Ridley Corporation Limited

Appendix 4D Half year report

ABN 33 006 708 765

Results for announcement to the market

Reporting period:	Half year ended 31 December 2018
Previous corresponding period:	Half year ended 31 December 2017
Release date:	20 February 2019

				$A'000
Revenue from ordinary activities	Up	17%	to	523,586
Profit after tax attributable to members	Up	29%	to	16,151
Net profit for the period attributable to members	Up	29%	to	16,151
Total comprehensive income for the period	Up	26%	to	15,723

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

Record date for determining entitlements to the interim dividend	5.00pm on Wednesday 24 April 2019

The Board has resolved to reinstate a Dividend Reinvestment Plan (**DRP**) providing all shareholders the opportunity to acquire Ridley shares at a small discount and free of transaction costs. Further details will be provided in due course.

31 December	2018	2017
Net tangible asset backing per ordinary share	0.61	0.59

Brief Explanation

See pages 2 to 10.

20 February 2019

RIDLEY REPORTS $15.7M HALF YEAR RESULT

For statutory reporting purposes, the Ridley Corporation Limited consolidated group (**Ridley or Group**) today announced a consolidated Net profit after tax (**NPAT**) of $16.1 million (**m**) for the half year ended 31 December 2018 and Total comprehensive income of $15.7m.

The Group has recorded Earnings Before Interest and Tax (**EBIT**) of $22.2m, comprising $21.5m from Ridley Operations, less Corporate costs of $5.7m plus net Property income for the period of $6.4m.

Ridley Operations recorded an operating result for the half year of $21.5m, marginally behind the previous corresponding period result of $22.8m. The half year result reflects strong growth in Ruminant, bolstered by growth in Laverton Rendering and Supplements, and supported by volume growth in Packaged Products for the first time in several years. As previously advised and compared to the previous corresponding period, Poultry was down following the expiry of the Ingham's supply agreement in October 2018 and Maroota Rendering was down as a result of the cessation of Red Lea raw material supply in April 2018. The Aquafeed result is consistent with the previous corresponding period after segregating the non-recurring Huon legacy inventory costs from the ongoing operations. Sales of Novacq™-inclusive domestic prawn feed products are skewed to the second half year and a loss has been recorded for the first six months of Novacq™ operations since the domestic operations went live on 1 July 2018.

Corporate costs of $5.7m have increased by $0.9m, mostly due to the expensing of $0.8m of legal costs incurred in responding to the Baiada claim announced on 20 August 2018.

Property income for the period of $6.4m reflects the sale of two parcels of land at Lara which generated proceeds of $9.5m, a net profit before tax of $6.8m, and $1.4m of deferred interest receivable to be released to the profit and loss during the three year period for payment of the deferred consideration. The Nelson Cove joint development project remains in suspension with land holding costs restricted to essential activities.

Net Finance costs of $2.4m have been contained to levels similar to the prior period.

Income Tax expense of $3.7m is an effective tax rate of 18.6% and reflects the application of capital losses of $4.5m against the two sales of Lara surplus property recorded in the period plus an assumed continuation of the 2018 level of R&D Tax Concession activity and claim.

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

PROFIT AND LOSS SUMMARY in $m	Dec 2018	Dec 2017	Movement
EBIT from:			
Ridley Operations	21.5	22.8	(1.3)
Corporate	(5.7)	(4.8)	(0.9)
Property	6.4	0.3	6.1
EBIT	**22.2**	**18.3**	**3.9**

PROFIT AND LOSS SUMMARY in $m	Dec 2018	Dec 2017	Movement
EBIT	**22.2**	**18.3**	**3.9**
Net finance costs	(2.4)	(2.3)	(0.1)
Income tax expense	(3.7)	(3.5)	(0.2)
Reported net profit after tax for period	**16.1**	**12.5**	**3.6**
Net change in fair value of available for sale financial assets	**(0.4)**	**-**	**(0.4)**
Total comprehensive income for the period	**15.7**	**12.5**	**3.2**

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

Earnings per share (in cents & six months only)	Dec 2018	Dec 2017	Movement
Earnings per share	5.2	4.1	1.1

Ridley Operations by sector

Ruminant sales volumes were up over 18,000 tonnes on the previous corresponding period, boosted by beef and sheep feeding in drought affected regions. A combination of these favourable feeding conditions, a strategy to support and retain customers in the main milk producing regions, good commodity management, and strong cost control within the feedmills has generated a strong half year result for this business unit.

