ANNUAL REPORT

OPTIMISATION. INNOVATION. GROWTH.

2021

CONTENTS

ABN 33 006 708 765

ABOUT THE COMPANY

Ridley Corporation proudly stands as an Australian-based agribusiness focused on being the country's leading producer of premium quality, high-performance animal nutrition solutions.

Our business

As one of the largest domestic consumers of Australian-grown cereal grains and a significant employer in farming communities, Ridley is continually providing support to primary producers and rural Australia. The Ridley operation is a pivotal and trusted supplier of high-performance nutrition to the major food producers in the dairy, poultry, pig, aquaculture, sheep and beef industries, to the laboratory animals in the research sector, and to the equine, canine and home layer markets in the recreational sector.

Ridley's product range comprises commercial stockfeeds delivered in bulk and mostly in pellet form, except for a mash offering available in certain markets and regions, and packaged feeds and ingredients, including raw materials, additives, supplements and animal meals, delivered in packaged form ranging from one-tonne bulka bags to 3kg feed bags.

The Ridley animal meals, which include meat and bone meal, poultry meal, hydrolysed feather meal, blood meal, fish meal and animal fats, are an important and valuable source of protein for animal feed produced from otherwise surplus by-products, which are subjected to a process called rendering. Ridley operates rendering plants in Victoria and New South Wales through which most of its animal meal feed requirements are sourced and from which external sales are made to the stockfeed and pet food industries, both domestically and overseas.

With major brands including Barastoc, Rumevite, Cobber and Primo, and recently launched Food for Dogs, and with a product range to accommodate starter feed solutions, Ridley has developed a portfolio that provides a first-class lifecycle solution.

BARASTOC COBBER Rumevite primo AQUACULTURE FOOD FOR Dogs

HIGHLIGHTS

EBITDA (Underlying)

$69m

+16% YOY growth

NPAT (Reported)

$25m

PCP loss $11m

Operating Cash Flow

$82m

+43% YOY

Leverage

1.2x

PCP 2.6x

ROFE

8.6%

PCP (4.2)%

Dividend

2.0cps

100% franked

Health and safety performance

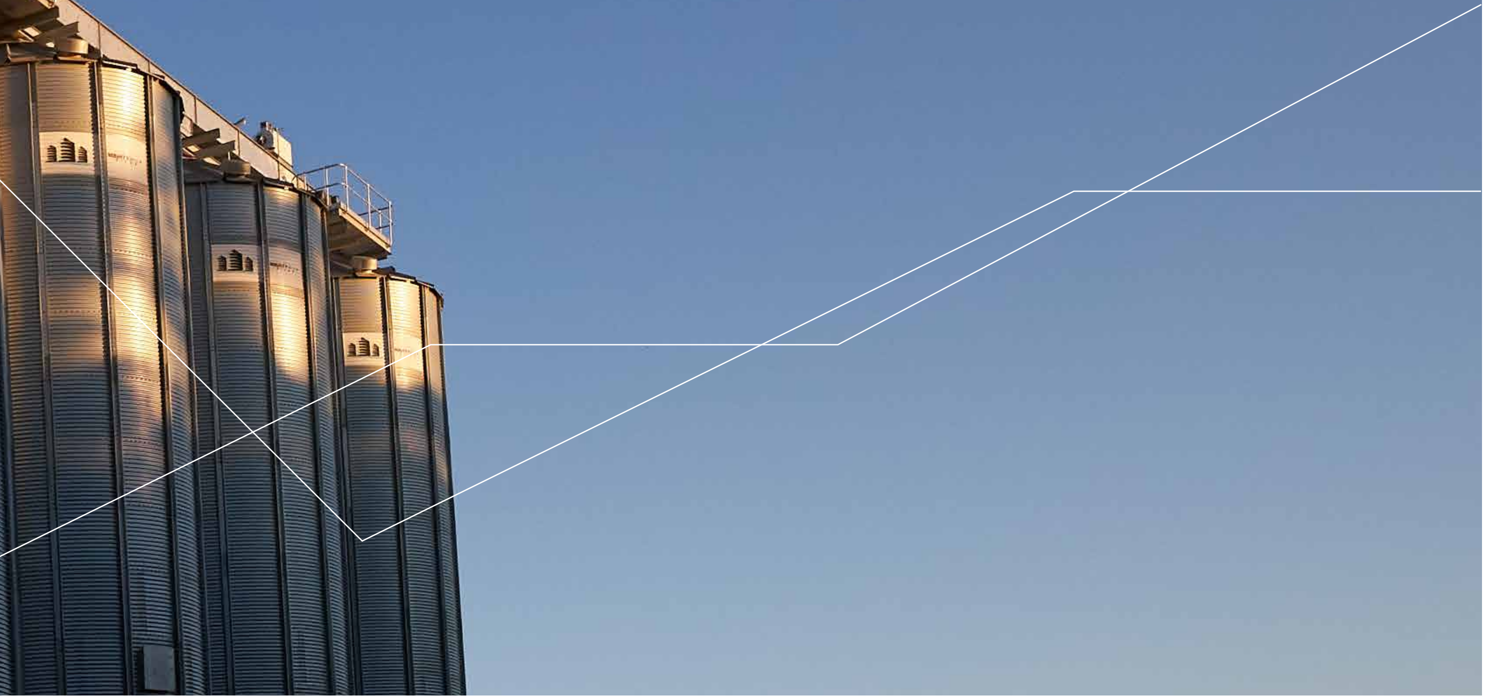
- Demonstrated resilience in dealing with the operational challenges of the global COVID-19 pandemic
- Maintained focus on safety: 2.38 LTIFR and TRFR of 5.55
- Committed to ongoing process of continuous improvement in all aspects of safety

Strong earnings and cash generation

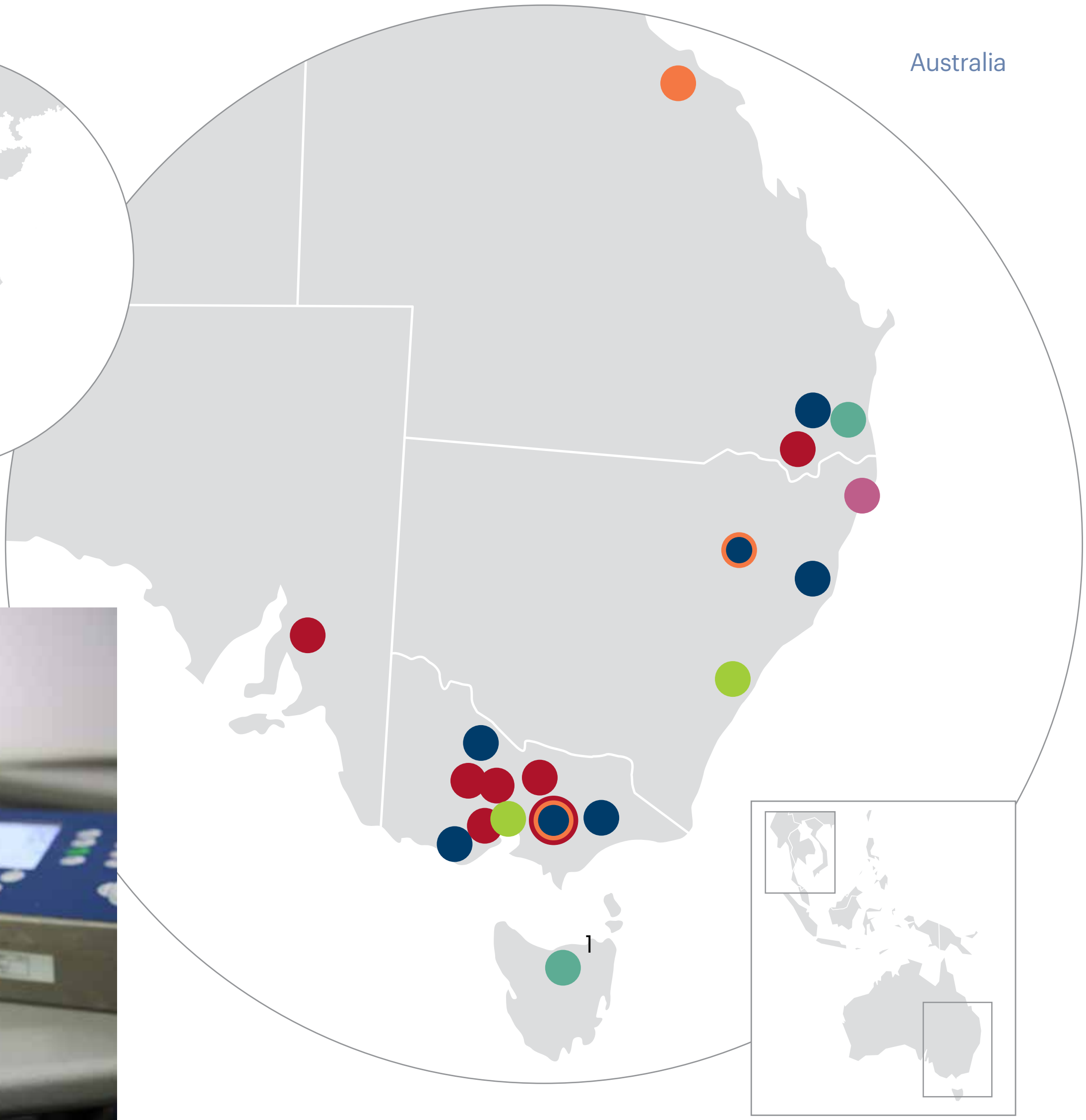
- Growth Strategy delivered 16% year on year growth in underlying EBITDA
- Cash conversion ratio of 119% achieved with inventory reduced to pre-COVID-19 levels
- Net debt reduced by $64m and year end leverage ratio to 1.2x

Driving shareholder value

- Bendigo and Mooroopna feedmills closed with production consolidated into the new state-of-the-art Wellsford feedmill which concludes the major asset refresh capital program
- Return on funds employed improved to 8.6%
- Dividend payments resumed



RIDLEY LOCATIONS AND SECTORS



Business Unit	Products
Bulk Stockfeeds	
Monogastric	Pellet, meals, concentrates and premixes for poultry and pigs
Ruminant	Pellet, meals, concentrates and premixes for dairy cattle, beef cattle and sheep
Packaged Feeds and Ingredients	
Packaged Products and Supplements	Bagged poultry, dairy, dog, horse and lifestyle animal feed, and block and loose lick supplements
Aquafeed	Extruded and steam pelleted products for all major fin fish and prawns 1. Divestment of Westbury extrusion plant completed on 2 August 2021.
Novacq™	Novel value-adding feed ingredient being commercialised for sale into prawn feed globally
Rendering	Rendered poultry, red meat and fish products for the pet food, stockfeed and aquaculture sectors


QOR:
Order:
Contract:
Lab:
Site:
Carrier:
Spec Group:
Vendor:
QOR1176008
PPO653467 [1]
CN045416
TLI:
Delivery Date:
Exp Quantity:
TLI2442260
01/05/2019
30 Tonnes
Westbury [1420]
SUPPLIER DELIVERY
Wheat H2 [CSG-102]
Wheat [100001] [RIDLEY]
Retention Sample
Lab Analysis
Internal
External


RIDLEY
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CHAIR AND MANAGING DIRECTOR'S REVIEW

With a clear focus on customer expectations and operational performance, the business performed well in FY21, delivering on the key financial metrics of earnings growth, cash generation and debt reduction, while successfully navigating the challenges presented by the COVID-19 pandemic for our customers, suppliers and staff.

Mick McMahon
Chair and Independent Non-Executive Director

Quinton Hildebrand
Chief Executive Officer and Managing Director

Having delivered a comprehensive restructure of the business in the prior year, the focus in Financial Year 2021 (**FY21**) shifted to the execution of new strategies supported by a refocused organisational structure. It is pleasing to report that this yielded much improved financial performance, with progress on all of the key financial indicators, as summarised in the following table:

SUMMARY ($ million unless otherwise stated)	2021	2020	Movement
EBITDA – ongoing operations	69.1	59.5	▲ 9.6
Total comprehensive income	24.9	(10.7)	▲ 35.6
Operating cash flow	82.4	39.8	▲ 42.6
Net debt	83.1	147.2	▼ 64.1
Leverage ratio (times)	1.20	2.63	▼ 1.43
Earnings Per Share (cents)	7.8	(3.4)	▲ 11.2

Underpinning these financial results was a solid operational performance, reflecting the simplification of the business, clearer accountability and higher overall asset utilisation. All this was achieved in a year in which our customers, suppliers and employees had to contend with the uncertainty presented by the COVID-19 pandemic.

Focus on health and safety

Our customers rely on Ridley to provide an essential service for animal welfare while supporting key elements of the Australian food chain. Extensive measures were put in place to ensure the continuity of this service and protect our employees, customers and suppliers from COVID-19. We also deployed a number of initiatives to assist employees as they dealt with the related challenges. These measures are likely to be required for some time as we collectively chart our way through this pandemic.

In FY21, Ridley recorded a Lost Time Injury Frequency Rate (**LTIFR**) of 2.38 and Total Recordable Frequency Rate (**TRFR**) of 5.55. Our employees continued to demonstrate a strong commitment to safety during a challenging year and we look forward to building on this result as we strive for injury free operations.

Improved operating performance

Ridley recently adopted new reporting segments: Packaged Feeds and Ingredients, and Bulk Stockfeeds.

The Packaged Feeds and Ingredients segment performed strongly during FY21, delivering an EBITDA of $46.5m. The main contributor to the segment's increase in performance year on year was the Rendering business unit, where the gains can be attributed equally to ongoing yield improvement and product premiumisation initiatives, and the higher market prices for rendered oils and meals. The branded Packaged Products business also grew earnings in its traditional rural distribution channels whilst augmenting this with new product lines into the urban pet specialty chains. Margins in the Aquafeed business were adversely impacted as we sought to grow volumes in a market with surplus feed production capacity. The segment carried a small loss from Novacq™ with the Thailand site commencing commercial operations from 1 July 2020 (previously capitalised as an Intangible Applied R&D Project asset).

The Bulk Stockfeeds segment contributed an EBITDA of $32.5m, with a stronger operational performance in the second half of the year. This was led by the increase in sales volumes to the pig and poultry sectors and the seamless transition to the new Wellsford feed mill with the closure of the Mooroopna feed mill in February 2021. Beef and sheep sales remained below the record 'drought feeding' levels experienced in FY20, as on-farm pastures provided better support for livestock.

The two operating segments combined to record an EBITDA of $79.0m, from which consistent year on year corporate costs of $9.9m were deducted to generate a $69.1m consolidated EBITDA for FY21.

During the year, sales of surplus land assets at Lara and Moolap in Victoria combined to generate a pre-tax gain of $3.6m, while a change in accounting policy for the treatment of costs associated with Software-as-a-Service necessitated the expensing of $3.6m of previously capitalised costs to profit and loss for the year. These items are both reported as Individually Significant Items but netted to have an immaterial impact.

Positioned for the future

On 3 August 2020 the new Wellsford feedmill was officially opened and over the course of the year replaced the volumes supplied from the former Bendigo and Mooroopna feedmills. The state-of-the-art Wellsford facility is the largest in the Ridley stable giving rise to operational improvements, energy savings and enhanced quality control.

On 24 May 2021, Ridley announced the sale of the Westbury aquafeed facility in Tasmania for $54.85m. Given the surplus extrusion capacity in Tasmania, the Westbury facility had been underutilised since its commissioning in FY20 and was likely to remain so into the foreseeable future. With the Narangba extrusion facility in Queensland scheduled to complete its $4.5m upgrade in July, Ridley was presented with the opportunity to consolidate all its aquafeed supply into one facility.

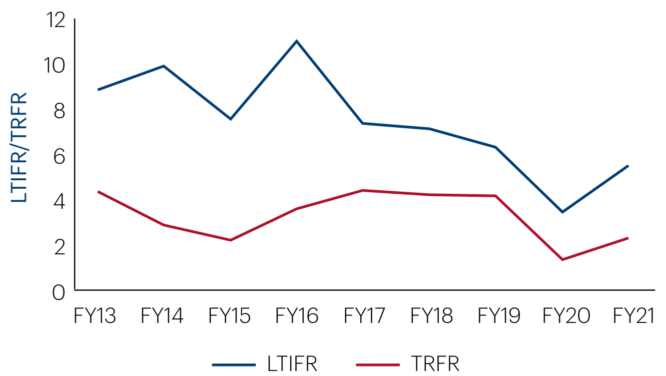
The journey to operational excellence is one of continuous improvement and employee commitment at the workplace

Focus on accountability and planning to promote:

- Safer working conditions
- Improved quality performance
- Environmental leadership
- Efficient operations

Process of continuous improvement and positive workplace employee engagement towards zero injury target

Safety performance in COVID-19 environment



The Westbury divestment was subsequently approved by the Australian Competition and Consumer Commission and the transaction completed on 2 August 2021. In reverting to a single aquafeed facility servicing the Australian and New Zealand aquaculture industry, we expect to achieve improved outcomes for customers and shareholders while delivering an EBITDA benefit in the coming year.

Strengthened Balance Sheet

The strong earnings growth, and reduction in inventory to pre COVID-19 levels, facilitated the retirement of $64.1m of net debt in FY21. At 30 June 2021 the leverage ratio had reduced to 1.2 times, with the subsequent receipt of the Westbury facility sale proceeds reducing this further.

Having restored a strong balance sheet, the Board developed a Capital Allocation Framework to guide the future capital discipline of the Company and maximise shareholder returns. This framework prioritises the provision of maintenance, Environmental, Social and Governance (**ESG**) and working capital requirements to sustain the future earnings of the Company and support a conservatively geared balance sheet. Thereafter, surplus cash flows will be available to pay dividends and fund growth opportunities.

Applying this new Capital Allocation Framework, the Board has approved $15m, over and above our normal capex program, for multiple small profit-improvement projects across the business over an 18 month period. These projects, collectively referred to as Project Boost, are all within our core business, adding capability, debottlenecking capacity or improving efficiency. Once fully operational, the annualised earnings contribution from Project Boost is estimated at $9m per annum, with an expected combined payback of under three years.

On the back of the strengthened balance sheet and the positive outlook for the business, the Board also announced the resumption of dividend payments, with a 2 cents per share, fully franked cash dividend to be paid on 29 October 2021.

Looking Forward

We expect Ridley to grow earnings and cash in FY22 through:

- continued momentum in the underlying business segments;
- the ongoing delivery of the Growth Strategy;
- the expected returns from the Project Boost capital reinvestment program; and
- improved focus and accountability from the restructured organisation.

In FY22, the Company aims to develop a comprehensive sustainability strategy that will identify the key ESG risks and opportunities facing the business and provide a reporting framework against which our performance can be assessed by shareholders.

Finally, the introduction of the Capital Allocation Framework will support a disciplined approach to capital management with the aim of delivering improved shareholder returns, whilst maintaining a strong balance sheet and supporting business growth.

Acknowledgements

On behalf of the Board, we would like to thank all Ridley employees for their resilience and hard work in a challenging but productive year. We would also like to thank our customers and suppliers for their commitment to Ridley, particularly with the challenges of the global pandemic.

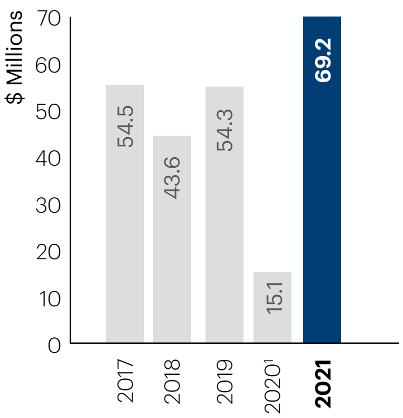
And finally, to our shareholders, thank you for your ongoing support.

