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 2017
Previous corresponding period:	Half year ended 31 December 2016
Release date:	14 February 2018

				$A'000
Revenue from ordinary activities	Up	6%	to	449,285
Profit from ordinary activities after tax attributable to members	Down	11%	to	12,528
Net profit for the period attributable to members	Down	11%	to	12,528

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

Record date for determining entitlements to the interim dividend	5.00pm on Wednesday 25 April 2018

31 December	2017	2016
Net tangible asset backing per ordinary share	0.59	0.57

Brief Explanation

See pages 2 to 9.

14 February 2018

RIDLEY REPORTS $12.5M HALF YEAR RESULT

For statutory reporting purposes, the Ridley Corporation Limited consolidated group (**Ridley or Group**) today announced a net consolidated after tax profit (**NPAT**) of $12.5 million (**m**) for the half year ended 31 December 2017.

The Group has recorded Earnings Before Interest and Tax (**EBIT**) from Continuing Operations of $18.3m, comprising $22.8m from Ridley Operations, less Corporate costs of $4.8m plus net Property income for the period of $0.3m.

Ridley Operations recorded an operating result for the half year of $22.8m, marginally behind last year's equivalent result of $22.9m. The half year result reflects growth in Ruminant, Poultry, Pig and Supplements, and a steady but strong Packaged Products result. While the underlying Aquafeed result is consistent with the prior year, the reported result has been impacted by c.$2.6m in respect of the management, relocation, reprocessing and disposal of slow moving inventory associated with the prior year cessation of salmon feed production for Huon. A sharp decline in supply of poultry raw material for processing at the Maroota plant has severely impacted Rendering earnings, particularly in the second financial quarter. This, and the continuing lack of raw material which continues to inflate the prices being bid for red meat offal in Victoria, have offset the positive gains recorded in other operating sectors.

Increases in energy costs have, wherever possible, been absorbed by operating efficiency improvements across the business or passed through to the end user, and the increases have consequently been marginal compared to the previous six months. The Energy Buyers Group initiative in Victoria has delivered some positive results for the new electricity and gas pricing from 1 January 2018, which will limit the adverse impact of increasing energy prices in the second half year.

Corporate and Net Finance costs have been maintained at similar levels to the prior period, whilst the effective tax rate of 22% has fallen by virtue of the significant uplift in R&D activity claimable for the current and prior years, particularly with regard to the Novacq™ activities conducted at Yamba.

The net Property income for the period reflects the sale of a parcel of land at Lara which generated a net profit before tax of $0.5m to more than offset the property management costs for the period, which have been pared back by suspending the Nelson Cove joint development activity.

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 in $m	**Dec 2017**	**Dec 2016**	**Movement**
EBIT from:			
Ridley Operations	22.8	22.9	(0.1)
Corporate	(4.8)	(4.8)	-
Property	0.3	(0.5)	0.8
EBIT from Continuing Operations	**18.3**	**17.6**	**0.7**
Non-recurring Wasleys fire insurance proceeds before tax	-	3.5	(3.5)
Net finance costs	(2.3)	(2.6)	0.3
Income tax expense	(3.5)	(4.4)	0.9
Reported net profit for period	**12.5**	**14.1**	**(1.6)**

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

Earnings per share (in cents & six months only)	Dec 2017	Dec 2016	Movement
Earnings per share	4.1	4.6	(0.5)

Ridley Operations by sector

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. Management is working to reduce the overall manufacturing cost per tonne and execute its customer plan to attract new business to Lara and other regional feedmills.

Dairy sales volumes were up over 26,000 tonnes on the same period last year. Margins were improved by the corresponding reduction in manufacturing cost per tonne arising from the increased utilisation of Dairy feedmill capacity. A switching of sales mix to a lower cost option and higher raw material prices tightened the margins but the overall result achieved was well ahead of the prior year. The half year to 31 December 2017 concluded with momentum from the continuing positive sentiment on milk price outlook.

Following the recovery in full of the $17.7m overdue debt from Huon in July 2017, management has focused on the replacement of Huon salmon sales volumes and dealing with the inventory legacy issues arising from the storage and utilisation of the ageing raw materials purchased, and finished goods manufactured, for Huon prior to termination of the supply agreement in July 2016. The inventory legacy costs to 31 December 2017 have been calculated at $2.6m. Management continues to work through this issue by exploring alternative uses and re-blending options to extract maximum value from these materials in alternative, value-adding applications. These legacy issues aside, the Aquafeed sector has improved against the prior year equivalent period.