Poultry and Pig volumes for the six months were both down on the prior year, due to the expiry of the Ingham's supply agreement in October 2018 and the previously reported industry over-supply conditions respectively. All ongoing major poultry broiler customers enjoyed growth in bird numbers which generated incremental feed volumes while poultry layer sales volumes fell slightly in line with an industry reduction in bird placements. Mill efficiencies and effective commodity management enabled margins to be maintained over the period.

The high raw material prices squeezed the margins for Packaged Products, however the rebranding, product refresh and marketing initiatives delivered an increase in sales volumes for the first time in several years. While a 20% price rise implemented in November 2018 has alleviated margin pressure, the impact on the first four months of the year has produced an overall result slightly down on the previous corresponding period.

Supplements enjoyed a normal dry season across northern Australia which generated a strong half year result 4,500 tonnes above the previous corresponding period.

While Aquafeed sales volumes were nearly 3,000 tonnes above the previous corresponding period, increases in energy, labour and mill cleaning costs, a change in overall product mix, and two new appointments to the Nutrition team have reduced the operating result to a small increase over the previous corresponding period after segregation of the prior period Huon inventory legacy costs.

Rendering raw material intake volumes were up 40,000 tonnes at Laverton compared to the previous corresponding period, however the price paid to secure these tonnes was increased in accordance with the supply and demand conditions within a highly competitive market. A combination of energy costs, product mix and lower poultry meal sales prices, and penalty rates paid to process the extra raw material, has mitigated the benefit of the higher volumes but nevertheless produced an improved result at Laverton.

The outcomes of the prior year restructure and the six month raw material intake at Maroota have been pleasing following the prior year cessation of poultry raw material supply from Red Lea. A number of business development initiatives have supported raw material receival volumes and produced a result more than $0.5m ahead of expectations and $1.4m behind the previous corresponding period which included supply from Red Lea.

In the first six months of operation since transitioning from an applied R&D project to full commercial status, the Novacq™ domestic operations recorded a loss for the period. This is reflective of the timing of the Australian prawn growing season, which commences late in the first half year and runs through to a harvest in the fourth quarter (**Q4**) of the financial year. Commercial sales of prawn feed with a 5% Novacq™ inclusion rate have commenced with a number of domestic prawn farmers.

Property Realisation

The Property segment result for the half year of $6.4m reflects a continuing restriction of management costs to essential activities only, with aggregate costs contained to only $0.4m for the half year. These costs have been offset by a profit of $6.8m in respect of the sale of two parcels of land at Lara for gross proceeds of $9.5m, of which $1.0m has been received during the half year with a further $4.0m due by 30 June 2019. The balance of the consideration receivable is deferred under a payment instalment structure and has been adjusted to net present value accordingly through the generation of $1.4m of deferred interest receivable, which is released to profit and loss as interest income over the three year instalment period. The cost base of the land assets sold was $1.0m with associated transaction costs of $0.3m.

A land-based aquaculture operator continues to undertake due diligence on the final residual lot of surplus land at Lara pursuant to an Option to purchase the land for $1.5m by 30 June 2019.

The Nelson Cove development approval activity with our joint venture partner remains suspended as we collectively await any potential change in response from the Labour Government which has recently been re-elected in Victoria with a significant majority.

Corporate costs

Corporate costs of $5.7m (2018: $4.8m) include $0.8m of legal proceedings costs but are otherwise consistent with the prior year comparative.

Finance costs

Consolidated net financing costs for the period were $2.4m (2018: $2.3m), and incorporate an increase in underlying interest payable associated with the construction of the Tasmanian extrusion plant offset by the release of $0.4m of deferred interest income from the Lara property sales.

Tax expense

The current period tax expense of $3.7m (2018: $3.5) is a tax effective rate of only 18.6% (2018: 21.8%) on Consolidated Profit Before Income Tax, largely due to the availability of $4.5m of capital losses which have been applied against the capital gains recorded on the two property sales reported in July 2018.

DIVIDEND AND CAPITAL MANAGEMENT

A final dividend for the 2018 financial year of 2.75 cents per share, fully franked, was paid to shareholders on 31 October 2018.

