in milk price payments. With a return to more conventional milk pricing policies and a stronger milk price forecast, coupled with the prospect of continuing low grain prices as a result of a record harvest, Dairy farmer sentiment is more positive as we start the new financial year.

While the replacement of Huon salmon sales volumes is a longer term prospect, the existing and potential salmon customer base continues to grow at a healthy rate. Ridley's commitment to invest in aquaculture in Tasmania and restructure its operations at Narangba provides a strong signal of support to the salmon industry following a stressful year of warm water, El Nino, and environmental and oxygenation issues in Macquarie Harbour.

The Supplements business unit trading volumes were severely impacted by the absence in FY17 of a dry season in northern Australia. The consequent abundance of natural pasture effectively closed the seasonal trading window for dry season lick blocks compared to the prior year. A return to a more traditional dry season weather pattern is expected to return the Supplements business unit to profitability.

Our other core business sectors are expected to move forward in a positive manner, with a full year of operation from the new Lara feedmill and conversion of opportunities to secure new volumes and customers by virtue of the location and efficiency of the new, state of the art plant.

The securing of the Novacq™ production ponds at Chanthaburi as announced on 23 June 2017 is a significant milestone in moving the project forward in Thailand, and we are expeditiously preparing the ponds for commencement of local production. The inclusion of locally produced Novacq™ in prawn feed manufactured at our 49% owned feedmill in Chanthaburi to be trialled at our partner's on-site prawn farm are the next stage gates for the project in Thailand.

At our Novacq™ production site at Yamba, NSW, we are looking to select our preferred dewatering and drying technologies and to export them to Thailand to complete the entire production cycle. We will be conducting further feed trials in the coming prawn season as we continue to develop the overall value proposition for the industry.

While great progress has already been made in improving efficiency and driving down costs of production and harvesting from a daily process of continuous improvement, we are still in the third quarter of 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.

To complement the expected organic growth, we are continuing to develop the concepts and plans for the modernisation of our feedmills in a number of key regions, and to identify and secure the combination of incremental volume and freight/logistics savings or arbitrages needed for a new feedmill to pass the internal Ridley project hurdle rates.

In addition to organic growth through a program of mill modernisation, Ridley is continually looking for acquisition opportunities consistent with its long term strategy to be Australia's leading producer of premium quality, high performance animal nutrition solutions.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	**2017 $'000**	2016 $'000
Revenue from continuing operations	4	**852,923**	912,561
Cost of sales		**(781,826)**	(832,329)
Gross profit		**71,097**	80,232
Finance income		**49**	183
Other income	4	**8,581**	12,121
Expenses from continuing operations:			
Selling and distribution		**(12,863)**	(13,400)
General and administrative	5	**(27,559)**	(33,235)
Finance costs	5	**(5,026)**	(5,602)
Share of net profits from equity accounted investments		**8**	16
Profit from continuing operations before income tax expense		**34,287**	40,315
Income tax expense		**(8,472)**	(13,112)
Profit from continuing operations after income tax expense		**25,815**	27,203
Profit/(loss) from discontinued operation (net of tax)		**-**	403
Net profit after tax attributable to members of Ridley Corporation Limited		**25,815**	27,606
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**25,815**	27,606
Total comprehensive income for the year attributable to:			
Ridley Corporation Limited		**25,815**	27,606
Earnings per share			
Basic earnings per share – continuing	2	**8.4c**	8.8c
Basic earnings per share	2	**8.4c**	9.0c
Diluted earnings per share - continuing	2	**8.4c**	8.8c
Diluted earnings per share	2	**8.4c**	9.0c