Rendering raw material intake volumes were down at Laverton and the prices tendered to retain and secure raw material input were up year on year as the industry competed for the scarce resource to keep rendering plants running. Margin erosion for the period was largely contained by virtue of the initiatives adopted in recent years to improve scheduling, invest in new boilers, minimise plant downtime, and promote sustainable operating efficiencies.

A primary source of poultry raw material intake at Maroota suffered a progressive decline in bird processing numbers during the first quarter followed by a sharp reduction in the second quarter, with the offal volumes collected for processing at the Maroota site down to a third of historical volumes by December 2017. This has had a major impact on the contribution of the Maroota operations to the Group’s half year result.

Margin management and product range remain the keys to another strong Packaged Products result for the half year.

A return to a traditional dry season in northern Australia restored the Supplements sector to profitability in the half year, with sales for the six months exceeding full year sales for FY2017.

Property Realisation

Property management and realisation costs have been restricted to essential activities, and consequently aggregate costs have been contained to only $0.2m (2017: $0.5m). These costs have been offset by a profit of $0.5m in respect of the sale of land to a local aquaculture operation to generate a net income of $0.3m for the six months.

The former salt field at Lara was subdivided during the half year into several saleable lots, the undeveloped parcels of which are zoned for aquaculture purposes. Other than the lot which was sold to an aquaculture operation in the half year, the remaining lots are currently being advertised for sale and options are being explored to generate shareholder value from this surplus land.

The suspension of Nelson Cove development approval activity with our joint venture partner was an economic necessity in light of the lack of commercially viable options reported by the State Government of Victoria in its April 2017 MOOLAP Coastal Strategic Framework PLAN.

The final instalment of the Dry Creek sale proceeds of $6m was received as scheduled prior to period end.

Corporate costs

Corporate costs of $4.8m (2016: $4.8m) are consistent with the prior year comparative.

Finance costs

Consolidated net interest and financing costs for the period were $2.3m (2016: $2.6m), and generally consistent with the prior year balances and interest rates.

Tax expense

The current period tax expense of $3.5m (2016: $4.4m) reflects a significant increase in R&D activity, particularly in respect of the Novacq™ applied R&D project but also throughout the organisation. The finalisation of the R&D claim relating to the 2017 financial year resulted in a higher deduction than originally reported. The accounting for this gives rise to an overprovision of prior year tax of $0.6m, which is recognised in the half year ended 31 December 2017 and contributes to a reduction of the effective tax rate for the period down to 22% (2016: 24%).

DIVIDEND AND CAPITAL MANAGEMENT

A final dividend for the 2017 financial year of 2.75 cents per share, fully franked, was paid to shareholders on 31 October 2017.

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 30 April 2018.

BALANCE SHEET

Current Receivables have decreased $13.2m from 30 June 2017, which is net of the July 2017 receipt of the $17.7m gross debt owing from Huon and of the full usage of the $1.0m provision for non-recovery. The movement also incorporates the December 2017 receipt of the final $6.0m instalment of deferred consideration from the prior year Dry Creek sale.

Current Inventories have increased $6.9m from 30 June 2017, which reflects an increase in rendered product at period end and purchased stocks of fish meals and oils. In addition, management is still working through the redeployment of raw material and finished goods inventory acquired and manufactured respectively in the prior year to service the former Huon salmon feed volume requirements. Alternative diet structures and re-blending processes are being examined in an endeavour to utilise this inventory in the second half year.

Current Payables have decreased by $5.0m, which includes a $9.4m reduction in drawdown of the Trade Payables facility from $48.6m to $39.2m due to Ridley's shorter grain trading positions held at period end compared to 30 June 2017. The balance of the movement reflects the timing of payments within historic trading terms and conditions.

The combined impact of the above balance sheet movements is a $3.8m increase in working capital, which we are aiming to reverse over the second half year.

Cash and cash equivalents have risen by $9.5m to $26.0m and gross Borrowings has risen by $13.1m to $81.1m, thereby increasing net borrowings by $3.7m to $55.2m.

