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 2019
Previous corresponding period:	Financial year ended 30 June 2018
Release date:	23 August 2019

	$A'000
Revenue from continuing operations	Up 9.2% to 1,002,583
Profit from continuing operations after tax	Up 35.4% to 23,565
Net profit for the period attributable to members	Up 35.4% to 23,565
Total comprehensive income attributable to members	Up 29.2% to 23,162

Dividends	**Amount per security**	**Franked amount per security**
Final dividend	2.75	100%
Interim dividend	1.50	100%

After the balance sheet date, a 2019 final dividend of 2.75 cents per share, fully franked and payable wholly in cash on Thursday 31 October 2019 was declared by the directors. The DRP will be suspended for the purposes of this 2019 final dividend as the directors believe that the issue of share capital at the current Ridley share price trading range is dilutive and not in the best interests of Ridley shareholders.

Record date for determining entitlements to the final dividend	18 October 2019

	30 June 2019	30 June 2018
Net tangible asset backing per ordinary share	0.62	0.59

Brief Explanation

See pages 2 to 10.

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 $23.6 MILLION

Results

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

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

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

Table 2 – Profit and loss account in $ million

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

Results (continued)

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

The reported Ridley Operations EBIT of $40.5m (Table 2) is $2.8m below last year's $43.3m before non-recurring items, largely as a result of lower poultry tonnes arising from a combination of the drop in finisher feed attributable to shorter bird life throughout the industry, improved feed conversion ratios for customers on Ridley diets, and the non-renewal of the Ingham's supply agreement which expired in October 2018. The absence of the former Red Lea poultry raw material supply at Maroota and the first year of commercialisation of Novacq™ at Yamba have also impacted the FY19 operating result.

Positive year on year earnings improvements have been recorded in Dairy, Beef and Sheep, Laverton Rendering, Supplements and Packaged Products, while high energy costs continue to challenge the business.

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

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

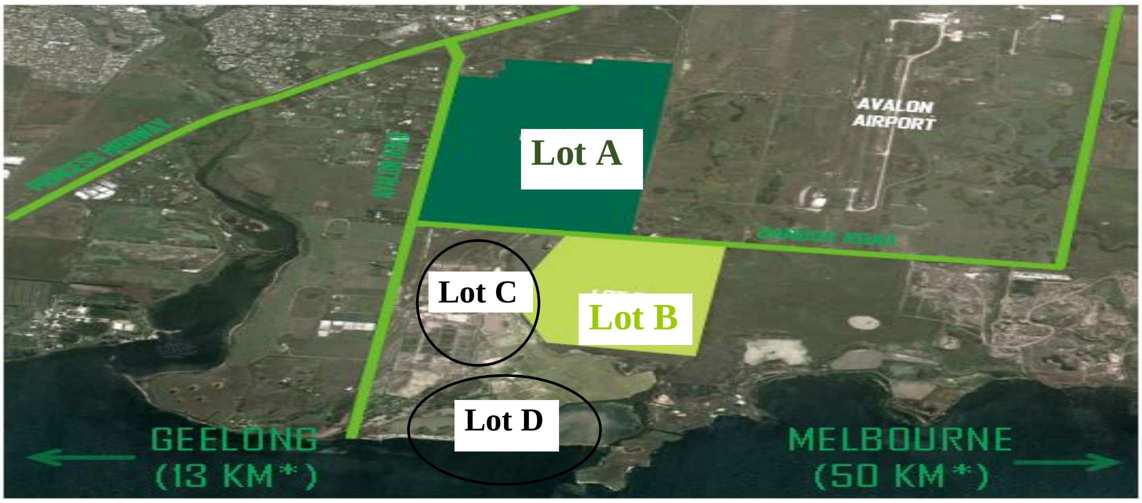
The $6.8m income tax expense and 22.3% effective tax rate for FY19 includes the application of $4.5m of capital losses against the July 2018 Lot A and C property sales, a $0.2m overprovision in the prior year, and the tax benefit from the sustained levels of Research and Development (**R&D**) activity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

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

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

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

Table 3 – Lara land



Balance Sheet

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

(i) A $48.6m increase in net debt for the year from $52.8m to $101.4m, reflecting the capital investment program to construct two new plants at Westbury in Tasmania and Wellsford in Central Victoria.