FIVE YEAR SUMMARY

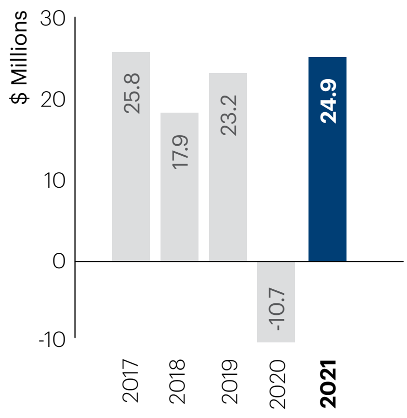
A$'000 unless otherwise stated	2021 Actual	2020[1] Actual	2019 Actual	2018 Actual	2017 Actual
Operating results					
Revenue	**927,719**	967,942	1,002,583	917,660	852,923
Other income	**4,917**	1,082	7,300	6,248	8,581
EBITDA	**69,178**	15,084	54,315	43,629	54,484
Depreciation and amortisation (DA)	**29,629**	26,159	18,903	17,262	15,220
Earnings before interest and tax (EBIT)	**39,549**	(11,075)	35,412	26,367	39,264
Net finance cost	**4,509**	5,828	5,073	4,648	4,977
Operating (loss)/profit before tax	**35,040**	(16,903)	30,339	21,719	34,287
Tax benefit/(expense)	**(10,144)**	6,041	(6,774)	(4,310)	(8,472)
Net (loss)/profit after income tax attributable to members	**24,896**	(10,862)	23,565	17,409	25,815
Other comprehensive income/(loss)(net of tax)	**-**	114	(403)	520	-
Total comprehensive (loss)/income	**24,896**	(10,748)	23,162	17,929	25,815
Net loss/(profit) on individually significant items (net of tax)	**(28)**	32,808	(3,641)	-	-
Profit attributable to members before significant items	**24,868**	22,060	19,521	17,929	25,815
Financial position					
Ridley shareholders' funds	**287,545**	259,537	277,499	263,107	259,823
Intangible assets	**75,892**	75,001	85,670	82,485	79,284
Total assets	**613,061**	644,618	573,754	510,319	490,603
Total liabilities	**325,516**	385,081	296,255	247,212	230,780
Net debt	**83,096**	147,182	101,443	52,781	51,544
Market capitalisation	**363,557**	226,407	366,875	423,248	426,327
Enterprise value (market capitalisation plus net debt)	**446,653**	373,589	468,318	476,029	477,871
Development capital expenditure	**10,423**	42,900	60,000	21,100	19,600
Operating cash flow (statutory)	**85,778**	22,367	36,824	50,900	29,655
Closing share price (cents)	**114.00**	72.50	119.00	137.50	138.50
Weighted average number of shares on issue – non-diluted (thousands)	**318,910**	312,285	308,298	307,817	307,817
Number of employees (number)	**612**	622	697	710	697
Key profitability ratios					
Sales tonnes (millions)	**1.75**	1.80	1.89	2.05	1.93
EBITDA/tonne ($)	**39.53**	8.38	28.74	21.28	28.23
EBITDA: shareholders' funds (%)	**24%**	6%	20%	17%	21%
Return on shareholders' funds (%)	**8.6**	(4.2)	8.5	6.7	10.2
Earnings per share (EPS) (cents)	**7.8**	(3.4)	7.6	5.7	8.4
Total Shareholder Return (%)	**60.0**	(37.8)	(10.4)	2.3	1.8
EPS growth (%)	**324.4**	(145.8)	33.3	(32.6)	(6.6)
EBITDA growth (%)	**358.6**	(72.2)	24.5	(19.9)	(10.3)
Operating cash flow/EBITDA (times)	**1.2**	1.5	0.7	1.2	0.5
Operating cash flow per share (cents)	**26.9**	7.2	11.9	16.5	9.6
Market capitalisation/operating cash flow (times)	**4.2**	10.1	10.0	8.3	14.4
EBITDA per employee (A$'000)	**113.0**	24.3	77.9	61.4	78.2
Capital market and structure ratios					
Gearing: Debt/Debt plus Equity (being Enterprise Value) (%)	**19%**	39%	22%	11%	11%
Interest cover: EBITDA/net interest (times)	**15.3**	2.6	10.7	9.4	10.9
Market capitalisation/EBITDA (times)	**5.3**	15.0	6.8	9.7	7.8
EBITDA per share (cents)	**21.7**	4.8	17.6	14.2	17.7
Enterprise value/EBITDA (times)	**6.5**	24.8	8.6	10.9	8.8
Price/Earnings (P/E) ratio (share price/EPS)(times)	**14.6**	(20.8)	15.7	24.1	16.5
Net debt/shareholders' equity (%)	**28.9**	56.7	36.6	20.1	19.8
Equity/Total Assets (%)	**46.9**	40.3	48.4	51.6	53.0
Net debt/EBITDA (times)	**1.2**	9.8	1.9	1.2	0.9
Net tangible asset (NTA) backing per share (cents)	**66.4**	59.1	62.2	58.7	58.7
Dividends per share (cents)	**2.00**	1.50	4.25	4.25	4.0
Dividend payout ratio (%)	**25.6**	(43.6)	56.6	73.0	47.7
Percentage franked (%)	**100**	100	100	100	100

1. FY20 restated following change in accounting policy per Note 33(xi) to the accounts.

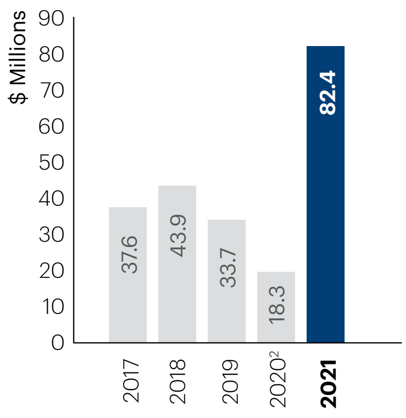
EBITDA from Continuing Operations



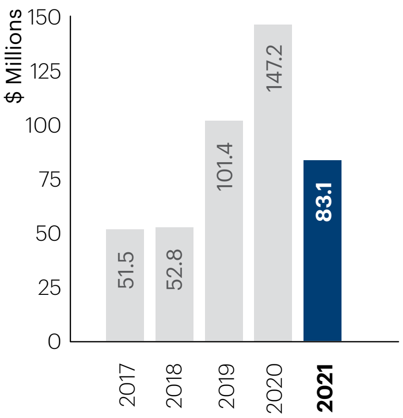
Consolidated NPAT



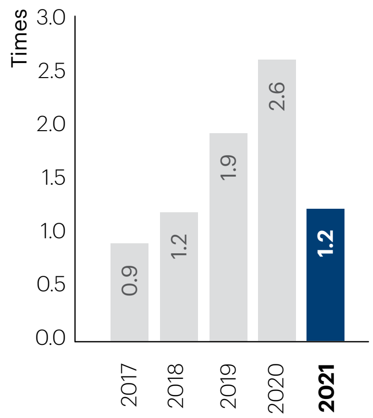
Operating Cash Flow (Statutory)



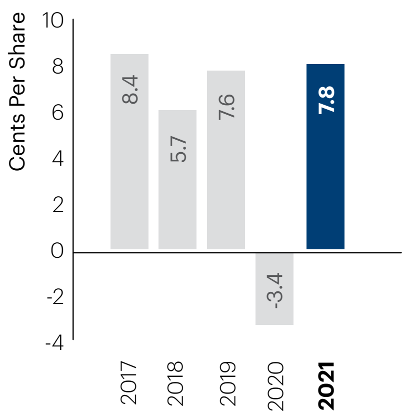
Net Debt



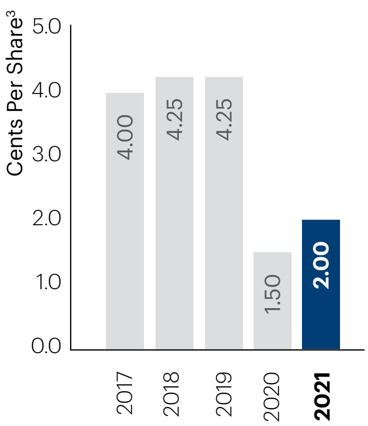
Leverage Ratio (Per Banking Facility)



Earnings Per Share



Dividends



1. FY20 restated following change in accounting policy.
2. $39.8m before individually significant items.
3. Payable in respect of the financial year.

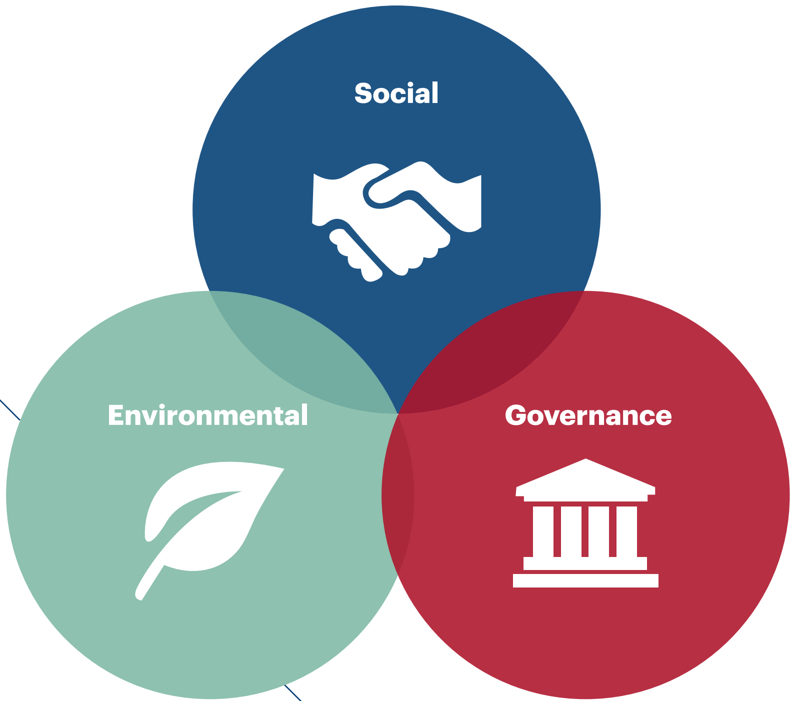
SUSTAINABILITY REVIEW

Ridley's 2021 Corporate Governance Statement, outlining the key aspects of the corporate governance framework that has been established by the Board, and which has operated throughout the year, can be found on the Company's website at www.ridley.com.au/corporate-governance/corporate-governance.

Ridley is mindful of the importance of considering and managing the environmental and sustainability issues and risks that arise through its involvement in the animal feed production sector. Ridley is in the process of developing a comprehensive sustainability strategy that is expected to be released in FY22. This process will further identify the key ESG risks and opportunities facing the business, assist us to identify additional measures to manage those risks, establish baselines and provide a reporting framework against which our performance can be assessed.

Some of the key steps taken to manage Ridley's ESG issues and risks in FY21 are set out in this section.

Social responsibility and management of workplace practices, human capital and relationships with local communities



Environmental accountability as a steward of nature, including climate change emissions and pollution

Governance issues of leadership, executive remuneration, audit and accounting, ethics and shareholder rights

Social

(i) Safety first

Ridley has maintained its focus on health and safety throughout the COVID-19 pandemic, with the safety and well-being of its staff, suppliers and customers remaining the Company's number one priority. The Lost Time Injury Frequency Rate (**LTIFR**) of 2.38 and Total Recordable Frequency Rate (**TRFR**) of 5.55 reported for FY21 reflect the continuing safety focus throughout the business.

(ii) Product safety

Ridley is committed to maintaining and improving quality and safety standards for all our products. During FY21, the Hazard Analysis Critical Control Points (**HACCP**) Plans of all Ridley sites were reviewed and certification was successfully maintained for all relevant sites through FeedSafe® and HACCP. Where required, specialised certifications were obtained from APVMA, ARA, Global GAP, BAP, Primesafe, ISO9001, FDA and PFIAA.

(iii) Modern Slavery

Ridley seeks to protect against any form of Modern Slavery or Human Trafficking within the organisation or as part of the supply chain. On 23 February 2021, the Board approved the Company's first Modern Slavery Statement, which is available on the Company's website at: www.ridley.com.au/social-responsibility/modern-slavery-statement. This statement provides details of the process the Company has begun to review and assess the modern slavery risks in its operations and supply chains and the future areas of focus to better assess and address modern slavery risks.

(iv) Community support

Ridley is committed to helping the local communities in which we operate. We provided support to local community groups through our Site Donations Program.

(v) Employee engagement

Ridley conducted its bi-annual Employee Opinion Survey (**EOS**) in FY21. The EOS aims to measure employee alignment and engagement, recognising these factors are important for long-term sustainable performance.

The survey indicated an improvement of 14% on both Alignment and Engagement from the survey conducted in FY19. To continue the positive momentum, a number of group-wide initiatives have been implemented to improve company communications and reorganise our meeting cadence. In addition, individual site teams have developed action plans specific to the survey feedback on their workgroup. Ridley plans to conduct a further survey of its employees in FY22 to track progress on employee engagement.

Environmental

(i) Water usage, energy efficiency and greenhouse gas (GHG) emissions.

In FY21 all Ridley sites were charged with making reductions in the consumption of gas and electricity per tonne, utilising less water, and generating less trade waste. The Rendering business unit, as a significant user of water and energy, has been effectively reducing its environmental footprint over the past five years and in 2021 recorded a 9.6% reduction in water consumption, 2.1% reduction in gas and 1.7% reduction in electricity usage, for every tonne of raw product processed.

As part of the development of a comprehensive Sustainability strategy, Ridley intends to establish a baseline for every operational site to measure our progress in reducing our energy and water consumption and reducing our GHG emissions.

(ii) Odour and waste reduction

Odour management is an ongoing requirement for site management and requires regular investment to ensure the proper functioning of all biofilters. During FY21, Ridley addressed deficiencies at two of our feedmills with the installation of odour management systems for a total cost of c.$1.5m.

At our rendering plants in FY21, we achieved a 9.1% reduction in trade waste and have invested further capital to reduce the nutrient concentrations in our waste water.

(iii) Biosecurity

The biosecurity controls embedded in the business proved to be robust in FY21 as we successfully responded to a few isolated threats. In addition, site Biosecurity Plans were adapted to protect our people and mitigate against the potential for business interruption arising from COVID-19 risks.

(iv) Australian Packaging Covenant

Ridley is a proud signatory of the Australian Packaging Covenant and the Sustainable Packaging Guidelines and during the year progressed initiatives consistent with this commitment.

(v) Converting food co-products into ingredients

Our Rendering business continues to be an Australian leader in processing food industry co-products into valuable protein meals and oils for the aquafeed, petfood, poultry feed, pig feed and renewable biodiesel sectors. Without such processes, many of these co-products would end up in landfills.

SUSTAINABILITY REVIEW CONTINUED

Through continuous improvement, we aim to increase the digestibility of the land-based animal protein meals we produce so that less ingredient input is required to achieve the requisite nutritional specifications. As an example, in FY21 we further developed our new Chicken Protein Concentrate product which is 15% higher in protein and 20% higher in digestibility than normal poultry meal, serving as a sustainable replacement for ocean-sourced fish meal.

In FY21, we focused more strongly on the growing renewable fuels sector and directed more than 70% of our tallow production into biodiesel.

Governance

Ridley pursued the principles outlined in its Corporate Governance Statement during the year. One area of focus in FY21 has been ensuring that all employees enjoy an equal employment opportunity, and in particular for women in the workplace.

(i) Workplace Gender Equality Agency

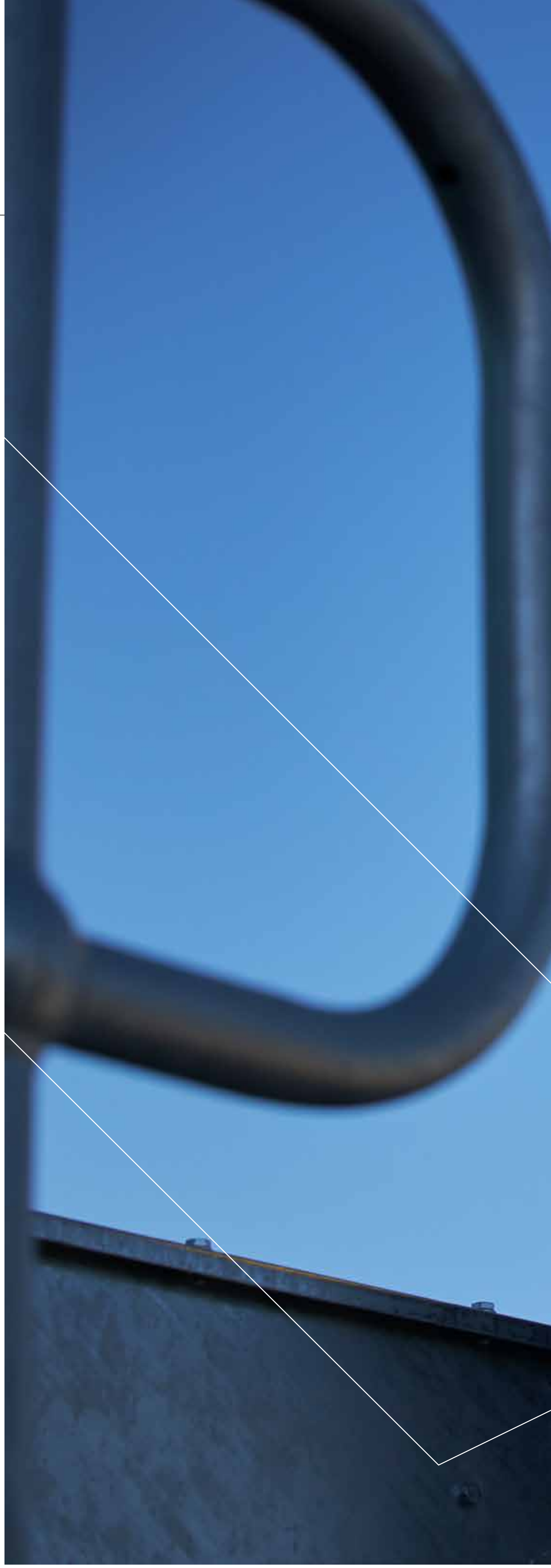
The Workplace Gender Equality Agency 2020-21 Compliance Program report has been submitted and is publicly available for review at www.ridley.com.au/corporate-governance/corporate-governance.

(ii) Gender Diversity and Inclusion Strategy

As described in the Ridley Corporate Governance Statement, the Company adopted a new Gender Diversity and Inclusion Strategy in FY21 which involves:

- **Pillar 1:** Commitment to creating a diverse workforce, with initiatives including:
  - > Increasing the pipeline of talent at entry level through implementing a Graduate Programme;
  - > Reviewing recruitment practices against leading initiatives in market;
  - > Introducing minimum female candidates and interview panel composition requirements; and
  - > Mentoring for female employees.

- **Pillar 2:** Enabling an inclusive organisational climate, with initiatives under this pillar including:
  - > Demonstrating no tolerance to bullying and harassment;
  - > Conducting periodic compliance reviews of our key policies on Remuneration, Diversity and Code of Conduct; and
  - > Developing flexible job and organisational design.




RIDLEY
RIDLEY

Working with our customers to improve the supply chain's environmental footprint

Case Study: Sustainable sourcing

Propel: In FY21, Ridley and CSIRO scientists collectively developed a range of prawn feed diets called Propel, a locally produced prawn feed that meets Best Aquaculture Practice standards.

Depending on the feeding phase, Propel contains low to zero marine ingredients and low levels of protein, thereby not only reducing the dependence on marine resources but also the nitrogen levels in the water.

Propel improves performance and promotes the health of prawns when compared to high-performing diets with high protein and marine ingredient levels. This improved performance was achieved though the combined use of Novacq™, (a novel feed additive developed by CSIRO and exclusively licensed to Ridley in all jurisdictions other than Vietnam and China), and a highly digestible land-based animal protein concentrate developed and commercialised by Ridley.

The Propel S starter feed for juveniles was launched in July 2021 and won rapid acceptance in the market, while the Propel G grower feed with a sub-40% protein content will be marketed in FY23 following trials to be undertaken in FY22.

Prawns fed on Ridley Novacq™ – inclusive diets with no fish meal or fish oil inclusion

Case Study: Methane Emissions reduction

Methane abatement: The Australian beef industry is actively seeking solutions that reduce its carbon footprint through methane abatement methodologies and technologies. Some of the proposed methods are presently uneconomical or impractical for beef farmers.

In FY21, Ridley proposed offering weaners a Ridley supplement of about 1kg per head per day during the dry season, which was expected to improve daily weight gain by 0.34kg. Through the adoption of this practice, animals under extensive management exhibited weight gain during the dry season, whilst also improving the reproductive performance of the breeding herd.

Ridley and external scientists have demonstrated that, at current cattle prices, the addition of this supplement reduced the CO^2-equivalent per kg of meat by 10–20%, with gross margin improvements of at least $16–$35 per head.

In FY22, Ridley is approaching large beef enterprises to promote the implementation of this supplementary feeding method.

By feeding a Ridley supplement to weaners, beef producers reduce methane emissions and increase profitability.

BOARD OF DIRECTORS

Mick McMahon
BEc (UTAS)/Harvard AMP 176

Independent Non-Executive Director from 27 August 2020 and Ridley Chair from 27 August 2020

Appointed on 27 August 2020, Mr McMahon is a former Managing Director and CEO of Ingham's Group Limited, led Inghams through its Initial Public Offering (**IPO**) process and was Executive Chairman prior to its IPO. Mick has over 35 years management and Director experience, having served as Managing Director and CEO of Skilled Group for five years, Chief Operating Officer of Coles Supermarkets and Managing Director of Coles Express during five years at Coles, and spent 19 years with Royal Dutch Shell both in Australia and overseas.

Mr McMahon is a former Non-Executive Director of Metcash Limited and former Chairman of Red Rock Leisure. In September 2021, Mr McMahon was appointed the CEO of Seafarms Group Limited.

Mr McMahon graduated in Economics from the University of Tasmania and has completed the Advanced Management Program at Harvard Business School.

Other current listed company directorships

Seafarms Group Limited.

Former listed company directorships in the last three years

Ingham's Group Limited from January 2015 to October 2019 (during which time it became a publicly listed entity).

Quinton L Hildebrand
BSc AgEcon, MBA

Chief Executive Officer and Managing Director

Mr Hildebrand has more than 20 years of experience in the agribusiness and food industries across Australia and in South Africa. Quinton has extensive experience in general management, commerce, marketing, sales, supply chain and logistics, planning and operations.

In his most recent role, which commenced in 2015, Mr Hildebrand was Chief Commercial Officer and Operations Excellence Director at Ingham's Group Limited. In 2018, Mr Hildebrand was appointed as Interim Chief Executive Officer (CEO).

Prior to joining Ingham's Group Limited, Mr Hildebrand was CEO of Mackay Sugar Limited from 2008 to 2015, General Manager Marketing at Illovo Sugar in South Africa from 2007 to 2008, and International Marketing Director at South African Sugar Association from 2001 to 2007.

Mr Hildebrand has a Bachelor of Science in Agricultural Economics from the University of Natal in South Africa, a Master of Business Administration from the Edinburgh Business School in Scotland, and a Graduate Diploma in Banking from the Institute of Bankers in South Africa.

Other current listed company directorships

None.

Former listed company directorships in the last three years

None.

Patria M Mann
BEc FAICD

Independent Non-Executive Director

Appointed in March 2008, Mrs Mann has over 17 years' experience as a Non-Executive Director across various sectors and is currently also on the boards of Event Hospitality & Entertainment Limited and Bega Cheese Limited. As an experienced Director and a former partner at KPMG, Patria brings strong ASX, audit, risk management and governance experience to the Board. Patria qualified as a Chartered Accountant and is a Fellow of the Institute of Company Directors.

Other current listed company directorships

Event Hospitality & Entertainment Limited from October 2013.

Bega Cheese Limited from 10 September 2019.

Former listed company directorships in the last three years

None.

Professor Robert J van Barneveld
B.Agr.Sc. (Hon), PhD, R.An. Nutr., FAICD

Independent Non-Executive Director

Appointed in June 2010, Professor van Barneveld is a registered animal nutritionist, has a Bachelor of Agricultural Science with a major in Animal Production and a PhD from the University of Queensland. Rob brings to the Board a wealth of experience in the agricultural sector, and is the Group CEO and Managing Director of the Sunpork Group, which includes farms, abattoirs, value-adding and food businesses. Rob also serves on the Board of the Australasian Pork Research Institute Ltd and is Chairman of Autism CRC Ltd. Rob is an adjunct Professor in the school of environmental and rural science at the University of New England.

Other current listed company directorships

None.

Former listed company directorships in the last three years

None.

Ejnar Knudsen

CFA

Non-Executive Director

Appointed in June 2013, Ejnar Knudsen is the CEO of AGR Partners, LLC, an associated entity of Ridley's largest shareholder, AGR Agricultural Investments LLC (formerly known as Insitor Holdings, LLC). Ejnar has more than 20 years of experience investing in and operating food and agriculture companies. Ejnar was Executive Vice President of Western Milling, a startup California grain and feed milling company that grew to over $1 billion in sales. Ejnar spent ten years as Vice President for Rabobank in New York managing a loan portfolio, equity investments, and corporate advisory services. Prior to founding AGR Partners, Ejnar was Co-Portfolio Manager of Passport Capital's Agriculture Fund and Craton Capital.

Other current listed company directorships

Green Plain Inc.

Former listed company directorships in the last three years

None.