The $7.7 million increase for the period in Property, plant and equipment (**P,P&E**) primarily reflects $15.7m of capital expenditure offset by depreciation and amortisation of $8.0m. The increase in depreciation charge from the prior year equivalent period reflects a full six months of depreciation for the Lara feedmill.

The movement in Intangibles represents $2.1m of capitalised activity primarily in respect of the Novacq™ project offset by an amortisation charge of $0.9m.

CASH FLOWS

As noted above, short term operating cash flow for the period has been affected by the increase in working capital of $3.8m (2016: $26.1m) and the capital expenditure programs in progress. Working capital and the consumption of aged inventory will be a major focus for the second half year.

Maintenance capital expenditure of $8.3m (2016: $7.3m) is consistent with prior periods and remains within the aggregate charge for depreciation and amortisation of $9.0m. The largest items of Development capital expenditure cash outflow for the period within a total outlay of $7.1m comprise ongoing plant upgrade work at Narangba, Novacq™ pond development in Thailand and development approval costs relating to the new Aquafeed mill at Westbury in Tasmania.

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Dividends paid of $8.4m comprises the 2017 final dividend of 2.75 cents per share paid on 31 October 2017, up from the prior year final dividend of 2.50 cents (2016: $7.6m).

The increase in Payments for Intangibles to $2.1m (2016: $1.0m) for the half year reflects the increased activity in respect of the Novacq™ applied R&D project, which is being capitalised in FY2018 and is scheduled to become operational from 1 July 2018.

The reduction in Net tax payments to $2.5m (2016: $10.9m) reflects a reduction in tax payable due to increased ongoing levels of claimable R&D project activity throughout the business and a $1.3m refund of reported income tax for the 2017 financial year.

The $6.0m of Proceeds from deferred consideration of Dry Creek sale represents the final instalment from the $35.0m sale of the former saltfield at Dry Creek in 2016.

The sale of a parcel of land at Lara generated Proceeds from sale of non-current assets of $0.7m and a pre-tax profit of $0.5m, using a cost base of $0.2m as reflected in the movement in Balance Sheet Investment Properties for the period.

Cash flows for the six months in $m	**Half year ended**	
	31 Dec 2017	**31 Dec 2016**
EBIT from operations	18.3	17.6
Net cash flow from non-recurring items	-	2.1
Depreciation and amortisation (P,P&E and Intangibles)	9.0	7.1
EBITDA from operations	**27.3**	**26.8**
Increase in working capital	(3.8)	(26.1)
Maintenance capital expenditure	(8.3)	(7.3)
Operating cash flow	**15.2**	**(6.6)**
Development capital expenditure	(7.1)	(14.6)
Dividends paid	(8.4)	(7.6)
Payment for Intangibles	(2.1)	(1.0)
Net finance expense	(2.4)	(2.8)
Net tax payments	(2.5)	(10.9)
Proceeds from deferred consideration of Dry Creek sale	6.0	5.0
Proceeds from sale of non-current assets	0.7	0.7
Share-based payments	(3.4)	(3.4)
Movement in other balance sheet items	0.3	2.5
Cash flow for the period	**(3.7)**	**(38.7)**
Opening net debt balance at 1 July	(51.5)	(41.0)
Closing net debt balance at 31 December	**(55.2)**	**(79.7)**

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 users of the accounts as it reflects the significant cash flows of the business.

MANAGING DIRECTOR'S REVIEW

Managing Director, Mr Tim Hart, made the following comments in respect of the Novacq™ applied R&D project. "During the six months to 31 December 2017, significant progress was made on the Novacq™ applied R&D project, both at Yamba in New South Wales and Chanthaburi in Thailand. Various dewatering and drying technologies were tested at Yamba and the preferred technology selected to complete the harvest process and facilitate the production of Novacq™ in a form capable of being processed into feed pellets. At Chanthaburi, 14 former prawn ponds were converted, power connected and plant delivered to site, and the production of Novacq™ was commenced."

“Significant efforts were made to secure Thailand Board of Investment (**BoI**) approval granting various tax concessions and other operational start up benefits and Good Manufacturing Practice (**GMP**) accreditation, and I am delighted to confirm that each of these approvals has been received since balance date. The BoI approval provides a pathway for Ridley to own land and build a blending plant in Thailand while the GMP accreditation facilitates the export of prawn and fin fish feed manufactured at the Chanthaburi feedmill in which Ridley holds a 49% ownership interest.”