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

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

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

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

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

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

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

Dividend

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

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

Cash flow and working capital

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

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

Cash flow and working capital (continued)

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

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

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

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

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

Table 4 – Statement of cash flows in $ million

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

Cash flow and working capital (continued)

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

Earnings per share

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

Gearing and financing facility

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

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

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

Capital movements

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

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

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

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

Segments

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

Segments (continued)

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

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

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

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

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

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

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

Risks

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

- **Cyclical fluctuations impacting the demand for animal nutrition products -** by operating in several business sectors within the domestic economy, (namely poultry and pig, dairy, 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 for the feed Ridley manufactures on their behalf, the impact of fluctuations in raw material prices associated with domestic and world harvest cycles is mitigated.
- **Influence of natural pasture on supplementary feed decision making -** whilst not being able to control the availability of natural pasture, Ridley believes there is a compelling commercial justification for supplementary feeding in each of its sectors of operation, whether that be measured in terms of milk yield and herd 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 the 2016 outbreak of White Spot disease (White Spot Syndrome Virus or WSSV) in the Logan River region of Queensland which devastated a number of affected farms in the region.

Risks (continued)

- **Customer concentration and risk of customer vertical integration -** Ridley endeavours to enter into long term sales and supply contracts with its customers and suppliers. This provides a degree of confidence in order to plan appropriate shift structures, procurement and supply chain activities in the short term and capital expenditure programs in the long term, while actively managing the risk of stranded assets and backward integration into feed production by significant customers. The ongoing commercial viability of key customers and suppliers is generally beyond the control of Ridley, as evidenced by the FY18 appointment of an administrator to the Red Lea poultry producer which was a major supplier of poultry raw material to Maroota Rendering. The potential for disputes to arise with customers over animal performance linked to feed is a significant risk.

- **Corporate -** risks such as safety, recruitment and retention of high calibre employees, inadequate innovation and new product development, customer credit risk, climate risk, interest rate, foreign exchange and inappropriate raw material purchases, are all managed through the Company's risk management framework which includes review and monitoring by the Executive Lead Team.

Outlook

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

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

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

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

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

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

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

Outlook (continued)

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

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

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

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

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

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

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

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

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

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

Outlook (continued)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $'000	2018 $'000
Revenue from continuing operations	4	**1,002,583**	917,660
Cost of sales		**(930,033)**	(848,914)
Gross profit		**72,550**	68,746
Finance income		**481**	465
Other income	4	**7,300**	6,248
Expenses from continuing operations:			
Selling and distribution		**(14,049)**	(13,246)
General and administrative	5(d)	**(29,908)**	(35,193)
Finance costs	5(b)	**(5,554)**	(5,113)
Share of net losses from equity accounted investments		**(481)**	(188)
Profit from continuing operations before income tax expense		**30,339**	21,719
Income tax expense		**(6,774)**	(4,310)
Profit from continuing operations after income tax expense		**23,565**	17,409
Net profit after tax attributable to members of Ridley Corporation Limited		**23,565**	17,409
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Available for sale financial assets – net change in fair value		(403)	520
Other comprehensive income for the year, net of tax		**(403)**	520
Total comprehensive income for the year		**23,162**	17,929
Total comprehensive income for the year attributable to:			
Ridley Corporation Limited		**23,162**	17,929
Earnings per share	2		
Basic earnings per share – continuing		**7.6c**	5.7c
Basic earnings per share		**7.6c**	5.7c
Diluted earnings per share – continuing		**7.6c**	5.6c
Diluted earnings per share		**7.6c**	5.6c