The Ridley Board has approved a fully franked interim dividend of 1.5 cents per share payable on Tuesday 30 April 2019. The Board has also approved the reinstatement of a Dividend Reinvestment Plan providing all Ridley shareholders the opportunity to acquire Ridley shares at a small discount and free of transaction costs. Further details will be provided in due course.

BALANCE SHEET

Current Receivables have increased $13.6m from 30 June 2018 to $117.6m as at 31 December 2018, which is reflective of the $74 million increase in sales value over the period. The majority of this increase in sales is a passing through of the significant increases in grain prices arising from the widespread drought-related grain shortages experienced across the eastern states of Australia. Days sales outstanding have been maintained at 32 days.

Current Inventories have increased $4.2m from 30 June 2018 to $80.9m as at 31 December 2018, which reflects an increase of over $100 per tonne in raw material grain prices plus a stock build of prawn mash, offset by a reduction in tuna meal inventory levels.

Current Assets held for sale at 31 December 2018 of $0.2m comprise the sole remaining parcel of land at Lara currently subject to an Option agreement as previously noted.

Current Available for sale financial assets of $1.7m comprise the investment in UK-listed specialty ingredients business. This asset was recorded as a non-current asset of $2.3m as at 30 June 2018, with the $0.6m difference in carrying value representing the mark to market adjustment as at 31 December 2018. This value is tax-effected at the 30% corporate tax rate down to $0.4m and recorded as a negative item of Comprehensive Income for the half year ended 31 December 2018.

Non-current Receivables has risen by $3.9m from 30 June 2018 to $12.6m as a result of the deferred consideration associated with the two property sales reported in July 2018.

The surplus landholding at Moolap remains unchanged as a Non-current Investment Property of $1.3m.

Property, plant and equipment has risen by $22.4m from 30 June 2018, $19.8m of which represents capital works in progress in the construction of the new extrusion plant at Westbury. Depreciation for the period was $9.1m.

There is negligible movement in the balance or profile of Current Payables, within which the Trade Payables balance at 31 December 2018 was $41.8m (2018: $48.6m). Current Provisions and Non-Current Provisions balances, which represent unused employee entitlements, have also remained very consistent with the previous corresponding period.

Non-current Borrowings have increased from $76.2m to $106.3m, and this reflects the construction of the new extrusion plant at Westbury in Tasmania, for which $19.8m was capitalised during the six months under review, plus a further $13.1m of development and maintenance capital expenditure.

The combined impact of all the above balance sheet movements is a $15.0m increase in working capital, which we are aiming to reverse over the second half year.

CASH FLOWS

$6.8m of profit before tax on the two surplus property sales at Lara has been added back as a non-cash item, with $1.5m of the total consideration of $9.5m received in the period and the balance receivable in accordance with an agreed deferred payment profile.

The Depreciation and amortisation charge for the period of $9.1m (2018: $9.0m) is consistent with the prior year, with the Maintenance capital expenditure of $6.8m (2017: $8.3m) continuing to be managed within this figure.

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The short term operating cash flow for the period has been affected by the increase in working capital of $15.0m (2017: $3.8m) as noted in the Balance Sheet review above. Working capital and the consumption of aged inventory will be a major focus for the second half year.

Development capital expenditure of $23.7m includes $19.8m of construction costs for the new extrusion plant in Tasmania.

Payments for Intangibles of $1.1m (2017: $2.1m) for the half year reflects ongoing activity in respect of the Novacq™ applied R&D project in Thailand, while the Yamba operation became operational from 1 July 2018.

Dividends paid in the period of $8.4m comprises the 2018 final dividend of 2.75 cents per share paid on 31 October 2018 and are unchanged from last year (2017: $8.4m).

The reduction in share-based payment activity, which comprises the on-market purchases of vested Long Term Incentive Plan (**LTIP**) and Employee Share Scheme shares, reflects a 58.1% vesting of LTIP rights (2018: 100%) which matured on 1 July 2018.

Net finance cost payments of $2.7m (2018: $2.4m) and Net tax payments of $3.8m (2017: $2.5m) reflect the actual timing of interest and income tax payments versus the respective profit and loss accruals, noting that there is a $3.6m tax receivable at 31 December 2018 which has been received in January 2019.