“Our investment in the Novacq™ project is being capitalised for the 2018 financial year within the Non-current Intangibles asset in the Balance Sheet, with the transfer to operational status scheduled for 1 July 2018.”

In respect of the half year operating result, Mr Hart made the following comments. “There were a number of pleasing aspects within a half year result which was significantly impacted by a sharp reduction in poultry raw material intake volumes in the second quarter, as alluded to at the November Annual General Meeting. For the second half year, three important initiatives are being launched at Maroota to offset this expected ongoing reduction in poultry intake, one being the operation of a dedicated plant which produces a new, high value poultry protein concentrate, known as PPC, and the second being to find a solution to an industry issue of how to deal with spent hens. The third initiative is the rendering of whole mackerel caught off the coast of New South Wales under strict quota requirements and which will produce a high quality sustainable fish meal and fish oil.”

“The continuing shortage of red meat offal in Victoria as farmers rebuild their herd numbers is eliciting some unsustainably high tender offers from industry renderers in an endeavour to secure sufficient raw material supply to put through their plants. The margins at the Laverton plant have consequently been severely squeezed as higher prices have been required to be paid to retain or secure red meat offal supply. Prior year and ongoing initiatives to improve plant reliability and efficiency and to access new markets have supported the Rendering result in Victoria and are expected to continue to do so until the supply and demand imbalance is resolved over the next twelve to eighteen months.”

“With Rendering down on prior year performance, the creditable operating result was achieved through growth in Poultry, Pig, Dairy and Supplements, the latter returning to profitability following a more traditional dry season in northern Australia. While still below the Ridley record result of 2016, the Dairy business continued its recovery and posted solid volume growth for the period. Poultry continues to be a mainstay for the business and Pig is making steady progress in rebuilding Ridley’s presence and standing in the market. In the last four years Packaged Products has effectively grown from a supporting role to one of now five major contributing sectors to the overall result.”

“The Aquafeed business will take time to recover the volume and earnings attributable to termination of supply to Huon, and in this reporting period we have incurred significant incremental costs in managing, storing and consuming the ageing raw materials and finished goods that were on hand at the time the supply arrangements with Huon were terminated. We are still managing the reallocation and consumption of this inventory, which we are working hard to resolve by the end of the financial year.”

“Salmon sales to Tasmania were disrupted at the end of the first half year by warm sea water currents reaching the salmon pens, as this tends to give rise to a loss of appetite. These warm water currents persisted into the start of the second half year but the water temperatures appear to be returning to normal at the time of this market release. Notwithstanding the drop in salmon sales volumes in December 2017 and Huon legacy inventory issues, the underlying salmon, kingfish, barramundi and prawn business has performed generally in line with the prior year.”

OUTLOOK

Commenting on the outlook, Mr Hart said “The full year outlook for the Dairy, Poultry and Pig sectors is positive, based on solid performances in both half years. The Supplements business reported a positive first half year performance for the northern Dry Season and is well poised to service the second half year demand for its Wet Season and Magnesium Capsule products.”

“Our second half year challenges for Packaged Products are to reap the benefits of the new distributorship arrangements we have put in place and of the new product ranging and branding initiatives of the last eighteen months, and to start to grow the sales volumes without compromising the operating margins.”

“The pellet cooler and fat coater investment projects at Narangba were concluded at the end of the first half year and should deliver improved plant performance in the second half year. The ability to trial new formulations will be significantly enhanced by the commissioning of the test extruder facility at Narangba in the second half year. We have previously advised that replacing the Huon volume will take time, and we are working on a number of opportunities to secure new salmon and other fin fish volume into the business.”

“This month we have received the formal approvals to construct our new state of the art Extrusion Plant at Westbury in Tasmania, which will incorporate the latest technology capable of producing the increasingly sought after high energy aquafeed diets. The receipt of approvals is a pivotal component of our prior year restructure of the Ridley Aquafeed and pet food business and enables us to move forward with our $50 million investment. With a strong emphasis on sustainability and preservation of the pristine environment in Tasmania, the approval process has been an extended, thorough and equitable one, and we are delighted to now start placing orders and commence construction. The new facility will benefit from the latest technology and a greatly simplified supply chain and on-site storage, and from being able to collaborate more closely on new product development and dietary enhancements.”