David J Lord

MBA (Executive), Grad. Dip. Bus (Management) (Monash) MAICD

Independent Non-Executive Director

Appointed in April 2016, Mr Lord has enjoyed a senior management career in consumer products and agribusiness, most recently as President and Chief Operating Officer of Saputo Dairy Division (Australia), as CEO and Managing Director of Warrnambool Cheese & Butter Factory Company Limited (ASX:WCB), and he currently serves on the board of Dairy Australia Corporation. Between 2002 and 2009, David was CEO and Managing Director of Parmalat Australia. David has extensive executive director experience in supply chain, the domestic markets for consumer and industrial food products, and the marketing of Australian dairy products in the international commodity markets. From 28 June 2019 to 26 August 2019, Mr Lord was appointed to the executive position as Interim CEO for the Ridley consolidated group while it conducted its CEO search.

Other current listed company directorships

None.

Former listed company directorships in the last three years

None.

Rhys Jones

BSc (Chem), BBS(Hons) (1st), MBS

Independent Non-Executive Director from 27 August 2020

Appointed on 27 August 2020, Mr Jones has a 30-year career working in the Australasian building, manufacturing and packaging industries. Rhys is currently the Managing Director and Chief Executive Officer of Vulcan, a large privately owned trans Tasman steel distributor with over 30 business units across Australasia. He is also a Director of Metro Performance Glass Ltd. Prior to joining Vulcan in 2006, Rhys held senior roles in particular with Carter Holt Harvey and Fletcher Challenge, including as Chief Operating Officer of the Pulp, Paper and Packaging businesses of Carter Holt Harvey.

Other current listed company directorships

Metro Performance Glass Limited.

Former listed company directorships in the last three years

None.

FINANCIAL REPORT

DIRECTORS' REPORT

For the Year Ended 30 June 2021

The Directors of Ridley Corporation Limited (**Ridley** or the **Company**) present their report for the Group (the **Group**), being the Company and its subsidiaries, and the Group's interest in equity accounted investments at the end of, or during, the financial year (**FY**) ended 30 June 2021 (**FY21**).

1. Directors

The following persons were Directors of Ridley Corporation Limited during the whole of the financial year and up to the date of this report unless otherwise stated:

M McMahon[1]	Q L Hildebrand	D J Lord	R J van Barneveld
P M Mann	E Knudsen	R Jones[1]	G H Weiss[2]

1. Appointed on 27 August 2020.
2. Retired on 26 August 2020.

2. Principal activities

The principal continuing activities of the Group during the year were the production of premium quality, high-performance animal nutrition solutions.

3. Results – Growth Strategy delivering improved earnings

Results

The highlights of the Ridley Corporation Limited consolidated group (**Ridley or Group**) FY21 results are:

- $9.6 million (m), or 16.1% increase in EBITDA from ongoing operations (before Individually Significant Items) on prior corresponding period driven by the execution of Ridley's Growth Strategy and demonstrating resilience to seasonal changes and the impacts of COVID-19.
- $64.1m, or 44% reduction in net debt from $147.2m to $83.1m, driven by earnings, working capital reduction and disciplined controls over capital expenditure.

Summary ($ million unless otherwise stated)	2021	2020	Movement
EBITDA – ongoing operations[1]	**69.1**	59.5	▲ 9.6
Total comprehensive income/(loss)	**24.9**	(10.7)[3]	▲ 35.6
Operating cash flow[1]	**82.4**	39.8	▲ 42.6
Net debt	**83.1**	147.2	▼ 64.1
Leverage ratio (times)[1,2]	**1.20**	2.63[3]	▼ 1.43
Earnings per share (cents)	**7.8**	(3.4)[3]	▲ 11.2

1. Before individually significant items.
2. Calculated as net debt/last 12 months EBITDA per banking facility covenant calculations.
3. Restated FY20 Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash Flows as detailed in Note 34.

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

4. Review of operations

For statutory reporting purposes, the Consolidated Profit and Loss from continuing operations after income tax for the year was a profit of $24.9m (2020: $10.7m restated loss). The Consolidated Profit and Loss from continuing operations before income tax for the year was a profit of $35.0m (2020: $16.9m restated loss).

In support of the strong financial performance of the business, the Company has delivered another strong safety performance with employees demonstrating resilience in dealing with the operational challenges of the global COVID-19 pandemic.

Segment performance

Following the business restructure, from 1 July 2020 the Group adopted two reporting segments: Packaged Feeds and Ingredients, and Bulk Stockfeeds.

The Packaged Feeds and Ingredients segment performed strongly, delivering an EBITDA of $46.5m. The main contributor to the segment's increase in performance year on year was the Rendering Business Unit, where the gains can be attributed equally to the ongoing yield improvement and product premiumisation initiatives, and the higher market prices for rendered oils and meals. The branded Packaged Products business also grew earnings in its traditional rural distribution channels while augmenting this with new product lines into the urban pet specialty chains. Margins in the Aquafeed business were adversely impacted as we sought to grow volumes in a market with surplus feed production capacity. The segment carried a small loss from Novacq™, with the Thailand site commencing commercial operations on 1 July 2020 (previously capitalised as an Intangible Applied R&D Project asset).

The Bulk Stockfeeds segment contributed an EBITDA of $32.5m, with a stronger operational performance in the second half of the year. This was led by an increase in sales volumes to the pig and poultry sectors and the seamless transition to the new Wellsford feedmill with the closure of the Mooroopna feedmill in February 2021. Beef and sheep sales remain below the record 'drought feeding' levels experienced in FY20 with the return to normal on-farm pasture.

The corporate cost of $9.9m is consistent with the prior year while the 22% reduction in net finance costs to $4.5m reflects lower interest rates and the commencement of debt retirement.

Cash flows and debt

The increased earnings, a reduction in inventory and disciplined capital expenditure management has generated an operating cash flow before significant items of $82.4m for FY21. The cash conversion from ongoing operations was 119% (FY20: 67%).

This strong cash generation has reduced net debt as at 30 June 2021 to $83.1m, down $64.1m from 30 June 2020, and the FY21 leverage ratio has reduced to 1.20 times.

Earnings per share

The earnings per share as at 30 June is reflected in the table below:

		2021 Cents	**2020[1] Cents**
Basic/diluted earnings per share	– Continuing	**7.8/7.6**	(3.4)/(3.4)
	– Before individually significant items	**7.8/7.6**	7.1/7.1

1. Restated FY20 Consolidated Statement of Comprehensive Income as detailed in Note 34.

The Directors believe that the presentation of the unaudited non-IFRS EPS calculation before individually significant items above is useful for users of the accounts as it reflects the underlying earnings per share of the business.

Individually significant items (Note 5(d))

(i) Property sales

The sale of the surplus land at Lara and Moolap generated a FY21 pre-tax profit of $3.7m ($2.6m after tax).

(ii) Software-as-a-Service (**SaaS**) arrangements

The International Financial Reporting Standards Interpretations Committee (**IFRIC**) has issued a final agenda decision which impacts SaaS arrangements. The Group's accounting policy has traditionally been to capitalise costs related to SaaS arrangements as capital work in progress in the Consolidated Balance Sheet. The adoption of the agenda decision has resulted in a change in accounting policy, giving rise to a reclassification of $3.6m of FY21 costs (FY20: $1.1m) that had previously been capitalised as an asset in the Consolidated Balance Sheet to an expense in the Statement of Comprehensive Income (Note 34).

The pre-tax net effect of the two FY21 individually significant items is $28,000.

Events occurring after the balance sheet date

The sale of the Westbury extrusion plant for $54.85m was completed on 2 August 2021. The asset has been reflected as a current asset held for sale at 30 June 2021 and a profit on sale in excess of $7.0m will be brought to account in FY22.

A contract for the sale of former feedmill at Bendigo was executed on 27 July 2021 for gross proceeds of $2.2m, and a contract for the sale of the former feedmill at Mooroopna was executed on 13 August 2021 for $1.65m. The sales will generate a pre-tax gain on sale in FY22 in the vicinity of $2.8m.

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, companion animals, consumer goods 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 less pronounced.
- **Influence of natural pasture on supplementary feed decision making –** while 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 ruminant sectors of operation, whether that be measured in terms of milk yield or herd wellbeing and feed conversion.
- **Impact on domestic and export markets in the event of disease outbreak in livestock –** Ridley operates in several business sectors exposed to different animal species and has a footprint of feedmills dispersed across the eastern states of Australia that provide geographical segregation to reduce the exposure to a disease outbreak occurring within a customer's (supplier's in the case of rendering) operations.
- **Claims or market access restrictions due to product contamination or the delivery of product that is not in specification –** Ridley has a strategy of plant segregation and operational controls in place to effectively manage its own risk of product contamination across the various species sectors. HACCP (hazard analysis and critical control points) Plans are deployed across the business to adhere to product specifications.
- **Customer and supplier concentration and risk of customer and supplier vertical integration or risk of losing a significant customer or supplier –** Ridley endeavours to enter into long-term sales and supply contracts with its customers and suppliers. This strategy 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 and forward integration into rendering by significant suppliers.
- **Commercialising Novacq™ –** the full commercialisation of Novacq™, including risk mitigation strategies, is being actively managed by Ridley; however, there are significant risks with any start-up business, some of which are beyond Ridley's control and could further delay commercialisation.
- **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 risk, foreign exchange risk and inappropriate raw material purchases, risk of lower than anticipated return on capital invested and risk of lower underlying earnings are all managed through the Group's risk management framework, which includes review and monitoring by the executive lead team.

Overlaying the day-to-day business activity risks are the unique operational risks associated with the COVID-19 pandemic, the management of which has necessitated the introduction of a vast array of new practices, processes and procedures collectively designed to ensure the safety and wellbeing of all Ridley and related personnel while maintaining essential continuity of supply to all farmers of livestock.

Among a host of other risk management measures, segregation of shift structures, a thorough cleaning regime using external contractors and a dedicated internal team have been introduced for all operational sites in order to be able to manage any potential infection which may be detected within a particular shift structure. To date, these measures have proven to be effective; however, all personnel have been instructed to be vigilant and diligent in adhering to the new requirements, which will remain in place for the foreseeable future and until such time as there is a significant shift in the risk profile.

4. Review of operations continued

Outlook

With the organisational restructure in FY20, a new platform was established to drive accountability and operational efficiencies while ensuring a more customer-orientated business. This has created sustainable improvements in the underlying performance of the business which continues to gain in momentum.

Ridley considers it is well placed to grow earnings and cash in the year ahead through:

- continued momentum in the underlying business segments;
- the ongoing delivery of the Growth Strategy; and
- the expected returns from the Project Boost capital reinvestment program.

The developing Capital Allocation Framework is aimed at delivering attractive shareholder returns, while maintaining a strong balance sheet and supporting business growth.

5. Significant changes in the state of affairs

Other than as reported in Section 4 of this report, there were no significant changes in the state of affairs of the Group during the year ended 30 June 2021.

6. Dividends and distributions to shareholders

There were no dividends paid during the financial year.

Following a year of strong operating performance, cash generation and debt retirement in FY21, the Board has declared a final dividend of 2 cents per share (**cps**), fully franked and payable on Friday 29 October 2021 for a cash outlay of approximately $6.4m.

7. Directors' and executives' remuneration

Refer to the Remuneration Report.

8. Meetings of Directors

The number of Directors' meetings and meetings of committees of Directors held during the financial year, and the number of meetings attended by each Director as a committee member are as shown in the following table.

	Board		Audit and Risk Committee		Remuneration and Nominations Committee		Ridley Innovation and Operational Committee	
Directors	**H**	**A**	**H**	**A**	**H**	**A**	**H**	**A**
M McMahon[1]	12	12	3	3	3	3		
Q L Hildebrand	13	13					4	4
P M Mann	13	13	4	4	3	3		
R J van Barneveld	13	13	4	4			4	4
E Knudsen	13	13					4	4
D J Lord	13	13			3	3		
R Jones[1]	12	12	3	3	3	3		
G H Weiss[2]	1	1	1	1	1	1		

References to Director meeting attendance table:

1. Appointed on 27 August 2020 but attended August meeting of the Board and Audit and Risk Committee by invitation as observers only.
2. Retired on 26 August 2020.

H: Number of meetings held during period of office.

A: Number of meetings attended.

9. Information on Directors

Particulars of shares and performance rights in the Company held by Directors, together with a profile of the Directors, are set out in the Board of Directors section in the Annual Report and in the Remuneration Report.

10. Company Secretary

Mr Alan Boyd was Company Secretary until his resignation on 23 February 2021, whereupon Ms Amy Alston was appointed as Company Secretary.

11. Share options and performance rights

Unissued ordinary shares of Ridley Corporation Limited and controlled entities under options and performance rights at the date of this report are as follows:

	Number	Expiry date
Ridley Corporation Long Term and Special Retention Incentive Plan (**Rights**)	11,825,275	Various
Ridley Employee Share Scheme (**Options**)*	3,802,382	Various

* The share grant and supporting loan together in substance comprise a share option.

No holder has any right under the above plan and scheme to participate in any other share issue of the Company or of any other entity. The Company will issue shares when the options and performance rights are exercised. Further details are provided in Note 25 in the Notes to the Financial Statements and in the Remuneration Report.

The names of all persons who currently hold options granted under the option plans are entered in the register kept by the Company, pursuant to section 215 of the *Corporations Act 2001*. The register is available for inspection at the Company's registered office.

12. Environmental regulation

The Group's manufacturing activities are subject to environmental regulation. Management ensures that any registrations, licences or permits required for the Group's operations are obtained and observed.

Ridley has environmental risk management reporting processes that provide senior management and the Directors with periodic reports on environmental matters, including rectification actions for any issues as identified. In accordance with its environmental procedures, the Group monitors environmental compliance of all of its operations on an ongoing basis. The Board is not aware of any environmental matters likely to have a material financial impact.

The Group is subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007* (Cth) (**NGER**), which governs the reporting and dissemination of information about greenhouse gas emissions, greenhouse gas projects and energy use and production. Ridley continues to comply with its NGER reporting requirements.

13. Post balance date events

The sale of the Westbury extrusion plant for $54.85m was completed on 2 August 2021. The asset has been reflected as a current asset held for sale at 30 June 2021 and a gain on sale in excess of $7.0m will be brought to account in FY22.

The former feedmill at Bendigo was sold on 27 July 2021 for gross proceeds of $2.2m and former feedmill at Mooroopna sold on 13 August 2021 for $1.65m. The sales will generate a pre-tax gain on sale in FY22 in the vicinity of $2.8m.

There were no other matters or circumstances that have arisen since 30 June 2021 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.

14. Insurance

Regulation 113 of the Company’s Constitution indemnifies officers to the extent now permitted by law.

A Deed of Indemnity (**Deed**) was approved by shareholders at the 1998 Annual General Meeting. Subsequent to this approval, the Company has entered into the Deed with all the Company’s Directors, the secretary of the Company, and the Directors of all the subsidiaries.

The Deed requires the Company to maintain insurance to cover the Directors in relation to liabilities incurred while acting as a Director of the Company or a subsidiary and costs involved in defending proceedings. During the year the Company paid a premium in respect of such insurance covering the Directors and secretaries of the Company and its controlled entities, and the general managers of the Group.

15. Non-audit services

The Company may decide to employ the auditor (**KPMG**) on assignments in addition to the statutory audit function where the auditor’s expertise and experience with the Company and/or the Group are important and valuable.

The Board has considered the non-audit services and, in accordance with the advice received from the Audit and Risk Committee, is satisfied that the provision of such expertise on separately negotiated fee arrangements is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services provided during FY21 have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor’s own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company, or jointly sharing economic risk and rewards.

A copy of the auditor’s independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page [37] and forms part of this report.

During the year the following fees were paid or are payable for services provided by the auditor of the parent entity and its related practices:

	$
Audit and review of financial reports	339,750
Other assurance, taxation and due diligence services	85,931
Total	425,681

16. Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2018/191 issued by the Australian Securities and Investments Commission relating to the ‘rounding off’ of amounts in the Directors’ Report and financial statements. Amounts in the Directors’ Report and the consolidated financial statements have been rounded off to the nearest thousand dollars in accordance with that legislative instrument, unless otherwise indicated.

Signed in Melbourne on 25 August 2021 in accordance with a resolution of the Directors.

Mick McMahon
Director and Ridley Chair

Quinton L Hildebrand
CEO and Managing Director

REMUNERATION REPORT – AUDITED

The Directors of Ridley Corporation Limited (**Ridley** or **Company**) present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the Company and the Group, being the Company and its subsidiaries (**Group**), and the Group's interest in equity accounted investments, for the financial year ended 30 June 2021. This report forms part of the Directors' Report for the year ended 30 June 2021.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee, (throughout the Remuneration Report referred to as the **Committee**) consisting of at least three independent Non-Executive Directors, advises the Ridley Board of Directors (**Board**) on remuneration policies and practices generally. The Committee makes specific resolutions in its own right and recommendations to the Board on remuneration packages and other terms of employment for the Managing Director, other senior executives and Non-Executive Directors. The Committee is responsible for evaluating the Board's performance, reviewing Board size and composition, setting the criteria for membership, and identifying and evaluating candidates to fill vacancies on behalf of the Ridley Board.

Executive remuneration and other terms of employment are reviewed annually by the Committee, having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice.

The number of meetings held during the year is shown as item 8 of the Directors' Report.

Services from remuneration consultants

As part of its annual review of remuneration strategy and structures, the Board has confirmed its executive remuneration and diversity disclosure policies in the context of current Australian corporate governance best practice.

Remuneration of Directors and executives

Principles used to determine the nature and amount of remuneration

Remuneration packages are set at levels that are intended to attract and retain Directors and executives capable of directing and managing the Group's operations and achieving the Group's strategic objectives.

Executive remuneration is benchmarked against a comparator group of companies comprised of ASX and private companies of similar function and size to Ridley.

Executive remuneration is structured to align reward with the achievement of annual objectives, successful business strategy implementation and shareholder returns. The remuneration strategy is to:

(i) offer a base Total Employment Package (**TEP**) that can attract and retain talented people;

(ii) provide short-term performance incentives to encourage personal performance;

(iii) provide long-term incentives to align the interests of executives more closely with those of Ridley shareholders; and

(iv) reward sustained superior performance, foster loyalty and staff retention.

The overall level of executive reward takes into account the performance of the Group primarily for the current year.

Non-Executive Directors

Non-Executive Directors' fees are determined within an aggregate Non-Executive Directors' fee pool limit, which is reviewed periodically, with proposed amendments recommended to shareholders for approval. The maximum currently stands at $700,000 as approved at the 2003 Annual General Meeting. The Chair receives incremental fees, and the Chair of the Audit and Risk Committee, Ridley Innovation and Operational Committee and Remuneration and Nominations Committee each receives $10,000 of incremental fees, in addition to the base Director fees. The total amount paid to Non-Executive Directors in FY21 was $637,398 (FY20: $545,844).

Executives

The executive pay and reward framework comprises the three components of base pay and benefits, short-term incentives and long-term incentives.

Remuneration of Directors and executives continued

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for creation of shareholder wealth, the Committee has regard for the following indices in respect of the last five years.

		2021	2020[2]	2019	2018	2017
Earnings before interest, tax, depreciation and amortisation (**EBITDA**) before individually significant items	$'000	**69,148**	59,418	48,154	43,629	54,484
EBITDA after individually significant items	$'000	**69,176**	15,084	54,315	43,629	54,484
Earnings before interest and tax	$'000	**39,549**	(11,075)	35,412	26,368	39,264
Comprehensive income/(loss)	$'000	**24,896**	(10,748)	23,565	17,409	25,815
Cash flow from operating activities (statutory)	$'000	**85,778**	22,367	36,824	50,900	29,655
Return on shareholders' funds	%	**9.1**	(3.1)	8.6	6.7	10.2
Dividends paid	$'000	**–**	13,226	13,083	13,083	12,313
TSR[1]	%	**67.9**	(35.5)	(10.4)	2.3	1.8
Short-term incentive to KMP	$'000	**1,086**	445	–	–	–

1. Total Shareholder Returns (**TSR**) is calculated as the change in share price for the year plus dividends paid per share for the year, divided by the opening share price, expressed as a percentage.
2. Restated FY20 Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash Flows as detailed in Note 34.

Base pay and benefits

Executives receive a base package, which may be delivered as a mix of cash and, at the executive's discretion, certain prescribed non-financial benefits, including superannuation in excess of the superannuation contribution guarantee payments.

External consultants provide analysis and advice to ensure the base package and benefits for non-executive staff are set to reflect the market rate for a comparable role. An executive's pay may also be reviewed on promotion.

The Group sponsors the Ridley Superannuation Plan – Australia (**the Fund**), and contributes to other employee-nominated superannuation plans. The Fund provides benefits on a defined contribution basis for employees or their dependants on retirement, resignation, total and permanent disability, death and, in some cases, on temporary disablement.

Short-term incentives

For FY21, executives and employees in senior positions are eligible for short-term incentive (**STI**) payments based on two performance streams, being the Group financial performance component (70% weighting) and the personal Key Performance Indicators (**KPIs**) component (30% weighting). STI incentives by role range from 70% of the TEP for the Managing Director down to 10% of the TEP for the least senior participants in the plan.

The Group financial performance component of the STI is assessed against budgeted EBITDA. The measures of personal KPI components include targets on safety, training, operational excellence, customer focus, sustainability and community, and people values and development. Each year, appropriate KPIs are set to align the STI plan with the priorities of the Group through a process which includes setting stretch target and minimum performance levels required to be achieved prior to any payment of an STI. Where achievement of 90% of budgeted EBITDA is reached, the payment of a partial STI based on the achievement of Personal KPIs will be assessed by the Board at its sole discretion.

KPIs for the Managing Director are initially considered and recommended by the Committee and then approved by the Board based on the adopted business strategy. These approved KPIs are then cascaded down to the KMPs, Direct Reports of the CEO referred to as C-Suite Executives, and throughout the business, recognising the relative contributions required of each role within the organisation to achieve the stated objectives.

A summary of the STI award structure for FY21 is shown in the following table, subject always to the exercise of discretion by the Board.

Metric	Percentage of budgeted EBITDA	Award
Financial	< 100%	Nil
Financial	100%	50% of the 70% Group financial component
Financial	100% plus up to $5m	51%–100% of the 70% Group financial component straight line pro rata of incremental EBITDA up to $5m
Financial	100% plus > $5m	Capped at 100% of the 70% financial component
Personal	< 90%	Nil
Personal	90% or greater	100% of the 30% personal KPI component subject to the individual meeting his or her own KPIs for the year and to Board discretion

Following the end of the 2021 financial year, the financial results and each individual's performance against KPIs have been reviewed to determine STI payments for each executive and employees in senior positions. Given the underlying consolidated EBITDA performance was greater than $5m ahead of the EBITDA budget before individually significant items, the Board has resolved to award 100% of the Group financial component. The FY21 STI entitlements awarded also reflect the performance of the individual assessed against their personal KPIs, with the maximum awarded to those employees who have exceeded all of their performance targets for the year. The award will be satisfied in cash via the September 2021 payroll.