Cash flows for the six months in $m	**Half year ended**	
	31 Dec 2018	**31 Dec 2017**
EBIT from operations	22.2	18.3
Non-cash profit from sale of Lara land	(6.8)	-
Depreciation and amortisation (P,P&E and Intangibles)	9.1	9.0
EBITDA from operations	**24.5**	**27.3**
Increase in working capital	(15.0)	(3.8)
Maintenance capital expenditure	(6.8)	(8.3)
Operating cash flow	**2.7**	**15.2**

Cash flows for the six months in $m	Half year ended	
	31 Dec 2018	**31 Dec 2017**
Operating cash flow	**2.7**	**15.2**
Development capital expenditure	(23.7)	(7.1)
Payment for Intangibles (software and assets under development)	(1.1)	(2.1)
Dividends paid	(8.4)	(8.4)
Share-based payments	(1.8)	(3.4)
Proceeds from sale of Lara land	1.5	0.7
Proceeds from sale of discontinued operation (Dry Creek)	-	6.0
Net finance cost payments	(2.7)	(2.4)
Net tax payments	(3.8)	(2.5)
Other items	0.9	0.3
Cash flow for the period	**(36.4)**	**(3.7)**
Opening net debt balance at 1 July	(52.8)	(51.5)
Closing net debt balance at 31 December	**(89.2)**	**(55.2)**

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

MANAGING DIRECTOR'S REVIEW

Managing Director, Mr Tim Hart, made the following comments in respect of the Novacq™ developments for the half year. "It was pleasing to be able to transition the Novacq™ operation at Yamba from applied R&D project status to operational effective from 1 July 2018, and we have been working hard to establish a pricing platform for Novacq™-inclusive feed based on the results of the prior year farm trials and the domestic costs of production. With the bulk of prawn feed sales in Q3, the Novacq™ operating performance is skewed towards a stronger second half year."

"In Thailand, all 14 ponds are now fully operational although one pond is expected to be temporarily used as a Novacq™-holding pond pending the receipt of the approval required to locate and operate the dewatering and drying equipment within the joint venture feedmill at Chanthaburi. We are still on track for the Thailand Novacq™ operation to go live from 1 July 2019."

"We have now established corporate entities in India and Ecuador and developed positive relations with potential customers and partners in those jurisdictions which will provide a good platform for overseas production beyond Thailand. While we have not yet selected the preferred country for production, the relationships we have already developed provide sales opportunities in their own right and could open up extensive sales distribution channels in these overseas regions of very high prawn growing activity. First we need to conduct closely controlled trials in the local environments using Ridley-approved diets and protocols, utilising our new relationships to ensure the production of high quality trial feed, and engaging appropriate resources to monitor adherence to trial protocols."

"Preparatory work is currently being undertaken to ensure we are in a position to switch to commercial operations from 1 July 2019 in Thailand, and this work includes securing the land to accommodate the next phases of expansion to 50 production ponds from the current 14 ponds."

In respect of the half year operating result, Mr Hart made the following comments. "There were a number of factors influencing the half year result, one of which was a sharp and sustained increase in raw material prices, from which there has been negligible relief as at the date of this report. For intensively farmed industries such as pig and poultry, the grain price is passed on by Ridley to the customer. For industries such as Dairy and companion animals, where supplementary feeding is discretionary rather than survival-dependent, the higher grain prices start to impact feed purchasing decisions. The higher grain prices eroded the operating margins for Packaged Products, resulting in the need to implement a number of price rises. Against this backdrop, the improved sales volumes is a particularly pleasing performance."

"The Dairy, Beef and Sheep business unit was the standout performer for the half year, with a record result recorded not only from the sharp rise in beef and sheep drought feeding in New South Wales and Queensland but also generated from a positive strategy to support dairy farmers and provide the appropriate incentives to maintain their feeding regimens despite the impact of higher raw material prices."

"The initiatives launched at Maroota in the second half of last year to develop new revenue streams have gained momentum during the half year, and include the processing of whole mackerel caught off the coast of New South Wales under strict quota requirements. Sales of the high value meal and oils commenced during the half year at premium prices commensurate with the product specifications."

"The team at Laverton has developed a credible win:win value proposition for its red meat raw material suppliers through the segregation of higher value bi-product from lower or waste value products, thereby improving processing yields and the quality of the rendered meals and tallow product. In a highly competitive supply market, securing an additional 40,000 tonnes of raw material is a significant achievement for the period."