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

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2017

	2017 $'000	2016 $'000
Current assets		
Cash and cash equivalents	**16,535**	28,468
Receivables	**117,491**	112,352
Inventories	**83,717**	87,683
Tax asset	**380**	-
Total current assets	**218,123**	228,503
Non-current assets		
Receivables	**840**	5,537
Investment properties	**3,181**	3,140
Property, plant and equipment	**182,794**	160,209
Intangible assets	**79,284**	76,355
Investments accounted for using the equity method	**1,324**	3,663
Deferred tax asset	**5,057**	7,443
Total non-current assets	**272,480**	256,347
Total assets	**490,603**	484,850
Current liabilities		
Payables	**148,580**	145,916
Provisions	**13,540**	12,909
Tax liability	**-**	8,260
Total current liabilities	**162,120**	167,085
Non-current liabilities		
Borrowings	**68,079**	69,435
Provisions	**581**	446
Total non-current liabilities	**68,660**	69,881
Total liabilities	**230,780**	236,966
Net assets	**259,823**	247,884
Equity		
Share capital	**214,445**	214,445
Reserves	**2,895**	2,170
Retained earnings	**42,483**	31,269
Total equity	**259,823**	247,884

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	2017 $'000	2016 $'000
Cash flows from operating activities		
Receipts from customers	**938,609**	1,007,469
Payments to suppliers and employees	**(897,361)**	(979,510)
Interest received	**49**	183
Other income received	**8,581**	8,926
Interest and other costs of finance paid	**(5,499)**	(5,484)
Income tax payment	**(14,724)**	(13,972)
Net cash inflow from operating activities	**29,655**	17,612
Cash flows from investing activities		
Payments for property, plant and equipment	**(33,779)**	(34,170)
Payments for intangibles	**(3,593)**	(698)
Proceeds from sale of discontinued operation	**10,000**	19,000
Proceeds from sale of non-current assets	**3,520**	3,000
Acquisition of investment in joint venture entity	**-**	(1,324)
Net cash (outflow) from investing activities	**(23,852)**	(14,192)
Cash flows from financing activities		
Share based payment transactions	**(4,221)**	(1,050)
(Repayment)/Drawdown of borrowings	**(1,356)**	1,742
Dividends paid	**(12,159)**	(10,635)
Net cash (outflow) from financing activities	**(17,736)**	(9,943)
Net (decrease) in cash held	**(11,933)**	(6,523)
Cash at the beginning of the financial year	**28,468**	34,991
Cash at the end of the financial year	**16,535**	28,468

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.

Extract of notes to the financial statements
For the year ended 30 June 2017

Note 1 – Basis of preparation of preliminary financial report

This report has been prepared in accordance with Australian Accounting Standards relevant to the preparation of the Appendix 4E and other mandatory professional reporting requirements for the purpose of fulfilling the Group's obligation under Australian Securities Exchange (ASX) listing rules. The report is presented in Australian dollars.

The accounting policies have been applied consistently to all periods presented in the consolidated financial report. The financial report has been prepared on the basis of historical cost, except for derivative financial instruments and cash settled share-based payment arrangements which have been measured at fair value. A full description of the accounting policies adopted by the Group may be found in the Group's full financial report.

Note 2 – Earnings per share

	2017	2016
	Cents	Cents
Basic earnings per share – continuing	**8.4**	8.8
Basic earnings per share	**8.4**	9.0
Diluted earnings per share - continuing	**8.4**	8.8
Diluted earnings per share	**8.4**	9.0

	2017		2016	
	Earnings per share		Earnings per share	
	Basic	**Diluted**	Basic	Diluted
	$'000	**$'000**	$'000	$'000
Earnings used in calculating earnings per share:				
Profit after income tax – continuing operations	**25,815**	**25,815**	27,203	27,203
Profit after income tax – discontinued operation	**-**	**-**	403	403
Total	**25,815**	**25,815**	27,606	27,606
Weighted average number of shares	**Basic**	**Diluted**	Basic	Diluted
Weighted average number of shares used in calculating basic and diluted earnings per share	**307,817,071**	**307,817,071**	307,817,071	307,817,071