“The outlook for the Maroota rendering operation is not what we had hoped for or expected, with the prospect of continuing depressed poultry processing volumes from what has been our major supplier of poultry offal to the site. To counteract this volume shortfall, we have been working on our high value poultry protein concentrate, or PPC, and on developing a commercial solution to be able to render spent hens (i.e. hens that have reached the end of their working life). We have also recently secured a new supply of mackerel caught off the New South Wales coast under a sustainable quota regime and which can be processed as a primary rather than secondary product or by-product. The processing of whole fish is expected to deliver high quality, high value meal and oil.”

“For the Laverton rendering operation, we believe that a state of equilibrium will be restored in due course once the Victorian herd rebuild has concluded and red meat offal supply is more forthcoming, and this may take the next twelve to eighteen months to adjust. In the meantime, inflated prices will inevitably be paid to secure supply of red meat offal for rendering and Ridley will seek to leverage its operational efficiencies and supply chain to maintain earnings.”

“As a manufacturing business exposed to agriculture, there will be earnings fluctuations in each of our sectors of operation, and our responsibility is to minimise the downside impacts of these fluctuations and to take full commercial advantage when sectors are in the upward phases of their cycle. In the six months to 31 December 2017, we had, in Poultry, Pig, Dairy and Supplements, four sectors in the positive phases of their respective cycles, Packaged Products and Aquafeed were steady, albeit we are dealing with some inventory legacy issues in Aquafeed, and we experienced headwinds in Rendering, both at Laverton and Maroota. The Laverton headwinds are cyclical and require a considered and commercially astute approach whereas any sustained loss of Maroota raw material supply necessitates an aggressive pursuit of other opportunities to create value. Looking beyond the short term cyclicality, we are maintaining a positive long term outlook for all sectors of operation.”

“We have suspended the Nelson Cove joint venture until such time as there is a change of strategic intent by the Victorian state government for the Ridley owned and leased land which could lead to a commercially viable development project. We are actively seeking land realisation opportunities for the surplus land at Lara.”

Mr Hart concluded “We remain excited about the prospects for Novacq^{TM}, and a number of our domestic prawn customers are using Novacq^{TM}-inclusive diets on a profit share arrangement for the current season, which concludes in the second half year. We will also be looking to include locally produced Novacq^{TM} into the Chanthaburi feedmill diets in the second half year. We are committed to developing our investment at Chanthaburi, Thailand, both in the feedmill joint venture and in the 100% Ridley owned production of Novacq^{TM} at the 14 ponds we have under long term lease and in which we are currently growing Novacq^{TM} for inclusion in local feed production. With BoI approval received since balance date, we are looking to expand the production facility from 14 ponds to 50 ponds in the next twelve months and to commence work on a blending plant in Thailand.”

For further information please contact:

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RIDLEY CORPORATION LIMITED

Directors' Report for the half year ended 31 December 2017

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 2017.

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 9.

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 11 and forms part of the Directors' report.

Signed at Melbourne on 14 February 2018 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 of Ridley Corporation Limited for the half-year ended 31 December 2017 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 2018

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Note	December 2017 $'000	December 2016 $'000
Revenue		449,285	422,452
Cost of sales		(413,087)	(386,281)
Gross profit		36,198	36,171
Finance income		116	15
Other income	2	1,433	5,722
Expenses:			
Selling and distribution		(6,467)	(6,791)
General and administrative		(12,811)	(13,958)
Finance costs	3	(2,401)	(2,616)
Share of net profits/(losses) from equity accounted investments	7	(38)	8
Profit before income tax		16,030	18,551
Income tax expense		(3,502)	(4,450)
Net profit after tax attributable to members of Ridley Corporation Limited		**12,528**	**14,101**
Other comprehensive income		-	-
Total comprehensive income for the period		**12,528**	**14,101**
Total comprehensive income for the period attributable to members of Ridley Corporation Limited		**12,528**	**14,101**
Earnings per share		**Cents**	**Cents**
Basic earnings per share		4.1	4.6
Diluted earnings per share		4.1	4.6