"The Aquafeed business is working diligently to provide a quality salmon feed solution to Tassal as part of its full life cycle trial participation announced on 1 June 2018 and to address farming issues being experienced by a number of salmon farmers in Australia. We have been successful in becoming Tassal's exclusive feed supplier for its prawn business acquired during the period. During the half year, the Aquafeed technical support team was further expanded to provide a range of expertise which is unrivalled in its familiarity with local conditions and farming practices. Volumes and earnings were both up on the previous corresponding period after removing the impact of the inventory legacy."

"The Supplements business delivered a strong result for the half year, recording 16,800 tonnes of dry season block and loose mix sales, and has established a platform for a positive full year result."

OUTLOOK

Commenting on the outlook, Mr Hart said "The long term outlook for Australian livestock remains positive, and Ridley plays a pivotal role in the well-being of this industry. There will be cyclical ups and downs and we need to deliver a compelling customer value proposition to assist farmers in working through the lean times and optimising their returns when conditions are more favourable."

"While the first half year performance was exceptional for Dairy, Beef and Sheep, we expect a pull back in feed demand in the second half year as the high grain prices and poor on farm forage continue to impact farmer returns."

"The new poultry and pig feedmill at Wellsford, Bendigo will be the largest plant in the Ridley portfolio, and having received the development approvals just prior to the end of the half year reporting period, we have already executed a number of the key construction contracts to kick start the project after several months of delay. The 350,000 tonne annual capacity feedmill will incorporate state of the art equipment with a focus on quality, efficiency and a low energy footprint, and will have the capacity to cost-effectively service significant livestock growth in Central Victoria with the highest quality feed products."

"The Pig sector is expected to recover but the second half year prospect is for the sector to remain subdued."

"The November 2018 price rise across the entire Packaged Products range has clawed back some of the margin eroded by the sharp and sustained increase in raw material prices, and we are optimistic that a positive conference season and the improved brand awareness and store presence achieved from prior year initiatives can deliver a strong second half year result."

"The construction of the new extrusion plant at Westbury in Tasmania is proceeding to schedule, and is expected to be commissioned in the fourth quarter of this financial year. The new plant incorporates the latest technological advances in extrusion plant and will be unrivalled in its capacity to meet the ever increasing demands of the salmon farming industry for high energy and durable pellets with appropriate rates of sink. Having a fully operational Tasmanian production presence with all the associated supply chain, customer communication, problem solving and improved lead time benefits will position Ridley well to execute the strategy to target new and returning salmon customers. The transitioning of salmon feed to Westbury will free up the Narangba plant to concentrate on prawn, other fin fish, and also the extrusion of Ridley branded and third party toll manufactured dog feed."

"The raw material intake volumes for the first half year at our Maroota rendering site have exceeded our expectations, and the constructive customer feedback from the first sales of the new mackerel fish meal provide a positive outlook for the second half year and thereafter. We have achieved the IFFO Global Standard for Responsible Supply in December 2018 and are on track to be granted MSC accreditation in the second half year which will unlock global markets for this high value product. The projects to extract high value poultry protein concentrate, or PPC, and to process whole birds are also progressing well at Maroota."

"For the Laverton rendering operation, we will continue to develop our value proposition to deliver higher returns for suppliers of raw material through the segregation of their bi-product streams which has helped deliver the sharp increase in intake volumes in the first half year. Improvements in plant reliability and processing efficiency remain an internal focus to improve yields and the product quality mix."

"Having reported a positive first half year performance for the northern Dry Season, the Supplements business is well poised to deliver a solid full year result based on the second half year demand for its Wet Season and Magnesium Capsule products. While the recent flooding in Northern Queensland did not extend to our Supplements operation at Townsville, there was some rain damage to certain raw materials and finished products. There may also be an impact on the second half year demand for Supplements products from the flood-affected regions."

"With regard to the residual surplus land holdings, the Nelson Cove joint venture remains in suspension until such time as there is a change of strategic intent by the recently re-elected Victorian state government which could lead to a commercially viable development project. We are actively working with the land-based aquaculture organisation to reach a positive outcome on its due diligence, to effect the land sale for $1.5 million, and for Ridley to exit the Lara site by 30 June 2019."