Note 3 – Dividends

Dividends paid during the year	**Franking**	**Payment date**	**Per share (cents)**	**2017 $'000**	2016 $'000
Interim dividend in respect of the current financial year	Fully franked	1 May 2017 (2016: 29 April 2016)	1.5 (2016: 1.5)	**4,618**	4,618
Final dividend in respect of the prior financial year	Fully franked	31 October 2016 (2016: 30 October 2015)	2.5 (2016: 2.0)	**7,695**	6,156
				12,313	10,774
Paid in cash				**12,159**	10,635
Non-cash dividends paid on employee in-substance options				**154**	139
				12,313	10,774

Extract of notes to the financial statements
For the year ended 30 June 2017

Note 3 – Dividends (continued)

	2017 $'000	2016 $'000
Since the end of the financial year, the directors declared the following dividend:		
2017 final dividend of 2.75 cents per share, fully franked, payable on 31 October 2017.	**8,465**	7,695
Dividend franking account		
Amount of franking credits available at 30 June to shareholders of Ridley Corporation Limited for subsequent financial years	**20,934**	11,487

No foreign conduit income is attributed to the dividend.

Note 4 – Revenue and Other income

	2017 $'000	2016 $'000
Revenue from continuing operations		
Sale of goods	**852,923**	912,561
Other income from continuing operations		
Business services	**630**	917
Rent received	**330**	567
Insurance proceeds - Note 5(d)	**4,156**	7,832
Profit on sale of associate	**717**	-
Profit on sale of land	**92**	2,242
Foreign exchange gains – net	**-**	121
Other	**2,656**	442
	8,581	12,121

Note 5 – Expenses

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

(a) Depreciation and amortisation (i)		
Buildings	**1,516**	1,314
Plant and equipment	**11,889**	11,078
Software	**1,064**	1,846
Intangible assets	**751**	750
	15,220	14,988

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

(b) Finance costs		
Interest expense	**5,414**	5,405
Amortisation of borrowing costs	**144**	317
Unwind of discount on deferred consideration	**(499)**	-
Capitalisation of borrowing costs	**(33)**	(120)
	5,026	5,602

Extract of notes to the financial statements
For the year ended 30 June 2017

Note 5 – Expenses (continued)

	2017 $'000	2016 $'000
(c) Other expenses		
Employee benefits expense	**76,623**	78,633
Operating lease expense	**3,947**	3,583
Bad and doubtful debt expense – net of recoveries	**33**	371
Research and development	**9,030**	5,875

(d) General and administrative expenses include in respect of the Wasleys feedmill:

Incremental operating costs, clean up and removal of debris	**556**	4,466
Impairment loss on property, plant & equipment	**-**	1,053
Inventory write offs and write downs	**-**	910
	556	6,429

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 was concluded during the 2017 financial year.

Based on the damaged assets, lost profits and AICW, total insurance revenue of $11,988,000 (2017: $4,156,000; 2016: $7,832,000 has been received and brought to account (Refer Other income - insurance claim proceeds in Note 4).

There is a net Consolidated Statement of Comprehensive Income gain for the year (before income tax) of $3,600,000 (2016: $1,403,000) between Insurance Claim Proceeds income and incremental General and Administrative expenses incurred. The income tax on the insurance proceeds received has been brought to account within the income tax expense for the 2016 and 2017 financial years.

Extract of notes to the financial statements
For the year ended 30 June 2017

Note 7 – Segment reporting

2017 financial year **$'000**	**AgriProducts**	**Property**	**Unallocated**	**Consolidated Total**
Total sales revenue – external	**852,923**	**-**	**-**	**852,923**
Other revenue	7,738	213	630	8,581
Total revenue	**860,661**	**213**	**630**	**861,504**
Share of profits of equity accounted investments	8	-	-	8
Depreciation and amortisation expense	(14,967)	(18)	(235)	(15,220)
Interest income	-	-	49	49
Finance costs	-	-	(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