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

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2019

	Note	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents		**17,483**	23,441
Receivables		**108,212**	104,005
Inventories		**83,829**	76,666
Tax asset		**-**	3,019
Assets held for sale		**182**	1,133
Total current assets		**209,706**	208,264
Non-current assets			
Receivables		**11,673**	8,644
Investment properties		**1,265**	1,275
Property, plant and equipment		**259,323**	202,596
Intangible assets		**85,670**	82,485
Investments accounted for using the equity method	8	**655**	1,136
Available for sale financial assets		**1,725**	2,300
Deferred tax asset		**3,737**	3,619
Total non-current assets		**364,048**	302,055
Total assets		**573,754**	510,319
Current liabilities			
Payables		**158,759**	155,897
Provisions		**16,006**	14,592
Tax liability		**2,046**	-
Total current liabilities		**176,811**	170,489
Non-current liabilities			
Borrowings		**118,926**	76,222
Provisions		**518**	501
Total non-current liabilities		**119,944**	76,723
Total liabilities		**296,255**	247,212
Net assets		**277,499**	263,107
Equity			
Share capital		**218,941**	214,445
Reserves		**3,718**	3,760
Retained earnings	6	**54,840**	44,902
Total equity		**277,499**	263,107

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

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

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 2019

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

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

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

	2019	2018
Weighted average number of shares used in calculating Basic earnings per share	**308,297,610**	307,817,071
Weighted average number of shares used in calculating Diluted earnings per share	**308,297,610**	310,685,570

Basic earnings per share

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

Diluted earnings per share

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

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

Extract of notes to the financial statements
For the year ended 30 June 2019

Note 3 – Dividends

Dividends paid during the year	**Franking**	**Payment date**	**Per share (cents)**	**2019 $'000**	2018 $'000
Interim dividend in respect of the current financial year	Fully franked	10 May 2019 (2018: 30 April 2018)	1.5 (2018: 1.5)	**4,618**	4,618
Final dividend in respect of the prior financial year	Fully franked	31 October 2018 (2018: 31 October 2017)	2.75 (2018: 2.75)	**8,465**	8,465
				13,083	**13,083**

Paid in cash	**11,727**	12,918
Paid through the issue of shares #	**1,193**	-
Non-cash dividends paid on employee in-substance options	**163**	165
	13,083	13,083

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

Since the end of the financial year, the directors have declared the following dividend:

2019 final dividend of 2.75 cents per share, fully franked, payable wholly in cash on 31 October 2019. The DRP will be suspended for the purposes of this 2019 final dividend as the directors believe that the issue of share capital at the current Ridley share price trading range is dilutive and not in the best interests of Ridley shareholders.	**8,465**	8,465

Dividend franking account

Amount of franking credits available at 30 June to shareholders of Ridley Corporation Limited for subsequent financial years	**17,321**	21,273

No foreign conduit income is attributed to the dividend.

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

Extract of notes to the financial statements
For the year ended 30 June 2019

Note 5 – Expenses

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

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

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

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

(c) Other expenses

Employee benefits expense	**85,471**	80,528
Operating lease expense #	**4,313**	4,116
Bad and doubtful debt expense – net of recoveries	**163**	505
Research and development	**24,480**	19,200

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

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

(d) General and administrative expenses include:

Aquafeed inventory legacy costs before income tax	**-**	11,658

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

Extract of notes to the financial statements
For the year ended 30 June 2019

Note 6 – Retained earnings

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

Note 7 – Segment reporting

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

Extract of notes to the financial statements
For the year ended 30 June 2019

Note 7 – Segment reporting (continued)

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

Note 8 – Investments accounted for using the equity method

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

1 Ridley Bluewave Pty Ltd was deregistered on 15 February 2018.

Extract of notes to the financial statements
For the year ended 30 June 2019

Note 8 – Investments accounted for using the equity method (continued)

[2] The Company and Unit Trust are the corporate structure through which any ultimate development of the Moolap site will be managed. There are a number of restrictions for this entity to protect the interests of each party, being Ridley and development partner Sanctuary Living, which cause the entity to be reported as a joint venture rather than controlled entity. Despite this classification for reporting purposes, Ridley retains full control of the value and use of the land at Moolap until such time as Ridley resolves to commit the land to the project.

[3] On 28 January 2016, the Group acquired a 49% interest in Pen Ngern Feed Mill Co., Ltd. (**PNFM**) for an investment of $1.3 million. PNFM is an entity domiciled in Thailand which owns and operates a dedicated aquafeed manufacturing facility at Chanthaburi. Movements in the Carrying Amount reflect Ridley's equity accounted share of the operating result for PNFM.

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

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

Note 9 – Events occurring after the balance sheet date

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

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

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

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