Mr Hart concluded "We continue to be excited about the long term prospects for Novacq™, and look forward to running a number of trials in species other than prawn in the coming twelve months. We are continuing to explore a broad range of options to accelerate the growth of Novacq™ and are planning for the next phase of expansion in Thailand, where we are looking to scale up from 14 production ponds to approximately 50 ponds and to install the same dewatering and drying equipment as is currently being commissioned at Yamba."

"The long term growth prospects for all sectors of our traditional core business remain positive, and the construction of two new plants represents a significant investment by Ridley to support the aquaculture, poultry and pig industries and to maintain a portfolio of high-performing feed production assets located close to our customer base and to sources of key raw materials."

"As a prudent measure to ensure that we have the funds to concurrently construct the two new plants in Tasmania and Central Victoria and still maintain the historical dividend returns for our shareholders, the Board has reintroduced a Dividend Reinvestment Plan which will be available to all shareholders for the interim dividend payable on 30 April 2019. Full details will be made available and announced in due course."

For further information please contact:

Tim Hart
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RIDLEY CORPORATION LIMITED

Directors' Report for the half year ended 31 December 2018

The Directors present their report on the consolidated entity consisting of Ridley Corporation Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2018.

Directors

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

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

Review of Operations

The review of operations is set out on pages 2 to 10.

Rounding of Amounts to Nearest Thousand Dollars

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial statements. Amounts in the directors' report and the consolidated financial statements have been rounded off to the nearest thousand dollars in accordance with that legislative instrument, unless otherwise indicated.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is on page 12 and forms part of the Directors' report.

Signed at Melbourne on 20 February 2019 in accordance with a resolution of the Directors.

G H Weiss
CHAIRMAN

T J Hart
MANAGING DIRECTOR

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

To the Directors of Ridley Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Ridley Corporation Limited for the half-year ended 31 December 2018 there have been:

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

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

KPMG

KPMG

Chris Sargent
Partner

Melbourne
20 February 2019

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Note	December 2018 $'000	December 2017 $'000
Revenue		523,586	449,285
Cost of sales		(484,796)	(413,087)
Gross profit		38,790	36,198
Finance income		228	116
Other income	2	7,218	1,433
Expenses:			
Selling and distribution		(7,770)	(6,467)
General and administrative		(15,854)	(12,811)
Finance costs	3	(2,660)	(2,401)
Share of net profits/(losses) from equity accounted investments	6	(120)	(38)
Profit before income tax		19,832	16,030
Income tax expense		(3,681)	(3,502)
Net profit after tax attributable to members of Ridley Corporation Limited		**16,151**	**12,528**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Available for sale financial assets – net change in fair value		(428)	-
Other comprehensive income for the period, net of tax		**(428)**	**-**
Total comprehensive income for the period		**15,723**	**12,528**
Total comprehensive income for the period attributable to members of Ridley Corporation Limited		**15,723**	**12,528**
Earnings per share		**Cents**	**Cents**
Basic earnings per share		5.2	4.1
Diluted earnings per share		5.2	4.0

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

CONSOLIDATED CONDENSED BALANCE SHEET AS AT 31 DECEMBER 2018

	December 2018 $'000	June 2018 $'000
Current assets		
Cash and cash equivalents	17,058	23,441
Receivables	117,656	104,005
Inventories	80,858	76,666
Tax asset	2,212	3,019
Assets held for sale	177	1,133
Available for sale financial assets	1,689	-
Total current assets	219,650	208,264
Non-current assets		
Receivables	12,598	8,644
Investment properties	1,275	1,275
Property, plant and equipment	225,026	202,596
Intangible assets	82,548	82,485
Investments accounted for using the equity method	1,016	1,136
Available for sale financial assets	-	2,300
Deferred tax asset	4,684	3,619
Total non-current assets	327,147	302,055
Total assets	546,797	510,319
Current liabilities		
Payables	155,889	155,897
Provisions	14,711	14,592
Total current liabilities	170,600	170,489
Non-current liabilities		
Borrowings	106,294	76,222
Provisions	555	501
Total non-current liabilities	106,849	76,723
Total liabilities	277,449	247,212
Net assets	269,348	263,107
Equity		
Share capital	214,445	214,445
Reserves	2,314	3,760
Retained earnings	52,589	44,902
Total equity	269,348	263,107