In September 2020, the FY20 STI award was satisfied through the issue of unrestricted Ridley shares, using a five-day VWAP prior to the issue date as the basis for determining the number of shares to equate to the monetary award value. 2,063,420 Ridley shares were issued at a value of $0.772 per share, giving rise to an increase in issued share capital of $1,592,975.

For each KMP included in the annual remuneration tables, the percentage of the available STI that was awarded for the financial year, and the percentage that was forfeited because the service and performance criteria were not achieved are set out in the following table, together with the maximum amount of $1,155,149 (2020: $890,499) payable to KMP had all STI performance targets been achieved.

				2021		2020	
Name	STI percentage range of TEP[1]	STI maximum potential award in $[2]	2021 STI award in $[3]	Paid %	Forfeited %	Paid %	Forfeited %
Q Hildebrand	0–70%	490,000	453,250	**92.5%**	**7.5%**	50%	50%
A Boyd	0–50%	245,933	246,000	**100%**	**–**	50%	50%
C Klem	0–40%	147,216	147,000	**100%**	**–**	50%	50%
R Singh[4]	0–40%	152,000	129,000	**85%**	**15%**	N/A	N/A
H Slattery[4]	0–40%	120,000	111,000	**92.5%**	**7.5%**	N/A	N/A
KMP STI for FY21		**1,155,149**	**1,086,250**	**94.0%**	**6.0%**		

1. STI percentage applicable subject to pro rata adjustment for the period of employment or in the KMP role.
2. Maximum financial value applicable to the maximum percentage.
3. FY21 STI award to be paid via the September 2021 payroll.
4. Ineligible for the FY20 STI award due to length of service.

Long-term incentives

In FY21 there was an issue of indeterminate performance rights (**Rights**) to senior executives and officers under the Ridley Long Term Incentive Plan (**LTIP**) with an effective grant date of 1 July 2020 and an offer of the Ridley Employee Share Scheme (**ESS**) in September 2020. The standard terms and conditions of these issuances are stated below. The LTIP aligns the interests of executives with those of Ridley shareholders in rewarding sustained superior performance, while the ESS fosters Company-wide loyalty and staff retention by providing an ownership interest in the Company. Company policy prohibits employees from entering into any transaction that is designed or intended to hedge any exposure to Ridley securities.

Ridley Corporation Long Term Incentive Plan (LTIP)

The purpose of the LTIP is to provide long-term rewards through the delivery of long-term, sustainable business objectives that are directly linked to the generation of shareholder returns. Under the LTIP, which was introduced in October 2006, selected executives and the Managing Director may be offered a number of Rights, each Right providing the entitlement to acquire one Ridley share at nil cost.

Rights vest subject to continued employment (with an exclusion for cessation of employment for a Qualifying Reason such as death, disability or redundancy) and to the satisfaction of performance hurdles set for the three-year term of the Rights.

For the FY21 and FY20 Rights, there are two performance measures, namely Return on Funds Employed (**ROFE**) and Absolute Total Shareholder Returns (**TSR**) (as opposed to the concept of *Relative* TSR, which compares to an equivalent comparator group). These measures are aligned to current industry best practice. A summary of the performance measures for FY21 is provided in the following table.

The number of Rights issued to each participant is divided equally into two tranches, Tranche A and Tranche B. The performance measure for Tranche A Rights is the ROFE hurdle, while the Absolute TSR is the performance hurdle for Tranche B Rights. Each tranche is independently tested, such that one tranche could hypothetically result in 100% vesting while the other could result in 100% forfeiture, or any combination thereof.

The fair value of Tranche B Rights has been calculated by an independent expert in accordance with Share-Based Payment accounting standard AASB2 on an option-equivalent basis, while the accounting fair value of Tranche A Rights is estimated excluding the impact of the ROFE hurdle (as this is considered a 'non-market condition'). The impact of the ROFE hurdle is then taken into consideration by adjusting the estimated number of Tranche A Rights that will vest based on current and projected performance.

Tranche	Metric	Performance hurdle for the period to 30 June 2023	Award
A	ROFE	< 19%	Nil
A	ROFE	19%	50%
A	ROFE	19%–30%	50%–100% on a straight-line, pro rata basis
A	ROFE	> 30%	100%
B	Absolute TSR	< 30%	Nil
B	Absolute TSR	30%	50%
B	Absolute TSR	30%–70%	50%–100% on a straight-line, pro rata basis
B	Absolute TSR	> 70%	100%

If Ridley is subject to a change of control during the vesting period, the Rights may vest to participants at that time, subject to performance testing and the discretion of the Board.

If a participant ceases employment prior to the end of the vesting period due to retirement, redundancy, permanent disability or death, the number of unvested Rights is reduced on a pro rata time basis by the proportion of the period not served by the departing employee to the three-year term of the Rights. The resulting unvested Rights are then tested as at the date of the employee's departure and any shares duly awarded accordingly.

If a participant ceases employment prior to the end of the vesting period due to resignation, dismissal or any other reason that makes the participant no longer eligible to participate under the rules of the LTIP, any unvested Rights will lapse unless otherwise determined by the Board.

The shares to satisfy awards under the plan may be newly issued capital or existing shares purchased on-market, with the practice in recent years being to purchase the shares on-market.

During the year ended 30 June 2021, 5,986,459 (2020: 4,098,368) Rights were issued under the LTIP, of which 2,879,170 (2020: 1,695,207) were granted as remuneration to KMP and the balance issued to other non-KMP senior executives within the organisation. Of the total Rights issued during the year, 64,575 (2020: 452,262) issued to non-KMP were subsequently cancelled.

Summary of Ridley TSR performance

The following table provides a summary of Ridley share price performance for each tranche of the LTIP Rights on issue at year end, rebased to the effective date of grant and using 30 June 2021 as the hypothetical end date. The data does not take account of dividends and are therefore only an indicative and incomplete measure of Absolute and Relative TSR performance.

Start date	Test date	Tranche	Ridley TSR	Ridley ROFE	Number of rights on issue	Number/% hypothetically vested as at 30 June 2021
1 July 2018[1]	30 June 2021	N/A	N/A Refer[1]	N/A Refer[1]	2,350,000	Nil
1 Sep 2019[2]	30 June 2022	A		24.8%	1,776,696	1,355,619/76.3%
1 Sep 2019	30 June 2022	B	12.6%		1,776,696	Nil/Nil %
1 Jul 2020[3]	30 June 2023	A		24.8%	2,960,942	2,259,199/76.3%
1 Jul 2020	30 June 2023	B	67.9%		2,960,942	2,883,217/97.4%

1. The Rights on issue with an effective grant date of 1 July 2018 and performance period ending 30 June 2021 were forfeited on 1 July 2021 based on Ridley's Absolute Shareholder Return compared to the Small Ordinaries Index over the three-year performance period ended on 30 June 2021.
2. Actual vesting of this Tranche A of Rights is determined by ROFE performance from 1 July 2021 to 30 June 2022.
3. Actual vesting of this Tranche A of Rights is determined by ROFE performance from 1 July 2022 to 30 June 2023.

Ridley Corporation Special Retention Plan

The Ridley Corporation Special Retention Plan (**SRP**) was developed specifically to retain and motivate key executives. Under the SRP, selected executives and the Managing Director may be offered a number of performance rights (**SRP Rights**). The Plan offer is made in accordance with the rules of the Ridley Long Term Incentive Plan except that there are no disposal restrictions or performance targets. Consequently, the SRP Rights under this offer vest in full on the earlier occurrence of either completion of two years of service from the date of grant, ceasing to be an employee of Ridley because of a sale of a subsidiary entity, and occurrence of a change of control event. Each SRP Right provides the entitlement to acquire one Ridley share at the end of the service period. There were no SRP Rights brought forward from prior years or issued during the year.

Ridley Employee Share Scheme (ESS)

Under the ESS, shares have historically been offered to permanent employees with a minimum of 12 months' continuous service prior to the offer date, at a discount of up to 50%, and financed by an interest-free loan secured against the shares. The maximum discount per employee is limited to $1,000 annually in accordance with current Australian taxation legislation. Dividends on the ESS shares are applied against the outstanding loan balance until such balance is fully extinguished. The amount of the discount and number of shares allocated is at the sole discretion of the Board. The purpose of the ESS is to align employee and shareholder interests and to foster a sense of loyalty and ownership in the Company. The Scheme was suspended for FY20, but reinstated in September 2020, such that 831,390 (2020: nil) shares were acquired on-market and allocated to participating employees during the year. The total value of shares purchased on-market pursuant to the ESS was $687,825 (2020: $nil).

Shares purchased on-market

The following table reflects the number and total market value of shares that were acquired on-market and allocated to participating employees under the incentive plans during the financial year.

	Number of shares		Market value $'000	
Incentive plan	**2021**	**2020**	**2021**	**2020**
Employee Share Scheme	**831,390**	–	**688**	–
Special Retention Plan	**–**	150,000	**–**	163
Total	**831,390**	150,000	**688**	163

Directors and Key Management Personnel

The following persons were the Directors and executives with the greatest authority for the strategic direction and management of the Group (Key Management Personnel or **KMP**) throughout the 2021 financial year unless otherwise stated.

Name	Position and status
Directors	
M P McMahon	Director and Chair – from 27 August 2020
Q L Hildebrand	Managing Director and CEO
P M Mann	Director
R J Van Barneveld	Director
E Knudsen	Director
D J Lord	Director
R Jones	Director – from 27 August 2020
G H Weiss	Director and Chair – to 26 August 2020
Executives	
A Boyd	Chief Financial Officer (and Company Secretary to 23 February 2021)
C Klem	General Manager Rendering
H Slattery	General Manager Aquafeed
R Singh	Chief Operating Officer

Details of KMP remuneration

Details of the remuneration of each Director of Ridley Corporation Limited and each of the KMP of the Group during the financial year are set out below. In accordance with the requirements of Section 300A of the *Corporations Act 2001* and Regulation 2M.3.03, the remuneration disclosures for the 2021 and 2020 financial years only include remuneration relating to the portion of the relevant periods that each individual was considered a KMP. All values are in A$ unless otherwise stated. The salary package may be allocated at the executive's discretion to cash, superannuation (subject to legislative limits), motor vehicle and certain other benefits.

FY21 Remuneration table

2021	Short term benefits		Post employment benefits		Share-based payments			
Name	**Directors' fees and cash salary $**	**STI $**	**Superannuation $**	**Other benefits $**	**Performance rights/ options $**	**Total $**	**%[1]**	**%[2]**
Directors								
M P McMahon[3]	138,444	–	13,844	–	–	152,288	–	–
Q L Hildebrand – CEO and Managing Director	675,000	453,250	25,000	–	373,811	1,527,061	24%	54%
P M Mann	88,955	–	8,895	–	–	97,850	–	–
R J van Barneveld[4]	97,850	–	–	–	–	97,850	–	–
E Knudsen[4]	87,550	–	–	–	–	87,550	–	–
D J Lord	88,955	–	8,895	–	–	97,850	–	–
R Jones[3,4]	73,968	–	–	–	–	73,968	–	–
G H Weiss – Chair[5]	27,311	–	2,731	–	–	30,042	–	–
Total Directors	1,278,033	453,250	59,365	–	373,811	2,164,459		
Executives								
A Boyd	469,246	246,000	22,620	–	166,548	904,414	18%	46%
C Klem	343,041	147,000	25,000	–	101,033	616,074	16%	40%
R Singh	347,781	129,000	34,545	–	24,755	536,081	5%	29%
H Slattery	272,727	111,000	27,273	–	19,543	430,543	5%	30%
Total executives	1,432,795	633,000	109,438	–	311,879	2,487,112		
Total	2,710,828	1,086,250	168,803	–	685,690	4,651,571		

Legend to FY21 Remuneration table

1. Percentage remuneration consisting of Rights.
2. Percentage remuneration performance related.
3. Appointed on 27 August 2020.
4. Director fee paid to a company.
5. Retired on 26 August 2020.

Details of KMP remuneration continued

FY20 Remuneration table

2020	Short term benefits		Post employment benefits		Share-based payments			
Name	**Directors' fees and cash salary $**	**STI $**	**Superannuation $**	**Other benefits $**	**Performance rights/ options $**	**Total $**	**%[1]**	**%[2]**
Directors								
G H Weiss – Chair	163,864	–	16,386	–	–	180,250	–	–
Q L Hildebrand – CEO and Managing Director[3]	575,481	207,270	21,314		109,348	913,413	12%	35%
P M Mann	88,955	–	8,895	–	–	97,850	–	–
R J van Barneveld[4]	97,850	–	–	–	–	97,850	–	–
E Knudsen[4]	87,550	–	–	–	–	87,550	–	–
D J Lord[5]	173,527	–	14,213	–	–	187,740	–	–
T J Hart[8]	53,756	–	5,290	881,670	–	940,716	–	–
Total Directors	1,240,983	207,270	66,098	881,670	109,348	2,505,369		
Executives								
A Boyd	469,246	122,967	22,620	–	130,565	745,398	18%	34%
C Klem	343,041	73,608	25,000	–	80,708	522,357	15%	30%
M Murphy[6]	197,951	–	15,439	234,735	22,120	470,245	5%	5%
A Lochland[6]	257,281	41,405	18,750	161,916	22,120	501,472	4%	13%
J Scaife[6]	222,933	–	15,540	80,730	11,594	330,797	4%	4%
H Slattery[7]	72,311	–	8,242	–	–	80,553	N/A	N/A
Total executives	1,562,763	237,980	105,591	477,381	267,107	2,650,822		
Total	**2,803,746**	**445,250**	**171,689**	**1,359,051**	**376,455**	**5,156,191**		

1. Percentage remuneration consisting of Rights.
2. Percentage remuneration performance related.
3. Appointed on 26 August 2019.
4. Director fee paid to a company.
5. Interim CEO from 1 July 2019 to 26 August 2019, whereupon Mr Lord reverted to Non-Executive Director.
6. KMP until internal restructure on 11 November 2019. Other benefits comprise contracted severance payments. Although no longer a KMP, Mr Lochland was Acting CEO Novacq™ until 31 March 2020.
7. From 4 April 2020.
8. While the formal separation date of former CEO and Managing Director Mr T Hart was 27 July 2019, Mr Hart ceased performing any executive or Director Ridley duties from 27 June 2019.

Contracts of employment

Remuneration and other terms of employment for the Managing Director are formalised in a service agreement, which includes provision of performance-related bonuses and other benefits, eligibility to participate in the Ridley LTIP, STI and ESS. Other major provisions of the agreements relating to remuneration are set out below.

Q L Hildebrand, CEO and Managing Director

- Base remuneration, inclusive of superannuation and any elected benefits, of $700,000, to be reviewed annually each December with any changes to be effective from the following 1 January.
- Full STI scheme participation up to 70% of total base package based on the achievement of certain agreed KPIs as approved by the Board, split 70% on consolidated Group EBITDA performance and 30% on personal KPIs. The split of personal KPIs for FY21 comprised targets for safety (20%), Novacq™ commercialisation (20%), Aquafeed Business Unit performance (30%) and business improvement and cost reduction (30%). The 70% of Ridley financial performance STI for FY21 is assessed solely against budgeted EBITDA before any individually significant item(s).
- Eligible to participate in the Ridley LTIP and Ridley to use its best endeavours to obtain shareholder approval for the issue of equity securities under the scheme. Shareholder approval was received on 23 November 2020 for the 1,566,108 performance rights issued to Mr Hildebrand in FY21 with a performance test period from 1 July 2020 to 30 June 2023.
- Ridley may terminate the contract immediately for cause and with a 12-month period of notice without cause, being inclusive of any redundancy benefits payable to the executive. Payment of termination benefits on early termination by the employer is not to exceed the threshold above which shareholder approval is required under the *Corporations Act 2001*, and comprises any amount of the total remuneration package accrued but unpaid at termination, plus accrued but unpaid leave entitlements, and any other entitlements accrued under applicable legislation.
- The CEO's contract of employment has no fixed term, and Ridley is able to terminate the contract by giving the CEO 12 months' notice in writing. Conversely, the CEO may terminate his contract by giving the Company six months' notice in writing. Ridley is able to terminate the contract of employment without notice or payment in lieu if the CEO engages in fraud or other serious misconduct, commits a serious or persistent breach of the contract, disobeys a lawful and reasonable direction of the Company, or is found guilty of an offence precluding or inhibiting further performance of the duties of the CEO office.

Other senior executives have individual contracts of employment but with no fixed term of employment.

Notice periods

The notice period for terminating employment of KMP ranges from between three and six months for executives to 12 months for the Managing Director.

Equity instrument disclosures relating to Directors and executives

Performance rights provided as remuneration

Details of Rights over ordinary shares in the Company issued under the Ridley LTIP as remuneration to the Managing Director of Ridley Corporation Limited and each of the other KMP of the Group are set out in the following table, with the following legend:

1. The effective grant date was 1 July 2020. The fair value per Right at the grant date was $0.67 for Tranche A Rights before adjusting for the initial assessment of the likelihood of exceeding the ROFE performance hurdle, and $0.22 for Tranche B Rights, with each participant's holding split equally between the two tranches.
2. The vesting criterion was not met for the Rights which were tested as at 30 June 2020, and consequently all of these Rights were forfeited.
3. Shareholder approval was received on 23 November 2020 for the 1,566,108 performance rights granted to Mr Hildebrand on 23 November 2020.
4. The 'Balance at 30 June 2021' holdings of Rights in the table represent the maximum number of Ridley shares that the members of the KMP would receive if Ridley were to have attained all of its stipulated performance hurdles under the relevant offers of Rights.

KMP LTIP Rights holdings

Recipients of LTIP Rights	Balance at 1 July 2020	Granted[1]	Vested	Forfeited[2]	Balance at 30 June 2021[4]
Directors					
Q L Hildebrand[3]	1,133,488	1,566,108	–	–	**2,699,596**
Key Management Personnel					
A Boyd	751,381	485,493	–	(200,000)	**1,036,874**
C Klem	460,338	290,618	–	(125,000)	**625,956**
R Singh	–	300,061	–	–	**300,061**
H Slattery	–	236,890	–	–	**236,890**
Total issued to Directors and Key Management Personnel	**2,345,207**	**2,879,170**	**–**	**(325,000)**	**4,899,377**

KMP shareholdings

The numbers of shares in the parent entity held during the financial year by each Director of Ridley Corporation Limited and each of the KMP of the Group, including their personally related entities, are set out in the table below.

Director/Executive	Balance at 1 July 2020[1]	Acquired through payment of FY20 STI[2]	Holding at date of termination	Acquired/ (disposed) during the year	Balance at 30 June 2021
M P McMahon[3]	–	–	–	541,750	**541,750**
Q L Hildebrand	52,756	270,567	–	–	**323,323**
P M Mann	99,044	–	–	–	**99,044**
R J van Barneveld	83,053	–	–	–	**83,053**
E Knudsen	703,286	–	–	–	**703,286**
D J Lord	73,200	–	–	61,075	**134,275**
R Jones[3]	–	–	–	115,000	**115,000**
G H Weiss[4]	275,416	–	(275,416)	–	**–**
Total Directors	**1,286,755**	**270,567**	**(275,416)**	**717,825**	**1,999,731**
A Boyd	1,065,469	159,283	–	(24,752)	**1,200,000**
C Klem	654,979	95,347	–	–	**750,326**
R Singh	–	–	–	–	**–**
H Slattery	–	–	–	22,500	**22,500**
Total executives	**1,720,448**	**254,630**	**–**	**(2,252)**	**1,972,826**
Total Key Management Personnel	**3,007,203**	**525,197**	**(275,416)**	**715,573**	**3,972,557**

1. Balance at the later of 1 July 2020 or when the executive became a KMP.
2. Payment in respect of the FY20 STI award was by way of Ridley shares.
3. Zero holding as at 27 August 2020 date of appointment.
4. Holding unchanged from 1 July 2020 to 26 August 2020 date of retirement.