Extract of notes to the financial statements
For the year ended 30 June 2017

Note 7 – Operating segments (continued)

2016 financial year $'000	AgriProducts	Property	Unallocated	Total	Property (Discontinued Operations)	Consolidated Total
Total sales revenue – external	**912,561**	**-**	**-**	**912,561**	**-**	**912,561**
Other revenue	8,415	2,638	1,068	12,121	381	12,502
Total revenue	**920,976**	**2,638**	**1,068**	**924,682**	**381**	**925,063**
Share of profits of equity accounted investments	16	-	-	16	-	16
Depreciation and amortisation expense	(14,611)	(13)	(364)	(14,988)	-	(14,988)
Impairment of property, plant and equipment	(1,053)	-	-	(1,053)	-	(1,053)
Interest income	-	-	183	183	-	183
Finance costs	-	-	(5,602)	(5,602)	-	(5,602)
Reportable segment profit/(loss) before income tax	**55,168**	**(2,060)**	**(12,793)**	**40,315**	**2,597**	**42,912**
Segment assets	425,867	3,140	52,180	481,187	-	481,187
Investments accounted for using the equity method	3,663	-	-	3,663	-	3,663
Total segment assets	429,530	3,140	52,180	484,850	-	484,850
Segment liabilities	156,181	-	80,785	236,966	-	236,966
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets (excluding the impact of business combinations)	34,868	-	-	34,868	-	34,868

Extract of notes to the financial statements
For the year ended 30 June 2017

Note 8 – Retained earnings

	2017 $'000	2016 $'000
Retained earnings		
Opening balance at 1 July	**31,269**	14,536
Net profit for the year	**25,815**	27,606
Dividends paid	**(12,313)**	(10,774)
Share based payments reserve transfer	**(2,288)**	(99)
Closing balance at 30 June	**42,483**	31,269

Note 9 – Investments accounted for using the equity method

Name of Company	Principal Activity	Country of Incorporation	Ownership Interest		Carrying Amount	
			2017 %	2016 %	**2017 $'000**	2016 $'000
Associate:						
Consolidated Manufacturing Enterprise Pty Ltd and Swanbrook Road Holding Trust [1]	Feed production	Australia	**-**	25	**-**	2,339
Joint venture entities:						
Ridley Bluewave Pty Ltd [2]	Animal protein production	Australia	**50**	50	**-**	-
Nelson Landholdings Pty Ltd as Trustee for Nelson Landholdings Trust [3]	Property realisation	Australia	**50**	50	**-**	-
Pen Ngern Feedmill Co [4]	Aquafeed production	Thailand	**49**	49	**1,324**	1,324
Investments accounted for using the equity method					**1,324**	3,663

1 Interest disposed of on 1 February 2017. Ridley's 25% of the cash proceeds was $3.3 million with a pre-tax accounting profit of $0.7 million.

2 Ridley Bluewave Pty Ltd is an incorporated joint venture established to produce animal proteins but has not traded to date.

3 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.

4 On 28 January 2016, the Group acquired a 49% interest in Pen Ngern Feed Mill Co., Ltd. (**PNFM**) for an investment of $1.3 million. PNFM is an entity domiciled in Thailand which owns and operates a dedicated aquafeed manufacturing facility. PNFM operations had been suspended prior to the investment by Ridley. Ridley's share of the start-up activities conducted prior to balance date is not material, and its cumulative share of profits or losses since acquisition of the investment will be brought to account within its joint venture accounted share of the PNFM operating result for FY18.

Extract of notes to the financial statements
For the year ended 30 June 2017

Note 9 – Investments accounted for using the equity method (continued)

[4] 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.

Note 10 – Events occurring after the balance sheet date

The amount of $17.7m owing from Huon was the subject of legal recovery proceedings which commenced in August 2016. The legal proceedings were settled by mediation in June 2017 and the receivable 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.

No other matters or circumstances have arisen since 30 June 2017 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 year.