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 2017

	Note	December 2017 $'000	June 2017 $'000
Current assets			
Cash and cash equivalents		25,995	16,535
Receivables		104,297	117,491
Inventories		90,602	83,717
Tax asset		-	380
Total current assets		220,894	218,123
Non-current assets			
Receivables		801	840
Investment properties		3,030	3,181
Property, plant and equipment		190,471	182,794
Intangible assets		80,439	79,284
Investments accounted for using the equity method		1,286	1,324
Deferred tax asset		4,336	5,057
Total non-current assets		280,363	272,480
Total assets		501,257	490,603
Current liabilities			
Payables		143,616	148,580
Provisions		14,140	13,540
Tax liability		74	-
Total current liabilities		157,830	162,120
Non-current liabilities			
Borrowings		81,151	68,079
Provisions		501	581
Total non-current liabilities		81,652	68,660
Total liabilities		239,482	230,780
Net assets		261,775	259,823
Equity			
Share capital		214,445	214,445
Reserves		784	2,895
Retained earnings		46,546	42,483
Total equity		261,775	259,823

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 2017

	Share Capital	Share Based Payment Reserve	Retained Earnings	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2017	**214,445**	**2,895**	**42,483**	**259,823**
Profit for the period	-	-	12,528	12,528
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**12,528**	**12,528**
Transactions with owners recorded directly in equity				
Dividends paid	-	-	(8,465)	(8,465)
Share based payment transactions	-	(2,111)	-	(2,111)
Total transactions with owners recorded directly in equity	**-**	**(2,111)**	**(8,465)**	**(10,576)**
Balance at 31 December 2017	**214,445**	**784**	**46,546**	**261,775**

	Share Capital	Share Based Payment Reserve	Retained Earnings	Total
	$'000	$'000	$'000	$'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 equity	**-**	**(41)**	**(10,030)**	**(10,071)**
Balance at 31 December 2016	**214,445**	**2,129**	**35,340**	**251,914**

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 2017

	December 2017 $'000	December 2016 $'000
Cash flows from operating activities		
Receipts from customers	508,286	477,547
Payments to suppliers and employees	(485,893)	(478,143)
Other revenue received	1,433	3,809
Net interest and other finance costs paid	(2,383)	(2,771)
Income taxes paid	(2,540)	(10,911)
Net cash inflow/ (outflow) from operating activities	18,903	(10,469)
Cash flows from investing activities		
Payments for property, plant and equipment	(15,397)	(21,866)
Payments for intangible assets	(2,094)	(1,040)
Proceeds from sale of discontinued operation	6,000	5,000
Proceeds from sale of non-current assets	715	670
Net cash (outflow) from investing activities	(10,776)	(17,236)
Cash flows from financing activities		
Share based payment transactions	(3,382)	(3,392)
Proceeds from borrowings	13,072	41,572
Dividends paid	(8,357)	(7,591)
Net cash inflow from financing activities	1,333	30,589
Net increase in cash held	9,460	2,884
Cash at the beginning of the financial year	16,535	28,468
Cash at the end of the half year	25,995	31,352

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 2017

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 2017, 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 2017. 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 2018.

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 2017, 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 in the future not yet adopted that are relevant to the Group include:

- **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.

The Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements, however this assessment has not progressed to the stage of modelling financial outcomes.

For the sale of products, revenue is currently recognised when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point 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.

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods. IFRS 15 states that "control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits from the asset".

A customer must have the present right to direct the use of, and obtain substantially all of the remaining benefits from, an asset for an entity to recognise revenue. For example, in a contract that requires a manufacturer to produce an asset for a customer, it might be clear that the customer will ultimately have the right to direct the use of, and obtain substantially all of the remaining benefits from, the asset. However, the entity should not recognise revenue until the customer has actually obtained that right which can only occur once the feed is available for the customer to access which depending on the structure of the contract can be the point in time the goods are delivered to the customers' premises.

Notes to the financial statements
For the half year ended 31 December 2017

Note 1 – Basis of preparation of interim financial report (continued)

The Group plans to apply the new standard using the modified retrospective approach. The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as the contracts that are completed contracts at the beginning of the earliest period presented, are not restated.

The Group is currently performing a detailed assessment of the impact resulting from the application of IFRS 15, including the implications for rebates and other existing contractual arrangements.

- **AASB 9 Financial Instruments**

The application of this revised standard 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 2018 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 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 IFRS 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.

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 2017.