AUDITOR'S INDEPENDENCE DECLARATION

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Ridley Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Ridley Corporation Limited for the financial year ended 30 June 2021 there have been:

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

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Chris Sargent
Partner

Melbourne

25 August 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2021

	Note	2021 $'000	Restated[1] 2020 $'000
Revenue from continuing operations	4	**927,719**	967,942
Cost of sales		**(848,694)**	(901,152)
Gross profit		**79,025**	66,790
Finance income	5(b)	**21**	86
Other income	4	**4,917**	1,082
Expenses from continuing operations:			
Selling and distribution		**(14,090)**	(14,493)
General and administrative	5(d)	**(30,303)**	(64,121)
Finance costs	5(b)	**(4,530)**	(5,914)
Share of net losses from equity accounted investments	14	**–**	(333)
Profit/(Loss) from continuing operations before income tax expense		**35,040**	(16,903)
Income tax (expense)/benefit	6	**(10,144)**	6,041
Profit/(Loss) from continuing operations after income tax		**24,896**	(10,862)
Net profit/(Loss) after tax attributable to members of Ridley Corporation Limited		**24,896**	(10,862)
Other comprehensive income			
Available-for-sale financial assets – net change in fair value	20	**–**	114
Other comprehensive income for the year, net of tax		**–**	114
Total comprehensive income/(loss) for the year		**24,896**	(10,748)
Total comprehensive income/(loss) for the year attributable to:			
Ridley Corporation Limited		**24,896**	(10,748)
Earnings per share			
Basic earnings per share – continuing	1	**7.8c**	(3.4)c
Basic earnings per share	1	**7.8c**	(3.4)c
Diluted earnings per share – continuing	1	**7.6c**	(3.4)c
Diluted earnings per share	1	**7.6c**	(3.4)c

1. Restated FY20 Consolidated Statement of Comprehensive Income as detailed in Note 34.

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

CONSOLIDATED BALANCE SHEET

As at 30 June 2021

	Note	2021 $'000	Restated[1] 2020 $'000
Current assets			
Cash and cash equivalents	7	**39,904**	45,818
Receivables	8	**113,561**	111,722
Inventories	9	**81,947**	104,490
Assets held for sale	10	**46,078**	188
Total current assets		**281,490**	262,218
Non-current assets			
Receivables	8	**1,446**	1,702
Property, plant and equipment	12	**244,802**	293,133
Intangible assets	13	**75,892**	75,001
Deferred tax asset	15	**9,431**	12,564
Total non-current assets		**331,571**	382,400
Total assets		**613,061**	644,618
Current liabilities			
Payables	16	**169,752**	165,374
Borrowings	18	**–**	193,000
Provisions	17	**17,319**	21,117
Tax liability	15	**5,858**	384
Total current liabilities		**192,929**	379,875
Non-current liabilities			
Payables	16	**9,262**	4,882
Borrowings	18	**123,000**	–
Provisions	17	**325**	324
Total non-current liabilities		**132,587**	5,206
Total liabilities		**325,516**	385,081
Net assets		**287,545**	259,537
Equity			
Share capital	19	**225,114**	223,521
Reserves	20	**1,706**	1,843
Retained earnings	20	**60,725**	34,173
Total equity		**287,545**	259,537

1. Restated FY20 Consolidated Balance Sheet as detailed in Note 34.

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2021

2021	Share capital $'000	Share-based payments reserve $'000	Fair value reserve $'000	Retained earnings $'000	Total $'000
Opening balance at 1 July 2020[1]	**223,521**	**1,843**	**–**	**34,173**	**259,537**
Profit for the year	**–**	**–**	**–**	**24,896**	**24,896**
Other comprehensive income/(loss)	**–**	**–**	**–**	**–**	**–**
Transactions with owners recognised directly in equity:					
Issue of share capital	**1,593**	**–**	**–**	**–**	**1,593**
Transfer to retained earnings	**–**	**(1,656)**	**–**	**1,656**	**–**
Share-based payment transactions	**–**	**1,519**	**–**	**–**	**1,519**
Total transactions with owners recognised directly in equity	**1,593**	**(137)**	**–**	**1,656**	**3,112**
Balance at 30 June 2021	**225,114**	**1,706**	**–**	**60,725**	**287,545**

2020 – Restated[1]	Share capital $'000	Share-based payments reserve $'000	Fair value reserve $'000	Retained earnings $'000	Total $'000
Opening balance at 1 July 2019	218,941	3,601	117	54,840	277,499
Adjustment to opening retained earnings[1]	–	–	–	114	114
(Loss) for the year[1]	–	–	–	(10,862)	(10,862)
Other comprehensive income/(loss):					
Available-for-sale financial assets – net change in fair value, net of tax	–	–	114	–	114
Total comprehensive income/(loss) for the year[1]	–	–	114	(10,862)	(10,748)
Realisation of reserves following disposal of asset	–	–	(231)	231	–
Transactions with owners recognised directly in equity:					
Dividends paid	–	–	–	(13,226)	(13,226)
Shares issued under the Dividend Reinvestment Plan	4,580	–	–	–	4,580
Share-based payment transactions	–	(1,758)	–	3,076	1,318
Total transactions with owners recognised directly in equity	4,580	(1,758)	–	(10,150)	(7,328)
Balance at 30 June 2020[1]	223,521	1,843	–	34,173	259,537

1. Restated FY20 Consolidated Statement of Changes in Equity as detailed in Note 34.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2021

	Note	2021 $'000	Restated[1] 2020 $'000
Cash flows from operating activities			
Receipts from customers		**1,015,093**	1,059,670
Payments to suppliers and employees		**(924,824)**	(1,027,822)
Interest received		**21**	86
Other income received		**1,200**	1,082
Interest and other costs of finance paid		**(4,007)**	(6,314)
Income tax payment		**(1,705)**	(4,335)
Net cash from operating activities		**85,778**	22,367
Cash flows from investing activities			
Payments for property, plant and equipment		**(19,364)**	(55,127)
Payments for intangibles		**(2,433)**	(4,544)
Proceeds from sale of available-for-sale asset		**–**	1,888
Proceeds from sale of non-current assets		**5,362**	3,850
Net cash used in investing activities		**(16,435)**	(53,933)
Cash flows from financing activities			
Issue of share capital		**–**	2,440
Purchase of shares for share-based payments		**(207)**	(160)
(Repayment of)/Proceeds from borrowings		**(70,000)**	74,074
Dividends paid	2	**–**	(10,926)
Payment of lease liabilities	28 (iv)	**(5,050)**	(5,046)
Loans to related parties		**–**	(481)
Net cash (used in)/from financing activities		**(75,257)**	59,901
Net movement in cash held		**(5,914)**	28,335
Cash at the beginning of the financial year		**45,818**	17,483
Cash at the end of the financial year	7	**39,904**	45,818

1. Restated FY20 Consolidated Statement of Cash Flows as detailed in Note 34.

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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NOTES TO THE FINANCIAL STATEMENTS

30 June 2021

Note 1 – Earnings per share

	2021 Cents	2020 Cents
Basic/diluted earnings per share[1] – continuing	**7.8/7.6**	(3.4)/(3.4)
– before individually significant items[#]	**7.8/7.6**	7.1/7.1

[#] Restated FY20 NPAT before individually significant items is $22.06m after adding back $32.8m of post tax individually significant items.

	2021		2020	
Earnings used in calculating earnings per share:	**Basic $'000**	**Diluted $'000**	**Basic $'000**	**Diluted $'000**
Profit/(loss) after income tax[1]	**24,896**	**24,896**	(10,748)	(10,748)

1. Restated FY20 Consolidated Statement of Comprehensive Income as detailed in Note 34.

Weighted average number of shares used in calculating:	**2021**	**2020**
Basic earnings per share	**318,910,291**	312,285,443
Diluted earnings per share	**325,408,326**	312,285,443

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.

2,063,420 Ridley shares were issued in FY21 as consideration for the FY20 STI award. In FY20, 6,175,334 Ridley shares were issued in May 2020 under the Dividend Reinvestment Plan (**DRP**), which was utilised for the payment of the FY20 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 2021, there are 6,498,035 (30 June 2020: nil) dilutive potential ordinary shares outstanding based on the hypothetical vesting of performance rights on issue as at 30 June 2021 as detailed in the Remuneration Report.

Note 2 – Dividends

Dividends paid during the year	Franking	Payment date	Per share (cents)	2021 $'000	2020 $'000
Interim dividend	Fully franked	2021: nil (2020: 30 April 2020)	– (2020: 1.5)	–	4,670
Final dividend	Fully franked	2021: nil (2020: 31 Oct 2019)	– (2020: 2.75)	–	8,556
				–	13,226
Paid in cash				–	10,926
Paid through the issue of shares under the DRP				–	2,140
Non-cash dividends paid on employee in-substance options				–	160
				–	13,226

Since the end of the financial year, the Board has declared the following with respect to the FY21 final dividend	2021 $'000	2020 $'000
Following a year of strong operating performance, cash generation and debt retirement in FY21, the Board has declared a final dividend of 2 cents per share (**cps**), fully franked and payable on Friday 29 October 2021	**6,390**	–
Amount of franking credits available at 30 June to shareholders of Ridley Corporation Limited for subsequent financial years (prior to the above dividend declaration)	**17,525**	16,048

Note 3 – Operating segments

The Group determines and presents operating segments based on information that internally is provided to and used by the Managing Director, who is the Group's Chief Operating Decision Maker (**CODM**).

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

In accordance with the new organisational structure and internal reporting to the CODM arising from the FY20 business restructures, from 1 July 2020 Ridley adopted the following segment reporting:

- Bulk Stockfeeds – comprising the Group's premium quality, high-performance animal nutrition stockfeed solutions delivered in bulk.
- Packaged Feeds and Ingredients – comprising the Group's premium quality, high-performance animal nutrition feed and ingredient solutions delivered in packaged form ranging from one-tonne bulka bag down to 3kg bags, and includes the Aquafeed Business Unit.

Segment reporting for the 2021 financial year reflects the current reporting to the CODM, with the comparative FY20 table restated to reflect the ongoing segment reporting structure.

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, plus any residual surplus property asset holding costs.

Geographical segments

While the Group predominantly operates in Australasia, it has established a platform for Novacq™ commercial operations at Chanthaburi, Thailand. Up to 30 June 2020, all Novacq™ activities at Chanthaburi were Applied R&D Project activities and capitalised accordingly; however, from 1 July 2020, the site became fully operational and has been reported through the profit and loss throughout FY21.

Also from 1 July 2020, the Pen Ngern Feed Mill ceased production of prawn feed and became a dedicated site for the dewatering, drying, bagging and storing of Novacq™.

In addition to Thailand, legal entities have been established in India and Ecuador in anticipation of an international expansion of Novacq™ operations, commencing with commercial trials.

2021 financial year in $'000	Bulk Stockfeeds	Packaged/ Ingredients	Unallocated	Consolidated
Total sales revenue – external	**612,703**	**315,016**	**–**	**927,719**
Other income	**533**	**210**	**4,174**	**4,917**
Total income (Note 4)	**613,236**	**315,226**	**4,174**	**932,636**
Depreciation and amortisation expense (Note 5(a))	**16,271**	**13,342**	**16**	**29,629**
Interest income	**–**	**–**	**21**	**21**
Finance costs (Note 5(b))	**–**	**–**	**(4,530)**	**(4,530)**
Reportable segment profit/(loss) before income tax and individually significant items	**16,210**	**33,165**	**(14,363)**	**35,012**
Individually significant items	**–**	**–**	**28**	**28**
Reportable segment profit/(loss) before income tax	**16,210**	**33,165**	**(14,335)**	**35,040**
Total segment assets	**258,618**	**305,374**	**49,069**	**613,061**
Segment liabilities	**(132,316)**	**(60,086)**	**(133,114)**	**(325,516)**
Acquisitions of assets[2]	**13,304**	**18,604**	**–**	**31,908**

2020 financial year in $'000	Bulk Stockfeeds	Packaged/ Ingredients	Unallocated	Consolidated
Total sales revenue – external	660,570	307,372	–	967,942
Other income	665	306	111	1,082
Total income (Note 4)	661,235	307,678	111	969,024
Share of loss of equity accounted investments	–	(333)	–	(333)
Depreciation and amortisation expense (Note 5(a))	14,746	11,401	12	26,159
Interest income	–	5	81	86
Finance costs (Note 5(b))	–	–	(5,914)	(5,914)
Reportable segment profit/(loss) before income tax and individually significant items	19,585	23,763	(15,917)	27,431
Individually significant items[1]	(18,289)	(22,639)	(3,406)	(44,334)
Reportable segment profit/(loss) before income tax	1,296	1,124	(19,323)	(16,903)
Total segment assets	267,009	302,660	74,949	644,618
Segment liabilities	(126,426)	(59,549)	(199,106)	(385,081)
Acquisitions of assets[2]	41,442	36,675	–	78,117

1. Restated FY20 segment reporting as detailed in Note 34.
2. Acquisitions include property, plant and equipment, intangibles, and in FY20, the initial transition impact of AASB 16 Leases.

Note 4 – Revenue and other income

	2021 $'000	2020 $'000
Revenue from continuing operations		
Sale of goods	**927,719**	967,942
Other income from continuing operations		
Rent received	**61**	78
Gain on sale of land assets held for sale	**3,674**	–
Gain on sale of property, plant and equipment	**43**	–
Credit card fees	**160**	277
Other	**979**	727
Other income from continuing operations	**4,917**	1,082

Revenue recognition

For the sale of feed, the Group generally has one performance obligation. Consequently, revenue is currently recognised when the feed is either collected from the Ridley premises or delivered to the customers' premises, which are taken to be the points in time at which the customer accepts the feed and the performance obligation has been met when the control transfers. Revenue is recognised at these points, depending on agreed terms, provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Interest income is recognised using the effective interest rate method. Dividend income is recognised as revenue when the right to receive payment is established.

Note 5 – Expenses

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

(a) Depreciation and amortisation[i]

	2021 $'000	2020 $'000
Buildings	**2,548**	2,153
Plant and equipment	**20,783**	17,584
Software	**1,302**	1,418
Intangible assets	**240**	133
Right of use assets	**4,756**	4,871
	29,629	26,159

(i) The depreciation and amortisation charge is included either as cost of goods sold or within general and administrative expenses in the Consolidated Statement of Comprehensive Income, depending on the use of the asset.

(b) Finance costs

	2021 $'000	2020 $'000
Interest expense	**4,314**	5,877
Interest expense on lease liabilities	**393**	437
Amortisation of borrowing costs	**160**	279
Interest income	**(21)**	(86)
Unwind of discount on deferred consideration	**(337)**	(679)
	4,509	5,828

Finance costs include interest and amortisation of ancillary costs incurred in connection with the arrangement of borrowings. Borrowing costs are expensed as incurred unless they relate to qualifying assets, being assets which normally take more than 12 months from commencement of activities necessary to prepare for their intended use or sale to the time when substantially all such activities are complete.

(c) Other expenses

	2021 $'000	2020 $'000
Employee benefits expense	**81,457**	89,493
Expenses relating to short-term leases and low-value assets	**779**	747
Impairment loss on trade receivables – net of recoveries	**–**	(10)
Foreign exchange loss	**795**	94
Loss on disposal of property, plant and equipment	**132**	269
Research and development	**17,166**	17,779

(d) Individually significant items on a pre-tax basis included in general and administrative expenses unless otherwise stated:

	2021 $'000	Restated 2020 $'000
Internal restructure	**–**	4,219
Murray Bridge feedmill closure	**–**	7,219
Settlement of Baiada legal claim	**–**	1,935
Rationalisation of Central/Northern Victoria operations	**–**	7,005
Impairment of non-current investment property	**–**	1,265
Impairment of Novacq™ Business Unit	**–**	21,573
Software-as-a-Service change in accounting policy	**3,646**	1,118[1]
Total individually significant items loss included in general and administrative expenses	**3,646**	44,334
Included in other income:		
Gain on sale of land assets held for sale	**(3,674)**	–
Total individually significant items (gain)/loss	**(28)**	44,334

1. Restated FY20 Consolidated Statement of Comprehensive Income as detailed in Note 34.

Note 6 – Income tax expense

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and by unused tax losses.

Ridley Corporation Limited and its wholly-owned Australian controlled entities are part of a tax consolidated group. The entities in the tax consolidated group are party to a tax sharing agreement which limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Ridley Corporation Limited. The agreement provides for the allocation of income tax liabilities between the entities should Ridley Corporation Limited default on its tax payment obligations. At balance date the possibility of default is considered to be remote.

(a) Income tax expense

	2021 $'000	2020 $'000
Current tax	**7,260**	3,073
Deferred tax[1]	**3,133**	(8,827)
(Over) provided in prior year	**(249)**	(287)
Aggregate income tax expense/(benefit)	**10,144**	(6,041)
Income tax expense/(benefit) is attributable to:		
Profit/(loss) from continuing operations	**10,144**	(6,041)

(b) Income tax recognised directly in equity

	2021 $'000	2020 $'000
Aggregate current and deferred tax arising in the period and not recognised in net comprehensive income but directly debited or (credited) to equity	**–**	–

(c) Reconciliation of income tax expense and pre-tax accounting profit

	2021 $'000	2020 $'000
Consolidated group profit/(loss) before income tax expense[1]	**35,040**	(16,903)
Income tax expense/(benefit) using the Group's tax rate of 30%	**10,512**	(5,071)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	**91**	116
Overprovision in prior year	**(249)**	(287)
Research and development allowance	**(1,459)**	(1,511)
Accounting gain on disposal of Lara and Moolap land	**(1,077)**	–
Capital gain on disposal of Lara and Moolap land	**1,103**	–
Disposal of asset available-for-sale	**–**	99
Impairments	**–**	(705)
Tax effect of overseas losses	**490**	159
Other	**733**	1,159
Income tax expense/(benefit)	**10,144**	(6,041)

1. Restated FY20 Consolidated Statement of Comprehensive Income as detailed in Note 34.

Note 7 – Cash and cash equivalents

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

	2021 $'000	2020 $'000
Cash at bank	**39,904**	45,818

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

	2021 $'000	2020 $'000
Net profit/(loss) after tax for the year	**24,896**	(10,748)
Adjustments for non-cash items:		
Depreciation and amortisation (Note 5(a))	**29,629**	26,159
Net gain on sale of non-current assets (Note 4)	**(3,717)**	(163)
Share of loss from equity accounted investment (Note 14)	**–**	333
Non-cash impairment	**–**	21,573
Non-cash share-based payments expense (Note 25)	**1,726**	1,481
Non-cash write-down of closed feedmill assets and investment property	**–**	10,911
Non-cash finance movements	**522**	(400)
Impairment loss on trade receivables	**(32)**	(121)
Other non-cash movements	**(168)**	(2,129)
Change in operating assets and liabilities:		
Decrease in prepayments	**3,221**	3,366
Increase in receivables	**(6,234)**	(4,829)
Decrease/(increase) in inventories	**22,154**	(20,661)
Decrease/(increase) in deferred income tax asset	**3,133**	(8,827)
Increase in trade creditors	**5,836**	3,167
Increase/(decrease) in provisions	**(662)**	4,917
Increase/(decrease) in net income tax liability	**5,474**	(1,662)
Net cash from operating activities	**85,778**	22,367

Note 8 – Receivables

	2021 $'000	2020 $'000
Current		
Trade debtors	**108,764**	102,362
Less: Allowance for impairment loss on trade receivables **(a)**	**(86)**	(118)
	108,678	102,244
Derivative assets **(b)**	**338**	2,073
Prepayments and other receivables	**2,245**	3,605
Lara land sale deferred consideration receivable	**2,300**	3,800
	113,561	111,722
Non-current		
Prepayments	**96**	352
Lara land sale deferred consideration receivable	**1,350**	1,350
	1,446	1,702

Note 8 – Receivables continued

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less the provision for impairment loss. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

The adoption of AASB 9 has changed the Group's accounting for impairment losses for trade and other receivables by replacing AASB 139's incurred loss approach with a forward-looking credit loss (**ECL**) approach. AASB 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets, including trade and other receivables.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. A provision has been recognised, determined with reference to forward looking ECL.

(a) Movement in the allowance for impairment loss:

	2021 $'000	2020 $'000
Balance brought forward at 1 July	**118**	239
Provision for impairment during the year	**–**	(500)
Provision raised during the year	**52**	416
Receivables written off during the year	**(84)**	(37)
Balance carried forward at 30 June	**86**	118

As at 30 June 2021, a provision for impairment loss of $86,026 (2020: $118,335) was raised against trade receivables. This is considered to be adequate provision against the balance of any overdue receivables to the extent they are not covered by collateral and/or credit insurance. Based on historic default rates and having regard to the ageing analysis referred to immediately below, the Group believes that, apart from those trade receivables which have been impaired, no further impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days, as receivables relate to customers that have a good payment record with the Group.

The Group's policy is to write off debts when there is no longer a reasonable expectation of recovery. Debts that are written off are still subject to enforcement activity. Any write-off of debt is presented to and approved by the Ridley Audit and Risk Committee.

Concentration of risk

Within the trade debtors ledger at 30 June 2021, the top five customer balances represent 39% (2020: 37%) of the total, and the top 20 represent 69% (2020: 65%).

The non-current Lara land sale receivable is due from a single purchaser of the property, the legal titles for which are withheld by Ridley pending receipt of the final payment.

Ageing analysis

At 30 June 2021, the age profile of trade receivables that were past due amounted to $4.6m (2020: $6.9m) as shown in the following table.

The ageing analysis of trade receivables is shown as follows:	2021 $'000	2020 $'000
Past due by 1–30 days	**3,738**	5,771
Past due by 31–60 days	**457**	657
Past due by 61–90 days	**239**	259
Past due by greater than 90 days	**130**	205
	4,564	6,892

(b) Derivative assets

Represents the fair value of the mark to market unrealised gain on forward futures contracts used to hedge the fair value risk associated with the purchase of raw materials (Note 33(v)(b)).

Note 9 – Inventories

Current		2021 $'000	2020 $'000
Raw materials	– at cost	**41,756**	63,012
Finished goods	– at cost	**31,909**	35,506
	– at net realisable value	**8,282**	5,972
		81,947	104,490

Write-downs of inventories to net realisable value of $0.2m (2020: $1.0m) have been recognised as an expense during the year.

Inventories are valued at the lower of cost and net realisable value. Costs are determined on the first in, first out and weighted average cost methods. Costs included in inventories consist of materials, labour and manufacturing overheads which are related to the purchase and production of inventories. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Note 10 – Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. Assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

	2021 $'000	2020 $'000
Assets held for sale	**46,078**	188

The Westbury extrusion plant was subject to a sale agreement which became unconditional on 9 July 2021, and has been reclassified as a current asset held for sale as at 30 June 2021 at its carrying value of $45.3m. The sale was completed on 2 August 2021 as noted in the post balance date events note (Note 31).

The former feedmills at Murray Bridge, Bendigo and Mooroopna, which had a net carrying value of $0.8m as at 30 June 2021 and which are being actively marketed for divestment, have been reclassified as current assets held for sale as at 30 June 2021. The former feedmill at Bendigo was sold on 27 July 2021 for gross proceeds of $2.2m, and former feedmill at Mooroopna sold on 13 August 2021 for $1.65m. The sales will generate a pre-tax gain on sale in FY22 in the vicinity of $2.8m (Note 31).

The sole residual surplus land holding at Lara, which had a carrying value of $0.2m at 30 June 2020, was sold during the year realising a profit before tax of $1.8m.

Note 11 – Investment properties

The only investment property at 30 June 2020 comprised the former saltfield at Moolap, near Geelong in Victoria, which had been fully impaired during the 2020 financial year. On 26 February 2021, the sale of the property was settled, realising a pre-tax profit of $1.9m.

	2021 $'000	2020 $'000
Movement in investment properties		
Carrying amount at cost at 1 July	–	1,265
Impairment	–	(1,265)
Carrying amount at cost at 30 June	–	–

Amounts recognised in profit and loss for investment properties:	2021 $'000	2020 $'000
Direct operating expenses that did not generate rental income prior to disposal of the asset	338	156

Note 12 – Property, plant and equipment

2021 in $'000	Land and buildings	Plant and equipment	Capital work in progress	Right of use assets	Total
Cost at 1 July 2020[1]	100,835	356,068	12,315	13,699	482,917
Accumulated depreciation	(13,031)	(171,882)	–	(4,871)	(189,784)
Carrying amount at 1 July 2020[1]	87,804	184,186	12,315	8,828	293,133
Additions	–	–	19,495	9,286	28,781
Transfers	3,022	14,815	(17,837)	–	–
Reversals of impairment	335	15	–	–	350
Other lease movements	–	–	–	(114)	(114)
Disposals	(1,472)	(1,711)	–	–	(3,183)
Reclassification to current assets held for sale	(15,129)	(30,949)	–	–	(46,078)
Depreciation	(2,548)	(20,783)	–	(4,756)	(28,087)
Carrying amount at 30 June 2021	72,012	145,573	13,973	13,244	244,802
At 30 June 2021					
Cost	85,338	313,341	13,973	22,871	440,286
Accumulated depreciation	(13,326)	(167,768)	–	(9,627)	(190,721)
Carrying amount at 30 June 2021	72,012	145,573	13,973	13,244	244,802

1. Restated FY20 capital work in progress as detailed in Note 34.

2020 in $'000	**Land and buildings**	**Plant and equipment**	**Capital work in progress**	**Right of use assets**	**Total**
Cost at 1 July 2019	67,175	268,723	88,601	–	424,499
Accumulated depreciation	(10,878)	(154,298)	–	–	(165,176)
Carrying amount at 1 July 2019	56,297	114,425	88,601	–	259,323
Transition to AASB 16 Leases (Note 28)	–	–	–	13,810	13,810
Other lease movements (Note 28)	–	–	–	(1,587)	(1,587)
Additions	7,249	2,055	50,298	1,476	61,078
Transfers from plant under construction	27,780	98,804	(126,584)	–	–
Impairment	–	(7,911)	–	–	(7,911)
Disposals	(1,369)	(5,603)	–	–	(6,972)
Depreciation	(2,153)	(17,584)	–	(4,871)	(24,608)
Carrying amount at 30 June 2020[1]	87,804	184,186	12,315	8,828	293,133
At 30 June 2020[1]					
Cost	100,835	356,068	12,315	13,699	482,917
Accumulated depreciation	(13,031)	(171,882)	–	(4,871)	(189,784)
Carrying amount at 30 June 2020	87,804	184,186	12,315	8,828	293,133

1. Restated FY20 capital work in progress as detailed in Note 34.

Property, plant and equipment

Land and buildings, plant and equipment are stated at cost, or deemed cost, less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, being 13 to 40 years for buildings and two to 30 years for plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the Consolidated Statement of Comprehensive Income.

Certain items of plant and equipment in the Novacq™ Business Unit were impaired during the 2020 year by $7.9m to write these assets down to their estimated recoverable value (refer Note 13).

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in comprehensive income over the period necessary to match them with the costs that they are intended to compensate. The value of government grants relating to the purchase of property, plant and equipment is deducted from the carrying amount of the asset. The grant is recognised in comprehensive income over the life of the depreciable asset as a reduced depreciation expense.

Note 13 – Intangible assets

2021 in $'000	Software	Goodwill	Contracts	Assets under development	Total
Carrying amount at 1 July 2020	**2,684**	**68,950**	**382**	**2,985**	**75,001**
Additions	**30**	**–**	**2,000**	**1,097**	**3,127**
Disposals	**–**	**–**	**–**	**–**	**–**
Amortisation charge	**(1,302)**	**–**	**(694)[1]**	**(240)**	**(2,236)**
Carrying amount at 30 June 2021	**1,412**	**68,950**	**1,688**	**3,842**	**75,892**
At 30 June 2021					
Cost	**18,095**	**69,903**	**2,685**	**4,347**	**95,030**
Accumulated amortisation and impairment	**(16,683)**	**(953)**	**(997)**	**(505)**	**(19,138)**
Carrying amount at 30 June 2021	**1,412**	**68,950**	**1,688**	**3,842**	**75,892**

1. Reflected in profit and loss as a reduction in revenue rather than amortisation charge.

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

2020 in $'000	Software	Goodwill	Contracts	Assets under development	Total
Carrying amount at 1 July 2019	3,779	68,950	597	12,344	85,670
Transfer from property, plant and equipment/additions	381	1,022	–	3,413	4,816
Disposals	(58)	–	–	–	(58)
Impairment	–	(1,022)	–	(12,639)	(13,661)
Amortisation charge	(1,418)	–	(215)[1]	(133)	(1,766)
Carrying amount at 30 June 2020	2,684	68,950	382	2,985	75,001
At 30 June 2020					
Cost	18,065	69,903	685	3,250	91,903
Accumulated amortisation and impairment	(15,381)	(953)	(303)	(265)	(16,902)
Carrying amount at 30 June 2020	2,684	68,950	382	2,985	75,001

1. Reflected in profit and loss as a reduction in revenue rather than amortisation charge.

Intangible assets

(i) Software

Capitalised intangible software, excluding Software-as-a-Service (Note 33(xi)), has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. The cost of system development, including purchased software, is capitalised and amortised over the estimated useful life, being three to eight years. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(ii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates, accounted for using the equity method. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to Cash Generating Units for the purpose of impairment testing. Goodwill is not amortised.

$56.6m (2020: $56.6m) of goodwill has been recognised in the Rendering Cash Generating Unit (CGU), whilst the balance has been accumulated from a combination of other CGUs over many years as summarised below:

	2021 $'000	**2020 $'000**
Rendering	**56,616**	56,616
AgriProducts	**12,334**	12,334
Total goodwill	**68,950**	68,950

(iii) Contracts

Amortisation methods, useful lives and residual values are and were reviewed at each financial year end and adjusted if appropriate. Contracts are amortised as a reduction in revenue.

(iv) Assets under development

Assets under development as at 30 June 2021 comprised the cumulative value of the five-year Novacq™ alliance with CSIRO, under which the Group contributes $1.0m per annum.

Research and development expenditure

Research and Development (**R&D**) expenditure of $17,166,452 (estimated) has been incurred in the current year (2020: $17,779,085) which is expected to be included as eligible R&D in the R&D tax incentive schedule for FY21. Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Consolidated Statement of Comprehensive Income as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends, and has sufficient resources, to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Capitalised development expenditure is measured at cost less accumulated depreciation and accumulated impairment losses as part of either Intangibles or property, plant and equipment.

Amortisation

Amortisation is calculated to write off the cost of the intangible assets less their residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may no longer be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, which are largely independent of the cash inflows from other assets or groups of assets (**Cash Generating Units** or **CGU**). Non-financial assets other than goodwill that have previously suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Note 13 – Intangible assets continued

Impairment testing

The recoverable amount of a CGU is initially assessed using value-in-use calculations. The following assumptions have been used in the preparation of the cash flow projections and analyses to undertake impairment testing, and have been applied to each CGU unless otherwise stated.

(i) Cash flow forecasts are based on the Board approved FY22 budget, with the forecast for the subsequent four years based on either (a) specific budgets and forecasts or (b) projected using a constant growth rate. A terminal value is also included in the calculation of the value in use.

(ii) Forecast growth rates are based on management's expectations of future performances for the respective CGUs having regard to industry growth rates and factors specific to the Group. Excluding the Aquafeed and Novacq™ CGUs, the Group applied a constant growth rate of 2% (2020: 2%) to the period beyond FY22, and also adopted a growth rate of 2% (2020: 2%) in the calculation of the terminal value. Growth rates for Aquafeed and Novacq™ vary for each year in the forecast period, with Aquafeed influenced by factors such as the forecast improvement in production efficiency at Narangba and any movements in sales volumes associated with the 2 August 2021 divestment of the Westbury extrusion plant, and Novacq™ by the expansion of commercial production of, and into international markets for, Novacq™. A terminal growth rate of 2.5% has been applied to the Aquafeed CGU and 2% to the Novacq™ CGU.

(iii) Discount rates used are the weighted average cost of capital for the Group, adjusted as appropriate for the specific CGU. The post-tax discount rate applied to forecast cash flows was 8.0% (2020: 8.0%) except for the Novacq™ CGU, where 10% was adopted to reflect the early stage of its commercial lifecycle.

Impairments during the year

There have been no impairments raised in FY21. In FY20, the Company recognised a non-cash impairment of $21.6 million in its Novacq™ CGU at 30 June 2020 due to delays in the development and installation of processing technology, which hindered the scale-up in production and restricted sales volumes and earnings.

Although the penetration of new overseas markets has been severely impacted by the pandemic, production efficiency improvements, a focus on early lifecycle benefits, and commercial sales to the domestic prawn industry market have combined to support the recoverable amount of $30.4m as at 30 June 2021, and the recoverable amount is estimated to be consistent with the carrying value at balance date.

Impact of possible changes in key assumptions

The carrying value of all CGUs was supported by the Group's impairment testing. The carrying value of the Aquafeed CGU of $47.8m after reclassification of the Westbury facility to assets held for sale is supported by the forecast improvement in production efficiency at Narangba and any movements in sales volumes associated with the 2 August 2021 completion of the divestment of the Westbury extrusion plant.

Note 14 – Investments accounted for using the equity method

			Ownership interest		Carrying amount	
Name of company	Principal activity	Country of incorporation	2021 %	2020 %	2021 $'000	2020 $'000
Joint venture entities:						
Nelson Landholdings Pty Ltd as Trustee for Nelson Landholdings Trust[1]	Property realisation	Australia	**50**	50	**–**	–

1. The Company and unit trust were the corporate structure through which any ultimate development of the Moolap site was to be managed. Given the sale of the investment property at Moolap, which was the subject of the development, the joint venture entities will be de-registered during the coming year.

Investments in joint venture entities are accounted for in the consolidated financial statements using the equity method of accounting. The former equity-accounted investment in Pen Ngern Feed Mill Co., Ltd. was reclassified as a wholly-owned entity in FY20 upon the acquisition of the remaining 51% equity interest not previously held by Ridley (Note 21).

Note 15 – Tax assets and liabilities

	2021 $'000	2020 $'000
Current		
Tax asset	–	–
Tax liability	**5,858**	384
Non-current		
Deferred tax asset[1]	**9,431**	12,564
Movement in deferred tax asset:		
Opening balance at 1 July	**12,564**	3,737
(Charged)/Credited to the Consolidated Statement of Comprehensive Income	**(3,133)**	8,827
Closing balance at 30 June	**9,431**	12,564

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
Consolidated balances[1]	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
Intangibles	**1,785**	372	–	–	**1,785**	372
Doubtful debts	**26**	36	–	–	**26**	36
Property, plant and equipment	**2,100**	6,754	–	(1,078)	**2,100**	5,676
Employee entitlements	**4,633**	4,869	–	–	**4,633**	4,869
Provisions	**928**	33	–	–	**928**	33
Restructuring provision	–	829	–	–	–	829
Other	–	749	**(41)**	–	**(41)**	749
Tax assets/(liabilities)	**9,472**	13,642	**(41)**	(1,078)	**9,431**	12,564

1. Restated FY20 deferred tax assets and liabilities as detailed in Note 34.

Movement in net deferred tax assets and liabilities

Consolidated movements[1]	**Balance 30 June 2019 $'000**	**Recognised in profit or loss $'000**	**Balance 30 June 2020 $'000**	**Recognised in profit or loss $'000**	**Balance 30 June 2021 $'000**
Intangibles	(3,241)	3,613	372	1,413	**1,785**
Doubtful debts	72	(36)	36	(10)	**26**
Property, plant and equipment	1,999	3,677	5,676	(3,576)	**2,100**
Employee entitlements	4,660	209	4,869	(236)	**4,633**
Provisions	–	33	33	895	**928**
Restructuring provision	–	829	829	(829)	**–**
Other	247	502	749	(790)	**(41)**
Tax assets/(liabilities)	3,737	8,827	12,564	(3,133)	**9,431**

1. Restated FY20 deferred tax assets and liabilities as detailed in Note 34.

Note 15 – Tax assets and liabilities continued

Income tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable comprehensive income.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Note 16 – Payables

	2021 $'000	2020 $'000
Current		
Trade creditors and accruals	**165,491**	161,247
Lease liabilities	**4,261**	4,127
	169,752	165,374
Non-current		
Lease liabilities	**9,262**	4,882

Trade payables facility

The Group has a trade payable facility which is an unsecured funding arrangement for the purposes of funding trade-related payments associated with the purchase of various raw materials from approved suppliers. Trade bills of exchange are paid by the facility direct to the importer and the Group pays the facility on 180-day terms within an overall facility limit of $50,000,000 (2020: $50,000,000). The amount utilised and recorded within trade creditors at 30 June 2021 was $50,000,000 (2020: $49,854,499).

Note 17 – Provisions

	2021 $'000	2020 $'000
Current		
Provision for restructuring	**2,449**	6,354
Employee entitlements	**14,870**	14,763
	17,319	21,117
Non-current		
Employee entitlements	**325**	324

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Provision for restructuring

The provision for restructuring comprises all of the estimated costs of employee termination benefits, asset relocation, site closure, demolition, remediation and preparation for divestment with regard to the Murray Bridge, Bendigo and Mooroopna feedmills.

(ii) Provision for employee entitlements

Current liabilities for wages and salaries, including non-monetary benefits, short-term incentive payments, annual leave, accumulating sick leave and long service leave expected to be settled within 12 months of the reporting date, are recognised in accruals and provisions for employee entitlements in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Employee benefit on-costs, including payroll tax, are recognised and included in both employee benefit liabilities and costs.

The non-current liability for long service leave expected to be settled more than 12 months from the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the timing of estimated future cash outflows.

Superannuation

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Note 18 – Borrowings

	2021 $'000	2020 $'000
Current		
Bank loans (unsecured)	–	193,000
Non-current		
Bank loans (unsecured)	**123,000**	–

Prior year disclosure note:

Subsequent to 30 June 2020 and prior to 13 August 2020, the Group received certain waivers from its lenders on its financial covenants for the 30 June 2020 testing period. These waivers provided financial covenant relief in respect of any impairment charges raised against the FY20 result. On 13 August 2020 the Ridley Board considered and resolved to approve the recognition of non-cash impairment charges against the Novacq™ Cash Generating Unit. Despite having received the impairment waivers, application of the Australian Accounting Standards deemed this decision to have applied as at 30 June 2020 (i.e. prior to the granting of the impairment waivers by the Group's financiers) and therefore that there was a technical breach of banking covenants, which required the Group's borrowings to be reported as current rather than non-current. At the date of approval of the prior year Financial Report, the lending facilities had been restored to the classification of non-current borrowings and the Group remained at all times compliant with its funding covenants.

Total loan facilities available to the Group

		2021		2020	
All in AUD$'000		**Limits**	**Utilised**	**Limits**	**Utilised**
Long-term loan facility	(a)	**150,000**	**93,000**	200,000	163,000
Trade receivables facility	(b)	**30,000**	**30,000**	30,000	30,000
Cash		**–**	**(39,904)**	–	(45,818)
		180,000	**83,096**	230,000	147,182

(a) Long-term Loan Facility

On 30 June 2021, the Group executed a reduction in the value of its long-term loan facility (**Facility**) with ANZ and Westpac. The Facility term remains with an expiry date of 26 December 2024, while the available funding was reduced from $200m to $150m, continuing to be split equally between the two financiers. The Facility reduction limit reflects the debt retirement achieved during FY21 and the ongoing funding requirements. The Facility comprises unsecured bank loans with floating interest rates subject to bank covenant arrangements in respect of a leverage cover ratio, interest cover ratio, gearing ratio and consolidated net worth. The Group is in compliance with all Facility covenants and reports as such to the two financiers on a six-monthly basis coinciding with the release of the half year and full year Financial Reports.

(b) Trade Receivables Facility

The Group operates a fully drawn $30m Trade Receivables Facility with Cooperative Rabobank U.A. Australia Branch (**Rabobank**). In addition to adopting the same bank covenants calculation and reporting arrangements as prevailing under the Facility, a detailed monthly analysis of the Trade Receivables Ledger is provided by the Group to Rabobank.

Offsetting of financial instruments

The Group does not set off financial assets with financial liabilities in the consolidated financial statements.

Under the terms of the Facility agreement, subject to the paragraph following, if the Group does not pay an amount when due and payable, the banks may apply any credit balance in any currency in any account that the Group has with the bank, in or towards satisfaction of that amount.

Under the terms of the Rabobank facility, ANZ as the Group's transactional bank, has agreed not to exercise its right of set off until Rabobank has received payment in full of the amount advanced to the Group under the Trade Receivables Facility.

As at 30 June 2021, the value of legally enforceable cash balances which upon default or bankruptcy would be applied to the loan facility is $39.9m (2020: $45.8m).

Note 19 – Share capital

	Parent entity	
	2021 $'000	2020 $'000
Fully paid up capital:		
319,494,975 ordinary shares with no par value (2020: 317,431,555)	**225,114**	223,521

In September 2020, the FY20 STI award was satisfied through the issue of unrestricted Ridley shares, using a five-day Volume Weighted Average Price (**VWAP**) prior to the issue date as the basis for determining the number of shares to equate to the monetary award value. 2,063,420 Ridley shares were issued at a value of $0.772 per share, giving rise to an increase in issued share capital of $1,592,975.

Ordinary shares

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Ordinary shares entitle the holder to receive dividends and the proceeds on winding up the interest in proportion to the number of shares held. On a show of hands, every shareholder present at a shareholders' meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Capital risk management

The Group manages capital to ensure it maintains optimal returns to shareholders and benefits for other stakeholders. The Group also aims to maintain a capital structure that ensures the optimal cost of capital available to the Group.

The Group reviews, and, where appropriate, adjusts the capital structure to take advantage of favourable costs of capital or high returns on assets. The Group may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital through the gearing ratio (net debt/total equity). The gearing ratios as at 30 June are as follows:

	2021 $'000	2020 $'000
Gross debt	**123,000**	193,000
Less: cash	**(39,904)**	(45,818)
Net debt	**83,096**	147,182
Total equity[1]	**287,545**	259,537
Gearing ratio	**28.9%**	56.7%

1. Restated FY20 Consolidated Balance Sheet as detailed in Note 34.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30 June 2021

Note 20 – Reserves and retained earnings

Reserves	2021 $'000	2020 $'000
Share-based payments reserve		
Opening balance at 1 July	**1,843**	3,601
Options and performance rights expense	**1,639**	1,481
Share-based payment transactions	**(120)**	(163)
Transfer to retained earnings	**(1,656)**	(3,076)
Closing balance at 30 June	**1,706**	1,843

The share-based payments reserve is used to recognise the fair value of performance rights and options issued to employees in relation to equity settled share-based payments.

Fair value reserve	2021 $'000	2020 $'000
Opening balance at 1 July	–	117
Available-for-sale financial assets – net change in fair value, net of tax	–	114
Realisation of reserve following disposal of asset	–	(231)
Closing balance at 30 June	–	–

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

Retained earnings	2021 $'000	2020 $'000
Opening balance at 1 July	**34,173**	54,840
Adjustment to opening retained earnings	–	114
Net profit/(loss) for the year	**24,896**	(10,862)[1]
Dividends paid	–	(13,226)
Share-based payments reserve transfer	**1,656**	3,076
Fair value reserve transfer	–	231
Closing balance at 30 June	**60,725**	34,173

1. Restated FY20 Consolidated Statement of Comprehensive Income as detailed in Note 34.

Note 21 – Investment in controlled entities

The ultimate parent entity within the Group is Ridley Corporation Limited.

			Ownership interest	
Name of entity	Country of incorporation	Class of shares	2021	2020
Ridley AgriProducts Pty Ltd and its controlled entity:	Australia	Ordinary	**100%**	100%
CSF Proteins Pty Ltd	Australia	Ordinary	**100%**	100%
Barastoc Stockfeeds Pty Ltd	Australia	Ordinary	**100%**	100%
Ridley Corporation (Thailand) Co., Ltd	Thailand	Ordinary	**100%**	100%
Ridley Corporation Ecuador S.A.	Ecuador	Ordinary	**100%**	100%
Ridley Corporation (India) Private Limited	India	Ordinary	**100%**	100%
Pen Ngern Feed Mill Co., Ltd. (**PNFM**)	Thailand	Ordinary	**100%**	100%
RCL Retirement Pty Limited	Australia	Ordinary	**100%**	100%
Ridley Land Corporation Pty Ltd and its controlled entities:	Australia	Ordinary	**100%**	100%
Lara Land Development Corporation Pty Ltd	Australia	Ordinary	**100%**	100%
Moolap Land Development Corporation Pty Ltd	Australia	Ordinary	**100%**	100%
Novacq™ International Pte. Ltd[1]	Singapore	Ordinary	–	100%

1. This wholly-owned, non-operating and Singapore-incorporated subsidiary was sold on 16 April 2021 for no profit or loss.

Note 22 – Parent entity

As at 30 June 2021 and throughout the financial year ending on that date, the parent company of the Group was Ridley Corporation Limited.

	2021 $'000	2020 $'000
Result of the parent entity		
Loss for the year	**(9,492)**	(9,937)
Comprehensive income for the year	**–**	114
Total comprehensive loss for the year	**(9,492)**	(9,823)
Financial position of the parent entity at year end		
Current assets	**3,358**	24,388
Non-current assets	**345,881**	398,008
Total assets	**349,239**	422,396
Current liabilities	**9,999**	199,549
Non-current liabilities	**123,000**	–
Total liabilities	**132,999**	199,549
Net assets	**216,240**	222,847
Share capital	**225,114**	223,521
Share-based payment reserve	**1,706**	1,843
Retained earnings	**(10,580)**	(2,517)
Total equity	**216,240**	222,847

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees the debts of certain of its subsidiaries which are party to the deed. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Note 23.

Note 23 – Deed of Cross Guarantee

Ridley Corporation Limited, Ridley AgriProducts Pty Ltd and CSF Proteins Pty Ltd are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the other entities.

The above companies represent a Closed Group for the purposes of the ASIC Class Order, which governs the operation and establishment of the Deed of Cross Guarantee. As there are no other parties to the Deed of Cross Guarantee that are controlled but not wholly-owned by Ridley Corporation Limited, they also represent the Extended Closed Group.

(a) Summarised Consolidated Statement of Comprehensive Income

	2021 $'000	2020[1] $'000
Profit before income tax	**33,001**	6,787
Income tax expense	**(9,025)**	(3,851)
Profit after income tax	**23,976**	2,936
Other comprehensive income		
Available-for-sale financial assets – realisation on disposal of asset	**–**	114
Total comprehensive income for the year	**23,976**	3,050

1. Restated FY20 Consolidated Statement of Comprehensive Income and Consolidated Balance Sheet as detailed in Note 34.

Note 23 – Deed of Cross Guarantee continued

(b) Summary of movements in retained profits

	2021 $'000	2020[1] $'000
Opening balance at 1 July	**39,958**	44,630
Pen Ngern Feed Mill pre-consolidation losses	**–**	4,186
Comprehensive income for the year	**23,976**	3,050
Dividends paid	**–**	(13,226)
Share-based payment reserve net transfer	**1,656**	1,318
Closing balance at 30 June	**65,590**	39,958

(c) Balance sheet

	2021 $'000	2020[1] $'000
Current assets		
Cash and cash equivalents	**38,351**	43,652
Receivables	**111,261**	107,585
Inventories	**82,687**	104,227
Assets held for sale	**46,078**	–
Total current assets	**278,377**	255,464
Non-current assets		
Receivables	**21,146**	18,080
Property, plant and equipment	**219,733**	278,633
Intangible assets	**75,892**	75,001
Investments	**12,979**	12,979
Deferred tax asset	**9,429**	12,564
Total non-current assets	**339,179**	397,257
Total assets	**617,556**	652,721
Current liabilities		
Borrowings	**–**	193,000
Payables	**169,226**	166,434
Provisions	**17,319**	20,934
Tax liability	**6,014**	1,825
Total current liabilities	**192,559**	382,193
Non-current liabilities		
Borrowings	**123,000**	–
Payables	**9,262**	4,882
Provisions	**325**	324
Total non-current liabilities	**132,587**	5,206
Total liabilities	**325,146**	387,399
Net assets	**292,410**	265,322
Equity		
Share capital	**225,114**	223,521
Reserves	**1,706**	1,843
Retained earnings	**65,590**	39,958
Total equity	**292,410**	265,322

1. Restated FY20 Consolidated Statement of Comprehensive Income and Consolidated Balance Sheet as detailed in Note 34.

Note 24 – Related party disclosures

Investments

Information relating to investments accounted for using the equity method is set out in Note 14.