Notes to the financial statements
For the half year ended 31 December 2017

	CONSOLIDATED	
	December 2017	December 2016
Note 2 – Other income	**$'000**	$'000
Business services	**43**	329
Rent received	**115**	191
Profits from sales of residual property site assets	**477**	-
Insurance claim proceeds	**-**	4,038
Other	**798**	1,164
	1,433	5,722
Note 3 – Expenses		
Depreciation and amortisation	**8,968**	7,109
Finance costs:		
Interest expense	**2,496**	2,744
Amortisation of borrowing costs	**72**	72
Unwind of discount on deferred consideration	**(167)**	(167)
Capitalisation of borrowing costs	**-**	(33)
	2,401	2,616
General and administrative costs include, in respect of the Wasleys feedmill bushfire damage:		
Incremental operating costs	**-**	538
	-	538

Note 4 - Dividends

Dividends paid during the half year:

Half year ended 31 December 2017	**$'000**
Final dividend in respect of the 2017 financial year Paid on 31 October 2017 of 2.75 cents, fully franked per share	**8,465**
Half year ended 31 December 2016	
Final dividend in respect of the 2016 financial year Paid on 31 October 2016 of 2.5 cents, fully franked per share	**7,692**

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 30 April 2018.

The aggregate amount of the proposed dividend expected to be paid out of retained profits at 31 December 2017, but not recognised as a liability at half year end:	**4,617**

No foreign conduit income is attributed to the dividend.

Notes to the financial statements
For the half year ended 31 December 2017

Note 5 – Events occurring after the balance sheet date

No other matters or circumstances have arisen since 31 December 2017 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.

Note 6 – 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:

Operations 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 basis of inter-segmental transfers is market pricing. The non-operating, unallocated component in the segment reporting tables represents mainly corporate expenses, interest-bearing loans, borrowings and corporate assets.

31 December 2017 **$'000**	**OPERATIONS**	**PROPERTY**	**UNALLOCATED**	**TOTAL**
Total sales revenue	**449,285**	**-**	**-**	**449,285**
Share of net profits/(losses) of equity accounted investments	(38)	-	-	**(38)**
Interest expense	-	-	(2,401)	**(2,401)**
Reportable segment profit before income tax	**22,846**	**339**	**(7,155)**	**16,030**
Segment assets	461,278	3,030	36,949	**501,257**
Segment liabilities	156,195	-	83,287	**239,482**

Notes to the financial statements
For the half year ended 31 December 2017

Note 6 – Segment reporting (continued)

31 December 2016 $'000	OPERATIONS	PROPERTY	UNALLOCATED	TOTAL
Total sales revenue	**422,452**	**-**	**-**	**422,452**
Share of net profits 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**

Note 7 – Investments accounted for using the equity method

Name of Company	Principal Activity	Country of Incorporation	Ownership Interest %		Contribution to Net Profit/(Loss) $'000	
Jointly controlled entities:			**2017**	2016	**2017**	2016
Ridley Bluewave Pty Ltd - # De-registration in progress	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. Ltd	Aquafeed production.	Thailand	**49**	49	**(38)**	8
Investments accounted for using the equity method					**(38)**	8

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

In the ordinary course of business the Group may be subject to legal proceedings or claims. Where there is significant uncertainty as to whether a future liability will arise in respect of these items, or the amount of liability (if any) which may arise cannot be reliably measured, these items are accounted for as contingent liabilities. Based on information available as of the date of this report, the Group does not expect any of these items to result in a material loss.

Directors' Declaration

In the opinion of the Directors of Ridley Corporation Limited:

a. the financial statements and notes set out on pages 12 to 20 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 2017 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 2018

Independent Auditor's Review Report

To the shareholders of Ridley Corporation Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Ridley Corporation Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Ridley Corporation Limited 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 2017 and of its performance for ***Half-year Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Consolidated condensed balance sheet as at 31 December 2017
- Consolidated condensed statement of comprehensive income, Consolidated condensed statement of changes in equity and Consolidated condensed statement of cash flows for the Half-year Period ended on that date
- Notes 1 to 8 comprising a summary of significant accounting policies and other explanatory information
- The Director's Declaration.

The ***Group*** comprises the Company and the entities it controlled at the Half-year's end or from time to time during the Half-year Period.

The ***Half-year Period*** is the 6 months ended on 31 December 2017.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year 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 Half-year 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 2017 and its performance for the Half-year 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 a Half-year Period 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.

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

KPMG

KPMG

Chris Sargent
Partner

Melbourne

14 February 2018