Transactions with associated entities are on normal commercial terms and conditions in the ordinary course of business, unless terms and conditions are covered by shareholder agreements.

Other related parties

Contributions to superannuation funds on behalf of employees are disclosed in Note 26.

Transactions with related parties

		2021 $'000	2020 $'000
Transactions with related parties were as follows:			
Sales of products	– associate	–	–
Purchases of products/services	– associate	–	–
	– joint venture entity	–	–
Outstanding balances with related parties were as follows:			
Current receivable – joint venture entity		–	–

Key Management Personnel compensation

	2021 $	2020 $
Short-term employee benefits	**2,710,828**	2,803,746
Post-employment benefits	**168,803**	171,689
Other benefits – termination	–	1,359,051
Short-term incentive remuneration	**1,086,250**	445,250
Share-based payments	**685,690**	376,455
Total Key Management Personnel compensation	**4,651,571**	5,156,191

Note 25 – Share-based payments

Share-based payment expense	2021 $'000	2020 $'000
Shares issued under the Employee Share Scheme	**340**	–
Performance rights issued under the Ridley Long Term Incentive Plan	**1,299**	1,481
Total share-based payment expense	**1,639**	1,481

Share-based payment arrangements

The fair value at grant date of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the period of vesting of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, such as the ESS, the fair value at grant date is measured to reflect such conditions and there is no true up for differences between expected and actual outcomes.

Ridley Corporation Special Retention Plan

The Ridley Corporation Special Retention Plan was developed specifically to retain and motivate key executives. Under the Special Retention Plan, selected executives and the Managing Director may be offered a number of performance rights (**SRP Rights**). There were no SRP Rights issued or on issue in FY21.

Ridley Corporation Long Term Incentive Plan

The purpose of the Ridley Corporation Long Term Incentive Plan (**LTIP**) is to provide long-term rewards that are linked to shareholder returns. Under the LTIP, selected executives and the Managing Director may be offered a number of performance rights (**Right**). Each Right provides the entitlement to acquire one Ridley share at nil cost subject to the satisfaction of performance hurdles. The fair value of Rights granted is recognised as an employee benefit expense over the performance period with a corresponding increase in equity.

Current year issues under the Ridley Corporation Long Term Incentive Plan

For FY20 and FY21, there are two performance measures, namely Return on Funds Employed (**ROFE**) and Absolute Total Shareholder Return (**TSR**) (as opposed to *Relative* TSR). The new measures are more aligned to current industry best practice and are less subject to distortion from extraneous factors beyond the Group's control.

The number of Rights issued to each participant in FY21 is divided equally into two tranches, Tranche A and Tranche B. The performance measure for Tranche A Rights is the ROFE hurdle as applied to only year three of the vesting period, while the Absolute TSR is the performance hurdle for Tranche B Rights as applied across the entire three-year performance period. The testing of each tranche is independent of the other tranche, such that one tranche could hypothetically result in 100% vesting while the other could result in 100% forfeiture, or any combination thereof.

The fair value of Tranche B Rights has been calculated by an independent expert in accordance with AASB 2 on an option-equivalent basis, while the accounting fair value of Tranche A Rights is estimated excluding the impact of the ROFE hurdle (as this is considered a 'non-market condition'). The impact of the ROFE hurdle is then taken into consideration via adjusting the estimated number of Tranche A Rights that will vest based on current and projected performance.

The model inputs for the Tranche A and Tranche B Rights granted during the reporting period under the LTIP included:

	2021	2020
Grant date	**1 July 2020**	1 Sept 2019
Expiry date	**30 June 2023**	30 June 2022
Share price at grant date	**$0.75**	$1.08
Fair value at grant date: Tranche A/Tranche B	**$0.67[1]/$0.22**	$0.96[1]/$0.250
Expected price volatility of the Company's shares	**25.3%**	22.5%
Expected dividend yield	**3.50cps**	4.25cps
Risk-free interest rate being the Commonwealth Government Bond rate at the date of grant	**0.27%**	0.68%

1. The fair of Tranche A Rights before adjusting for the initial estimate of the likelihood of exceeding the ROFE hurdle.

The expected share price volatility is based on the historic volatility (based on the remaining life of the Rights), adjusted for any expected changes to future volatility due to publicly available information.

Details of Rights outstanding under the plans at balance date are as follows:

2021

Grant date	Expiry date	Balance at 1 July 2020	Granted during the year	Cancelled during the year	Vested during the year	Balance at 30 June 2021
Long Term Incentive Plan						
1 July 2017	30 Jun 2020[1]	**2,225,000**	–	**(2,225,000)**	–	–
1 July 2018	30 Jun 2021	**2,400,000**	–	**(50,000)**	–	**2,350,000**
1 Sept 2019	30 Jun 2022	**3,646,106**	–	**(92,715)**	–	**3,553,391**
1 July 2020	30 Jun 2023	–	**5,986,459**	**(64,575)**	–	**5,921,884**
		8,271,106	**5,986,459**	**(2,432,290)**	–	**11,825,275**

1. The performance targets for this tranche of performance rights were not met and consequently all of these Rights were forfeited on 1 July 2020.

2020

Grant date	Expiry date	Balance at 1 July 2019	Granted during the year	Cancelled during the year	Vested during the year	Balance at 30 June 2020
Long Term Incentive Plan						
1 July 2016	30 Jun 2019[1]	2,500,000	–	(2,500,000)[1]	–	–
1 July 2017	30 Jun 2020	2,450,000	–	(225,000)	–	2,225,000
1 July 2018	30 Jun 2021	2,650,000	–	(250,000)	–	2,400,000
1 Sept 2019	30 Jun 2022	–	4,098,368	(452,262)	–	3,646,106
		7,600,000	4,098,368	(3,427,262)	–	8,271,106
Special Retention Plan						
1 Jan 2017	1 Jan 2020	150,000	–	–	(150,000)	–
		7,750,000	4,098,368	(3,427,262)	(150,000)	8,271,106

1. The performance targets for this tranche of performance rights were not met and consequently all of these Performance Rights were forfeited on 1 July 2019.

Ridley Employee Share Scheme (ESS)

At the 1999 Annual General Meeting, shareholders approved the introduction of the Ridley ESS. Under the ESS, shares are offered to permanent Australian employees who are not participants in the STI program and who have a minimum of 12 months' service as at the date of offer. Ridley shares are offered at a discount of up to 50% with the maximum discount per employee limited to $1,000 annually in accordance with relevant Australian taxation legislation. The amount of the discount and number of shares allocated is at the discretion of the Board. The purpose of the ESS is to align employee and shareholder interests.

Shares issued to employees under the ESS vest immediately on grant date. Employees can elect to receive an interest-free loan to fund the purchase of the shares. Dividends on the shares are allocated against the balance of any loan outstanding. The shares issued are accounted for as 'in-substance' options, which vest immediately. The fair value of these 'in-substance' options is recognised as an employee benefit expense with a corresponding increase in equity. The fair value at grant date is independently determined using a binomial option pricing model.

There were 831,390 shares awarded under the ESS in FY21 (FY20: nil). The fair value at grant date of the options issued in FY21 through the ESS was measured based on the binomial option pricing model using the following inputs:

Grant date	**1 Sept 2020**
Restricted life	**3 years**
Share price at grant date	**$0.77**
Fair value at grant date	**$0.41**
Expected price volatility of the Company's shares	**25.1%**
Expected dividend yield per annum in cents per share (**cps**)	**4.0cps**
Risk-free interest rate being the Commonwealth Government Bond rate at the date of grant	**0.97%**

Note 25 – Share-based payments continued

Ridley ESS loan movements

2021 Number of shares

Grant date	Date shares become unrestricted	Weighted average exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Balance at end of the year	Exercisable at end of the year
30 April 2010	30 April 2013	**$0.61**	**118,844**	**–**	**(6,512)**	**112,332**	**112,332**
30 April 2011	30 April 2014	**$0.66**	**110,084**	**–**	**(10,556)**	**99,528**	**99,528**
30 April 2012	30 April 2015	**$0.61**	**140,590**	**–**	**(13,232)**	**127,358**	**127,358**
26 April 2013	26 April 2016	**$0.41**	**325,754**	**–**	**(26,741)**	**299,013**	**299,013**
23 May 2014	23 May 2017	**$0.48**	**388,680**	**–**	**(35,550)**	**353,130**	**353,130**
31 May 2015	31 May 2018	**$0.66**	**354,817**	**–**	**(35,660)**	**319,157**	**319,157**
20 May 2016	20 May 2019	**$0.85**	**383,061**	**–**	**(38,454)**	**344,607**	**344,607**
19 May 2017	19 May 2020	**$0.84**	**422,425**	**–**	**(40,165)**	**382,260**	**382,260**
31 May 2018	31 May 2021	**$0.84**	**499,495**	**–**	**(38,205)**	**461,290**	**461,290**
21 June 2019	21 June 2022	**$0.64**	**576,693**	**–**	**(52,576)**	**524,117**	**–**
1 Sept 2020	1 Sept 2023	**$0.77**	**–**	**831,390**	**(51,800)**	**779,590**	**–**
			3,320,443	**831,390**	**(349,451)**	**3,802,382**	**2,498,675**
Weighted average exercise price			**$0.68**	**N/A**	**$0.69**	**$0.70**	**$0.69**

2020 Number of shares

Grant date	Date shares become unrestricted	Weighted average exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Balance at end of the year	Exercisable at end of the year
5 April 2005	5 April 2008	$0.77	46,980	–	(46,980)	–	–
11 April 2008	11 April 2011	$0.56	111,166	–	(111,166)	–	–
30 April 2010	30 April 2013	$0.61	141,636	–	(22,792)	118,844	118,844
30 April 2011	30 April 2014	$0.66	132,704	–	(22,620)	110,084	110,084
30 April 2012	30 April 2015	$0.61	168,708	–	(28,118)	140,590	140,590
26 April 2013	26 April 2016	$0.41	403,546	–	(77,792)	325,754	325,754
23 May 2014	23 May 2017	$0.48	476,370	–	(87,690)	388,680	388,680
31 May 2015	31 May 2018	$0.66	436,835	–	(82,018)	354,817	354,817
20 May 2016	20 May 2019	$0.85	471,801	–	(88,740)	383,061	383,061
19 May 2017	19 May 2020	$0.84	516,605	–	(94,180)	422,425	422,425
31 May 2018	31 May 2021	$0.84	608,450	–	(108,955)	499,495	–
21 June 2019	21 June 2022	$0.64	708,133	–	(131,440)	576,693	–
			4,222,934	–	(902,491)	3,320,443	2,244,255
Weighted average exercise price			$0.68	N/A	$0.67	$0.68	$0.65

The 'Exercisable at end of the year' column in the above and following tables reflects the fact that the options outstanding have a weighted average contractual life of three years (2020: three years).

Note 26 – Retirement benefit obligations

Superannuation

The Group sponsors the Ridley Superannuation Plan – Australia (**the Fund**), which is administered by Mercer. The Fund provides available benefits on a defined contribution basis for employees or their dependants on retirement, resignation, total and permanent disability, death and in some cases, on temporary disablement. The members and the Group make contributions as specified in the rules of the plan.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in comprehensive income in the periods during which services are rendered by employees.

Group contributions in terms of awards and agreements are legally enforceable, and in addition, contributions for all employees have to be made at minimum levels for the Group to comply with its obligations. Other contributions are in the main not legally enforceable, with the right to terminate, reduce or suspend these contributions upon giving written notice to the trustees.

Benefits are based on an accumulation of defined contributions. The amount of contribution expense recognised in the Consolidated Statement of Comprehensive Income for the year is $5,578,448 (2020: $5,613,534).

Note 27 – Financial risk management

The Group's activities expose it to a variety of financial risks: market risk including currency, interest rate, commodity, credit and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group may use derivative financial instruments, such as foreign exchange contracts and interest rate swaps, to manage certain risk exposures. Any derivatives used to manage these exposures are designated into either fair value or cash flow hedging relationships (as appropriate).

Risk management is carried out by management under policies approved by the Board. Management evaluates and hedges financial risks where appropriate. The Board approves written principles for overall risk management, as well as written policies covering specific areas such as mitigating foreign exchange, interest rate and credit risks.

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the relevant entity's functional currency. The Group is exposed to foreign exchange risk through the purchase and sale of goods in foreign currencies.

Forward contracts and foreign currency bank balances are used to manage foreign exchange risk. Management is responsible for managing exposures in each foreign currency by using external forward currency contracts and purchasing foreign currency that is held in US dollar, New Zealand dollar, Thai Baht and Euro bank accounts. Where possible, borrowings are made in the currencies in which the assets are held in order to reduce foreign currency translation risk. The Group does not hedge account on forward foreign currency contracts.

Foreign currency

The Group holds foreign currency bank accounts in US dollars, New Zealand dollars, Thai Baht and Euros, which are translated into AUD using spot rates. These foreign currency bank accounts, and at times forward foreign exchange contracts, are entered into for purchases and sales denominated in foreign currencies. The Group classifies forward foreign exchange contracts as financial assets and liabilities and measures them at fair value.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	2021					2020				
$'000 Australian dollars	**USD**	**NZD**	**EUR**	**THB**	**SGD**	**USD**	**NZD**	**EUR**	**THB**	**SGD**
Cash	**1,375**	**385**	**12**	**1,548**	**–**	488	1,086	41	2,162	30
Assets	**–**	**–**	**–**	**25,067**	**–**	–	–	–	24,453	–
Net balance sheet exposure	**1,375**	**385**	**12**	**26,615**	**–**	488	1,086	41	26,615	30

Foreign currency sensitivity

A change of a 10% strengthening or weakening in the closing exchange rate of the foreign currency bank balances at the reporting date for the financial year would have decreased by $301,867 (2020: $357,688) or increased by $368,949 (2020: $437,174) the Group's reported comprehensive income and the Group's equity. A sensitivity of 10% has been selected as this is considered reasonable, taking into account the current level of exchange rates and volatility observed both on a historical basis and on market expectations for future movements. The Directors cannot and do not seek to predict movements in exchange rates.

Note 27 – Financial risk management continued

(b) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash inflows are substantially independent of changes in market interest rates.

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group policy is to ensure that the interest cover ratio does not fall below the ratio limit set by the Group's financial risk management policy. At balance date, bank borrowings of the Group were incurring an average variable interest rate of 2.60% (2020: 2.80%).

Interest rate risk exposures

The Group's exposure to interest rate risk (defined as interest on drawn and undrawn facilities plus allocation of prepaid facility fee establishment costs) and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Group intends to hold fixed rate assets and liabilities to maturity.

In $'000	Interest rate	2021	Interest rate	2020
Variable rate instruments				
Cash	–	**39,904**	–	45,818
Bank loans	2.60%	**123,000**	2.80%	193,000

Interest rate sensitivity

A 100 basis point change in interest rates at the reporting date annualised for the financial year would have increased or decreased the Group's reported comprehensive income and equity (i.e. after income tax) by $0.9m (2020: $1.3m).

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and the risk arises principally from the Group's receivables from customers. Wherever possible, the Group mitigates credit risk through securing of collateral and/or credit insurance. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The Group holds collateral and/or credit insurance over certain trade receivables.

Derivative counterparties and cash transactions are limited to financial institutions with a high credit rating. The Group has policies that limit the amount of credit exposure to any one financial institution. The maximum exposure to credit risk at the reporting date was:

	2021 $'000	2020 $'000
Trade receivables	**108,678**	102,244
Other receivables	**3,650**	5,150
Cash and cash equivalents	**39,904**	45,818
	152,232	153,212

Further credit risk disclosures on trade receivables are disclosed in Note 8.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group's corporate finance team manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Details of finance facilities are set out in Note 18.

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

2021 in $'000	Carrying amount	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	> 4 years	Total contractual cash flows
Non-derivative financial liabilities							
Trade and other payables	**165,491**	**165,491**	**–**	**–**	**–**	**–**	**165,491**
Lease liabilities	**13,523**	**4,261**	**3,575**	**2,489**	**1,901**	**1,297**	**13,523**
Bank loans	**123,000**	**2,163**	**31,927**	**1,785**	**93,876**	**–**	**129,751**
	302,014	**171,915**	**35,502**	**4,274**	**95,777**	**1,297**	**308,765**

2020 in $'000	Carrying amount	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total contractual cash flows
Non-derivative financial liabilities							
Trade and other payables[1]	160,988	160,998	–	–	–	–	160,998
Lease liabilities	9,009	4,127	2,374	1,586	886	36	9,009
Bank loans	193,000	5,346	5,346	5,346	195,628	–	211,666
	362,997	170,471	7,720	6,932	196,514	36	381,673

1. Includes derivative of $1,719,800 to be settled within 12 months.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts, noting that the maturity of the contractual cash flows for the Group's borrowings reflects the impact of the waivers granted by the Group's lenders.

(e) Financial instruments

Non-derivative financial assets

The Group initially recognises loans, receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through comprehensive income) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through comprehensive income) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans, borrowings, trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Consolidated Statement of Comprehensive Income. Refer Note 33.

Note 27 – Financial risk management continued

(f) Fair values

Fair values versus carrying amounts

The carrying amount of financial assets and liabilities approximates their fair value.

For financial assets and liabilities carried at fair value, the Group uses the following to categorise the method used:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Valuation inputs include forward curves, discount curves and underlying spot and futures prices.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Note 28 – Leases

While the majority of the Group's operations are conducted on sites owned by the Group, the Group leases certain sites and warehouses on long-term lease periods of up to 10 years in duration, preferably with options for Ridley to renew in order to provide operational flexibility. Each lease is negotiated in the context of market conditions and unique terms and conditions as offered by the individual lessor. Previously, these long term leases were classified as operating leases and the lease payments expensed as incurred, with no balance sheet entries required to be recorded.

The Group leases motor vehicles and certain items of mobile plant under a number of different lease arrangements with external fleet management entities. The Group leases certain IT equipment with contract terms of up to three years. These leases are considered to be short term and for low value individual items. Under the new accounting standard, the Group has elected not to recognise these right-of-use assets and liabilities in respect of these leases, which consequently continue to be expensed as payments are incurred.

(i) Right-of-use assets – in $'000

2021 in $'000	Property	Motor vehicles	Plant	Total
Balance as at 1 July 2020	**4,485**	**1,119**	**3,224**	**8,828**
Additions to right-of-use assets	**7,666**	**456**	**1,164**	**9,286**
Execution of extension option	**–**	**44**	**7**	**51**
Cancellation of leases	**–**	**–**	**(165)**	**(165)**
Accumulated depreciation	**(2,588)**	**(913)**	**(1,255)**	**(4,756)**
Balance as at 30 June 2021	**9,563**	**706**	**2,975**	**13,244**

2020 in $'000	Property	Motor vehicles	Plant	Total
Balance as at 1 July 2019	8,225	1,645	3,940	13,810
Cancellation of Thailand leases	(1,210)	–	–	(1,210)
Additions to right-of-use assets	–	419	1,057	1,476
Execution of extension option	–	162	128	290
Cancellation of leases	–	–	(667)	(667)
Accumulated depreciation	(2,530)	(1,107)	(1,234)	(4,871)
Balance as at 30 June 2020	4,485	1,119	3,224	8,828

(ii) Lease liabilities – in $'000

2021 in $'000	Property	Motor vehicles	Plant	Total
Balance as at 1 July 2020	(4,629)	(1,119)	(3,261)	(9,009)
Additions to lease liability	(7,666)	(456)	(1,164)	(9,286)
Execution of extension option	–	(44)	(7)	(51)
Cancellation of leases	–	–	165	165
Accretion of interest	(221)	(34)	(138)	(393)
Payments	2,718	970	1,363	5,050
Balance as at 30 June 2021	(9,797)	(684)	(3,042)	(13,523)
Current	2,778	545	938	4,261
Non-current	7,019	139	2,104	9,262

2020 in $'000	Property	Motor vehicles	Plant	Total
Balance as at 1 July 2019	(7,521)	(1,645)	(3,940)	(13,106)
Cancellation of Thailand leases	587	–	–	587
Additions to lease liability	–	(419)	(1,057)	(1,476)
Execution of extension option	–	(162)	(128)	(290)
Cancellation of leases	–	–	667	667
Accretion of interest	(240)	(62)	(135)	(437)
Payments	2,545	1,169	1,332	5,046
Balance as at 30 June 2020	(4,629)	(1,119)	(3,261)	(9,009)
Current	2,189	820	1,118	4,127
Non-current	2,440	299	2,143	4,882

(iii) Extension options

Some property leases contain extension options exercisable by the Group up to one year before the expiry of the initial lease term. The Group assesses at the commencement of the initial lease term, or whenever there is a significant event or change in circumstances relating to a lease, the likelihood of it exercising its option to extend the lease.

The Group considers the potential future lease payments associated with the exercise of any lease term extension options to be immaterial or uncertain.

(iv) Amounts recognised in profit or loss and statement of cash flows

The financial impact of lease accounting on profit or loss was $5.1m (2020: $5.3m), comprising interest and amortisation (refer Note 5(b) and Note 12). The total cash outflows for leases in the year was $5.0m (2020: $5.0m).

Note 29 – Commitments for expenditure

	2021 $'000	2020 $'000
Expenditure contracted for but not recognised as liabilities:		
Capital plant and equipment **(a)**	**7,244**	12,968
CSIRO Novacq™ Research Alliance **(b)**	**750**	1,750
	7,994	14,718
Total Group commitments for non-cancellable operating leases:		
Due within one year	**153**	224
Due within one to two years	**147**	224
Due within two to five years	**442**	560
Due after five years	**12**	–
	754	1,008

The Group has leases for land, buildings and equipment under operating leases.

(a) Capital plant and equipment

At 30 June 2021 there were $7.2m (2020: $13.0m) of capital plant and equipment commitments in place in respect of capital projects.

(b) CSIRO Novacq™ Research Alliance

On 24 March 2017, a five-year strategic alliance was executed with CSIRO to collaborate in order to maximise the development of new Novacq™ applications beyond the former application for prawn and crustacean species. Ridley's annual cash commitment to the alliance is $1 million, and Ridley has the option to extend the relationship for a further five years. The quarterly payments are being capitalised into the Novacq™ Project reflected in the balance sheet as a non-current intangible asset.

Note 30 – Contingent liabilities

Guarantees

The Group is, in the normal course of business, required to provide certain guarantees and letters of credit on behalf of controlled entities, associates and related parties in respect of their contractual performance obligations. These guarantees and letters of credit only give rise to a liability where the entity concerned fails to perform its contractual obligations.

	2021 $'000	2020 $'000
Bank guarantees	**971**	971

Litigation

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 charge to profit and loss.

Note 31 – Events occurring after the balance sheet date

The sale of the Westbury extrusion plant for $54.85m was completed on 2 August 2021. The asset has been reflected as a current asset held for sale at 30 June 2021 and the gain on sale in excess of $7.0m will be brought to account in FY22.

The former feedmill at Bendigo was sold on 27 July 2021 for gross proceeds of $2.2m, and former feedmill at Mooroopna sold on 13 August 2021 for $1.65m. The sales will generate a pre-tax gain on sale in FY22 in the vicinity of $2.8m.

There were no other matters or circumstances that have arisen since 30 June 2021 that have significantly affected, or may significantly affect:

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

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

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

Note 32 – Auditor's remuneration

	2021 $	2020 $
(a) Audit and review of Financial Reports		
Auditor of the Company – KPMG Australia	**339,750**	362,480
(b) Other services		
Auditor of the Company – KPMG Australia – in relation to other assurance, taxation and due diligence services	**85,931**	22,956
Total remuneration of auditor	**425,681**	385,436

Note 33 – Corporate information and accounting policy summary

Ridley Corporation Limited (the **Company**) is a company limited by shares, incorporated and domiciled in Australia, whose registered office is at level 4, 565 Bourke Street, Melbourne, Victoria, 3000, and whose shares are publicly traded on the Australian Securities Exchange (**ASX**). The consolidated financial statements as at, and for the year ended, 30 June 2021 comprise Ridley Corporation Limited, the 'parent entity', its subsidiaries and the Group's interest in equity accounted investments. Ridley Corporation Limited and its subsidiaries together are referred to in this Financial Report as 'the Group'. The Group is a 'for-profit' entity and is primarily involved in the manufacture of animal nutrition solutions.

The Financial Report was authorised for issue by the Directors on 25 August 2021 and is presented in Australian dollars, being the Company's functional currency. The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2018/191 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.

Basis of preparation

The principal accounting policies as outlined below and as adopted in the preparation of the Financial Report are set out in either the relevant note to the accounts or below. These policies have been consistently applied except if mentioned otherwise. Certain comparative amounts have been restated, reclassified or re-presented to conform with the current year's presentation.

(i) Statement of compliance

These consolidated financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards (**AASBs**) (including Interpretations) adopted by the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (**IFRSs**) and interpretations adopted by the International Accounting Standards Board (**IASB**).

The Group has adopted all of the new and revised standards and interpretations issued by the AASB that are relevant to its operations and effective for the current financial year, and has not early adopted any new or amended standards in preparing these consolidated financial statements.

(ii) AASB 16 Leases (Policy applicable from 1 July 2019)

The new lease accounting standard AASB 16, adopted for the financial year beginning 1 July 2019, requires all leases to be recognised on the balance sheet with a right-of-use asset capitalised and depreciated over the estimated lease term together with a corresponding liability that will reduce over the same period with an appropriate interest charge recognised.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16. This policy has been applied to contracts entered into on or after 1 July 2019.

(a) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Note 33 – Corporate information and accounting policy summary continued

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if:

- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee;
- the Group changes its assessment of whether it will exercise a purchase, extension or termination option; or
- if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group has no material contractual arrangements where it is the lessor of an operating or finance lease.

(c) Short-term leases and lease of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(d) Use of lease estimates and judgements

- Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or terminate.

- Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (**IBR**) to measure lease liabilities. The IBR is the rate of interest the Group would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available.

Where leases are held in non-Australian dollar currencies, the spot exchange rates on 1 July 2021 have been used to value them. Lease liabilities will be revalued to spot exchange rates at each future balance sheet date.

(iii) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis (unless otherwise stated) except for the following items in the balance sheet:

- available-for-sale financial assets; and
- cash-settled share-based payment arrangements, which are measured at fair value.

(iv) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed following.

(a) Estimated recoverable amount of goodwill and other non-current assets

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy for intangible assets. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (Cash Generating Units, or CGUs). Refer to Note 13 for further details on impairment testing.

(b) Estimated Research and Development costs and tax provisions

As at the date of adoption of these financial statements, the total cost of projects eligible to claim the Research and Development Tax Incentive (**RDTI**) and the tax provisions are estimates only. The actual RDTI claimable cost and income tax return are finalised in the first half of the ensuing financial year in order to facilitate respective lodgements within the required deadlines.

(c) Investment properties

The Group measures investment properties at cost. A fair value range cannot be determined reliably given that the respective locations do not have local established industrial or residential infrastructure, which would enable a reliable valuation benchmark to be determined. Furthermore, the value of each site also varies significantly depending upon which stage of the progressive regulatory approvals required for redevelopment has been attained at balance date.

Where reliable estimates of fair value are obtainable, they are factored into the annual assessment of the property's carrying value. The valuation of investment properties requires judgement to be applied in selecting appropriate valuation techniques and setting valuation assumptions. Refer to Note 11 for further details on investment properties.

(d) Provision for ECL on receivables

The Group calculates the doubtful debts provision under the expected credit loss (**ECL**) model. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Measurement of ECL allowance for trade receivables is disclosed in Note 8.

(e) Determining timing of satisfaction of performance obligations

The Group generally has one performance obligation, and consequently revenue from the sale of feed is recognised at a point in time. Refer to Note 4 for further details on revenue recognition.

(v) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Non-derivative financial assets and liabilities

The net fair value of cash and non-interest bearing monetary financial assets and liabilities of the Group approximates their carrying amounts.

Ridley buys large volumes of grain for stockfeed manufacture, with price risk mainly offset through sales of finished feed. Where Ridley commits to forward grain purchases at a fixed price and future date, unsupported by a finished feed sale contract, Ridley may look to offset price risk through the use of a forward futures contract derivative instrument, which creates a floating purchase price to mitigate the price risk in the intervening period.

Note 33 – Corporate information and accounting policy summary continued

In such instances, the futures contract hedge is deemed to be highly effective because (a) volumes are consistent across the committed purchase and sold futures contract, (b) timeframes for grain delivery and futures maturity are aligned, and (c) pricing reference points are consistent.

(b) Non-derivative financial assets and liabilities

The forward futures contracts and the committed purchases in place at balance sheet date have been revalued at 30 June 2021. The hedge is classified as a fair value hedge of a firm commitment per IFRS 9/39. Both the derivative and the commitment have been revalued at 30 June 2021 and recognised on balance sheet at their fair value. The difference between the two revaluations represents the 'ineffectiveness' in the hedge relationship and gives rise to a mark to market gain (or loss) and is recognised in profit or loss.

As at 30 June 2021, the Group had seven (2020: 16) forward futures contracts in the form of swaps in Australian dollar currency with a mark to market gain of $133,060 (2020: $295,512). The corresponding asset of $279,560 (2020: $2,073,000) has been recorded as a current receivable 'Fair value of financial instruments' (Note 8), while the liability is included within current payables 'Trade creditors and accruals' (Note 16).

(c) Derivative financial instruments

The fair values of forward exchange contracts are estimated using listed market prices if available. If a listed market price is not available, then the fair value is estimated by discounting the contractual cash flows at their forward price and deducting the current spot rate. The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments at the measurement date.

(vi) Basis of consolidation – Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(vii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

(viii) Interests in equity-accounted investees

Associates are those entities where the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net amounts of the arrangement, rather than rights to its assets and obligations for liabilities. Investments in associates and joint venture entities are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates and joint venture entities includes goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of its associates' and joint venture entities' post-acquisition profits or losses is recognised in the Consolidated Statement of Comprehensive Income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable reduce the carrying amount of the investment.

Unrealised gains on transactions between the Group and its associates and joint venture entities are eliminated to the extent of the Group's interests in the associates and joint venture entities. Accounting policies of associates and joint venture entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ix) Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income.

(x) Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars at the exchange rates prevailing at balance date. The income and expenses of foreign operations are translated into Australian dollars at the exchange rates prevailing at the date of the transactions.

(xi) Intangible assets and Software-as-a-Service arrangements

The International Financial Reporting Standards Interpretations Committee (**IFRIC**) has issued a final agenda decision which impacts Software-as-a-Service (**SaaS**) arrangements:

- *Configuration or customisation costs in a cloud computing arrangement* (April 2021) – this decision discusses whether configuration or customisation expenditure relating SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Group's accounting policy has traditionally been to capitalise all costs related to SaaS arrangements as capital work in progress in the Balance Sheet. The adoption of the IFRIC decisions has resulted in a change in accounting policy, giving rise to a reclassification of the pre-tax costs that have been capitalised as a Balance Sheet asset to an expense in the Statement of Comprehensive Income. The tax effect is a further adjustment. Refer Note 34.

Note 34 – Restatement of prior year comparatives

Ridley is nearing the end of a two-year implementation of a new, cloud-based Enterprise Resource Planning end-to-end computer system, and has assessed the costs previously capitalised to the Balance Sheet as capital works in progress (Note 12) against the new IFRIC interpretation. Consequently, $3.6m of pre-tax project costs incurred in FY21 have been derecognised and reported as an individually significant item, with a further $1.1m before tax derecognised in respect of FY20 as a prior year restatement (Note 5(d)). Costs incurred to complete the implementation in FY22 will be assessed and also reported as an individually significant item. There is a related tax impact for this change in accounting treatment.

Consolidated Statement of Comprehensive Income for the year ended 30 June 2020 in $'000	As previously reported	Adjustment	As restated
General and administrative expenses	(63,003)	(1,118)	(64,121)
(Loss) before income tax	(15,785)	(1,118)	(16,903)
Income tax benefit	7,145	(1,104)	6,041
(Loss) attributable to members	(8,640)	(2,222)	(10,862)
Total comprehensive income	(8,526)	(2,222)	(10,748)
Consolidated Balance Sheet			
Property, plant and equipment	294,251	(1,118)	293,133
Deferred tax asset[1]	13,554	(990)	12,564
Total non-current assets	384,508	(2,108)	382,400
Total assets	646,726	(2,108)	644,618
Net assets	261,645	(2,108)	259,537
Retained earnings[1]	36,281	(2,108)	34,173
Total equity	261,645	(2,108)	259,537
Consolidated Statement of Cash Flows			
Payments to suppliers and employees	(1,026,704)	(1,118)	(1,027,822)
Net cash from operating activities	23,485	(1,118)	22,367
Payments for property, plant and equipment	(56,245)	1,118	(55,127)
Net cash used in investing activities	(55,051)	1,118	(53,933)

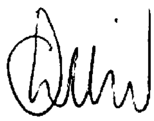
1. After opening balance adjustment as at 1 July 2019 of $114k against retained earnings.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Ridley Corporation Limited (the **Company**):
   (a) The consolidated financial statements and notes set out on pages 38 to 79 and the Remuneration Report are in accordance with the *Corporations Act 2001*, including:
      (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*, and
      (ii) giving a true and fair view of the Group's financial position as at 30 June 2021 and its performance for the financial year ended on that date.
   (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe the members of the Extended Closed Group identified in Note 23 will be able to meet any obligations or liabilities to which they are or may be become subject, by virtue of the Deed of Cross Guarantee, between the Company and those group entities pursuant to ASIC Class Order 98/1418.
3. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2021.
4. The consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 33.

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

Mick McMahon
Director and Ridley Chair



Quinton L Hildebrand
CEO and Managing Director

Melbourne
25 August 2021

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent Auditor's Report

To the shareholders of Ridley Corporation Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Ridley Corporation Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated balance sheet as at 30 June 2021
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of Ridley Corporation Limited (the Company) and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Carrying value of non-current assets, including goodwill and capitalised development costs
- Accounting for inventory, including consideration of valuation risks

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Carrying value of non-current assets, including goodwill and capitalised development costs</th></tr>
<tr><td colspan="2">Refer to Note 12 Property, plant and equipment and Note 13 Intangible assets to the financial report</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>A key audit matter for us was the Group's annual testing of non-current assets, including goodwill and capitalised development costs, for impairment given the size of the balance due to the:

• Complexity in auditing the assumptions applied to the Group's discounted cash flow models for each Cash Generating Unit (CGU), given the potential variability in demand from customers operating in the agriculture industry. We focused on the key assumptions the Group applied in preparing the "value in use" cash flow models, including the terminal value, annual growth rates and discount rates; and

• Complexity in auditing the Group's forecasts relating to the recoverability of capitalised development costs for new products, due to the judgement applied by the Group relating to the timing and amount of future benefits from commercialisation of the product. The industry is evolving through technology advancements by the Group and its competitors, which can lead to shifts in market demand for products. We focused on gathering evidence for the critical judgements in the forecast being the timing and amount of future benefits.

The Group uses complex models to perform its annual testing for impairment. The models are largely manually developed, use adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. For certain CGUs, the Group has not met prior forecasts, increasing our focus on the risk associated with the reliability of current forecasts. Complex modelling, using forward-looking assumptions, tends to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.

We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.</td>
<td>Our procedures included:

• Testing the key controls over the cash flow models, including inspection of Board approval of key assumptions and budgets, which form the basis of the cash flow forecasts;

• Assessing the Group's discounted cash flow models and key assumptions by:

- Considering the appropriateness of the value in use methodology applied by the Group to perform the test for impairment against the requirements of the accounting standards.

- Assessing the integrity of the value in use models used, including the accuracy of the underlying calculation formulas.

- Comparing the forecast cash flows contained in the value in use models to the Board approved forecasts.

- Assessing the Group's underlying methodology and documentation for the allocation of corporate costs and corporate assets to each CGU, for consistency with our understanding of the business and the criteria in the accounting standards.

- Assessing the accuracy of previous Group forecasts to inform our evaluation of current forecasts incorporated in the model.

- Considering the sensitivity of the model by varying key assumptions, such as growth rates, cash flows and discount rates, within a reasonably possible range, to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures.

- Using our knowledge of the Group, business and industry developments, we challenged the Group's significant forecast cash flow and growth assumptions as incorporated in the models.

- Working with our valuation specialists, we independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in. In addition, we involved our valuation specialists in the assessment of the long term growth rates used in the value in use model.</td></tr>
</table>

KPMG

	- Working with our valuation specialists, we compared the earnings multiples implied by the Group's recoverable amount assessment to observable multiples for comparable entities; and • We assessed the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.

Accounting for inventory, including consideration of valuation risks	
Refer to Note 9 *Inventories* to the financial report	
The key audit matter	**How the matter was addressed in our audit**
Inventory valuation is a key audit matter due to the audit effort arising from the extent of judgement applied by the Group in determining the net realisable value. In particular, there is judgement in relation to any slow moving or excessive inventory items which may require reprocessing prior to sale. The Group has a diverse and broad product range, and sells to different market segments, which increases the amount of judgement applied by the Group in assessing the valuation of inventory. Such judgements may have a significant impact on the net realisable value to inventory obsolescence (including slow moving or excessive inventory), and therefore the overall valuation of inventories, necessitating our audit effort thereon.	Our procedures included: • Assessing the inventory balance by testing inventory controls and performance of physical counts at a sample of locations including variance approval. • Examining processes and testing controls relating to standard costing and valuation; • Assessing the Group's accounting policies relevant to inventory valuation against the requirements of accounting standards; • Evaluating the completeness of at-risk slow moving or excessive inventory items identified by the Group. To do so, we compared inventory listings against the following to identify any additional at-risk items: – historical sales information; and – our observations of inventory condition at the physical counts we attended at key locations; • Comparing a sample of inventory values against current selling prices for products to identify any items selling for less than their carrying value; and • Challenging the Group's assessment of net realisable value where the carrying value of inventory was identified as being at-risk.

Other Information

Other Information is financial and non-financial information in Ridley Corporation Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we received prior to the date of this Auditor's Report was the *Financial Review* and the *Director's Report (including the Remuneration Report)*. The *Introduction, Locations and Sectors, Chairman and CEO's Report, Board of Directors, Shareholder Information* and the *Corporate Directory* are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Ridley Corporation Limited for the year ended 30 June 2021 complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2021.

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

KPMG

KPMG

Chris Sargent
Partner
Melbourne
25 August 2021

SHAREHOLDER INFORMATION
AS AT 14 SEPTEMBER 2021

	Number of holders	Number of securities	% Held by 20 largest shareholders
Holdings of securities – ordinary shares			
Each fully paid	6,079	319,494,975	75.56%

Distribution of holdings – ordinary shares

Number held	Number of ordinary shareholders	Number of ordinary shares held	Percentage of ordinary shares held
1–1,000	1,211	533,850	0.17
1,001–5,000	2,072	6,088,848	1.91
5,001–10,000	1,085	8,132,154	2.55
10,001–100,000	1,577	41,188,576	12.89
>100,000	134	263,551,547	82.48
Total	**6,079**	**319,494,975**	**100.00**

As at 14 September 2021, there were 551 holders of unmarketable parcels (comprising shareholdings less than 370 shares at $1.355 per share) of ordinary shares.

20 largest fully paid shareholders	Number of ordinary shares	% of fully paid ordinary shares
CITICORP NOMINEES PTY LIMITED	104,796,585	32.80
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	55,897,307	17.50
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	40,435,355	12.66
NATIONAL NOMINEES LIMITED	10,234,164	3.20
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	7,658,673	2.40
BNP PARIBAS NOMS PTY LTD <DRP>	7,569,314	2.37
ANGIP NOMINEES PTY LTD <JOHNS FAMILY A/C>	1,900,000	0.59
MR ROSS MERVYN JOHNS	1,850,000	0.58
MR JAMES FONG SEETO	1,650,000	0.52
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	1,619,912	0.51
LJ & K THOMSON PTY LTD <LJT & KT SUPER FUND A/C>	1,550,000	0.49
ANGIP NOMINEES PTY LTD <WATTLE SUPERANNUATION A/C>	1,050,000	0.33
CHARLES KLEM	750,326	0.23
MELBOURNE SECURITIES CORPORATION LIMITED <AGFOOD OPPORTUNITIES A/C>	710,266	0.22
MR RUSSELL LYONS	697,144	0.22
GARMARAL PTY LTD	657,635	0.21
RESIDENTIAL VILLAGES (VIC) PTY LTD	645,000	0.20
RATHVALE PTY LIMITED	564,316	0.18
MR LYNDEN WAYNE SMITH + MRS JANET GWENDOLEEN SMITH	560,000	0.18
MR MICHAEL PETER MCMAHON + MRS AMANDA JANE MCMAHON <M & A MCMAHON SF A/C>	541,750	0.17
Top 20 ordinary fully paid shareholders	**241,337,747**	**75.56%**
Balance of ordinary fully paid shareholders	**78,157,228**	**24.44%**

Substantial shareholders	Holding	% Holding[1]
Insitor Holdings LLC[2]/AGR Partners LLC	60,727,615	19.73
Lazard Asset Management	29,375,176	9.25
Schroder Investment Management Australia Limited	23,802,289	7.45
Massachusetts Financial Services Company (MFS) and its related bodies corporate	21,938,642	7.05
MFS International New Discovery Fund, a sub fund of MFS Series Trust V	19,363,828	6.22
Spheria Asset Management Pty Ltd[3]	16,657,047	5.21
Dimensional Fund Advisors Group	15,954,589	5.14
Tattarang Pty Ltd	16,368,156	5.12

1. As per the latest substantial shareholder notice lodged with the ASX.
2. Subsequently changed its name to AGR Agricultural Investments LLC.
3. Ceased being a substantial shareholder as per shareholder notice lodged on 24 September 2021.

Directors' holdings

On 14 September 2021, the Directors of Ridley Corporation Limited had an interest in the following shares and performance rights of the Company.

	Fully paid ordinary shares	Ridley performance rights
MP McMahon	541,750	-
QL Hildebrand[1]	323,323	2,699,596
PM Mann	99,044	-
RJ van Barneveld	83,053	-
E Knudsen	703,286	-
DJ Lord	134,275	-
R Jones	115,000	-
	1,999,731	2,699,596

1. The Board has approved the offer of 1,045,273 Ridley indeterminate performance rights to Mr Hildebrand subject to shareholder approval at the 2021 Annual General Meeting of the Company.

Voting rights

As at 14 September 2021, the number of holders of Fully Paid Ordinary Shares with full voting rights was 6,079. On a show of hands, every person who is a member or a representative of a member has one vote. On a poll, each shareholder is entitled to one vote for each Fully Paid Ordinary Share held. A shareholder may appoint a maximum of two proxies to represent them at a general meeting.

GLOSSARY

AASB	Australian Accounting Standards Board
AASBs	Australian Accounting Standards
AGM	Annual General Meeting
ASX	Australian Securities Exchange
Board	Ridley Board of Directors
CEO	Ridley Chief Executive Officer and Managing Director
CGU	Cash Generating Unit
CODM	Chief Operating Decision Maker
Company	Ridley Corporation Limited
CPC	Chicken Protein Concentrate
cps	Cents per share
CSF Proteins	Rendering businesses at Laverton, Victoria, and Maroota, NSW
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DRP	Dividend Reinvestment Plan
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECL	Expected Credit Loss
EPS	Earnings per share
ESS	Ridley Employee Share Scheme
Facility	Long-term loan facility with ANZ and Westpac
Fund	Ridley Superannuation Plan – Australia
FY	Financial year ended 30 June
Group	Ridley Corporation Limited and its subsidiaries
GST	Goods and Services Tax
IASB	International Accounting Standards Board
IBR	Incremental Borrowing Rate
IFRIC	International Financial Reporting Standards Interpretation Committee
IFRS	International Financial Reporting Standards
IP	Intellectual property
KMP	Key Management Personnel
KPI	Key Performance Indicators
Kt	Thousand tonnes
LTIFR	Long Term Injury Frequency Rate
LTIP	Ridley Corporation Long Term Incentive Plan
M, m	Million
MTI	Medically Treated Injury/ies
NGER	*National Greenhouse and Energy Reporting Act 2007*
NPAT	Net Profit After Tax
PCP	Previous corresponding period
P/E	Ratio of share price to earnings
PNFM	Pen Ngern Feed Mill Co., Ltd.
R&D	Research and Development
RDTI	Research and Development Tax Incentive
Ridley	Ridley Corporation Limited
Rights	Indeterminate Performance Rights issued under the LTIP
RIOC	Ridley Innovation and Operational Committee
ROFE	Return On Funds Employed
SaaS	Software-as-a-Service
SRP	Special Retention Plan
STI	Short-term Incentive
TEP	Total Employment Package
TRFR	Total Recordable Frequency Rate
TSR	Total Shareholder Return
VWAP	Volume Weighted Average Price
YOY	Year on year

CORPORATE DIRECTORY

Ridley Corporation Limited
ABN 33 006 708 765

Corporate office and registered office
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Ridley AgriProducts Pty Limited
ABN 94 006 544 145

www.agriproducts.com.au

CSF Proteins Pty Limited
ABN 77 000 499 918

www.csfproteins.com.au

Community interest

www.barastochorse.com.au
www.cobberchallenge.com.au

RIDLEY