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

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

$'000	Share capital	Share based payment reserve	Fair value reserve	Retained earnings	Total
Balance at 1 July 2018	**214,445**	**3,240**	**520**	**44,902**	**263,107**
Profit for the year	-	-	-	16,151	**16,151**
Other comprehensive income					
Available-for-sale financial assets – net change in fair value, net of tax	-	-	(428)	-	**(428)**
Total comprehensive income for the year	**-**	**-**	**(428)**	**16,151**	**15,723**
Transactions with owners recorded directly in equity					
Dividends paid	-	-	-	(8,464)	**(8,464)**
Share based payment transactions	-	(1,018)	-	-	**(1,018)**
Total transactions with owners recorded directly in equity	**-**	**(1,018)**	**-**	**(8,464)**	**(9,482)**
Balance at 31 December 2018	**214,445**	**2,222**	**92**	**52,589**	**269,348**

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

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

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

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	December 2018 $'000	December 2017 $'000
Cash flows from operating activities		
Receipts from customers	555,040	508,286
Payments to suppliers and employees	(544,757)	(485,893)
Other revenue received	259	1,433
Net interest and other finance costs paid	(2,736)	(2,383)
Income taxes paid	(3,756)	(2,540)
Net cash from operating activities	4,050	18,903
Cash flows from investing activities		
Payments for property, plant and equipment	(30,526)	(15,397)
Payments for intangible assets	(1,082)	(2,094)
Proceeds from sale of discontinued operation	-	6,000
Proceeds from sale of non-current assets	1,450	715
Net cash used in investing activities	(30,158)	(10,776)
Cash flows from financing activities		
Share based payment transactions	(1,823)	(3,382)
Proceeds from borrowings	30,072	13,072
Dividends paid	(8,355)	(8,357)
Loans to related parties	(169)	-
Net cash from financing activities	19,725	1,333
Net movement in cash held	(6,383)	9,460
Cash at the beginning of the financial year	23,441	16,535
Cash at the end of the half year	17,058	25,995

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

Notes to the financial statements
For the half year ended 31 December 2018

Note 1 – Basis of preparation of interim financial report

These condensed consolidated interim financial statements as at, and for the six months ended, 31 December 2018, have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, International Financial Reporting Standard IAS 34 *Interim Financial Reporting* and the *Corporations Act 2001*. This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018.

These interim financial statements were approved by the Board of Directors on 20 February 2019.

The principal accounting policies adopted in the preparation of these interim financial statements are consistent with those applied by the Group in its consolidated financial statements as at, and for the year ended, 30 June 2018, except for any impact of the revised standards and interpretations described below.

New accounting standards and interpretations

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

- **AASB 15 Revenue from Contracts with Customers**

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. AASB 15 was effective for annual periods beginning on or after 1 January 2018, and consequently adopted by the Group from 1 July 2018 using the modified retrospective approach.

The Group is using the practical expedients for completed contracts, meaning that completed contracts that began and ended in the same comparative reporting period, as well as the contracts that are completed contracts at the beginning of the earliest period presented, are not restated. Under AASB 15, revenue is recognised when a customer obtains control of the goods, where “control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits from the asset”.

For the sale of feed, the Group generally has one performance obligation. Therefore 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 and the related risks and rewards of ownership transfer. 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.

The Group provides retrospective volume rebates to some of its customers once the quantity of products purchased reaches a specified volume. Under AASB 15, if a discount applies retrospectively to all purchases once a volume threshold is achieved, then the discount represents variable consideration. In this case, an entity estimates the volumes to be purchased and the resulting discount in determining the transaction price and updates this throughout the term of the contract. Prior to the adoption of AASB 15, the Group estimated volume rebates using historical data and inputs from customers and provided for rebates. For contracts where discounts apply retrospectively to all purchases under the contract once a threshold is achieved, the financial impact is not material.

Notes to the financial statements
For the half year ended 31 December 2018

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

The Group provides variable fee pricing structures whereby discounts for future purchases are provided after a volume threshold has been met i.e. prospectively. Under AASB 15, management must determine whether the arrangement conveys a material right to the customer. If a material rights exists, then this is viewed as a separate performance obligation to which an entity allocates a portion of the transaction price. However, if a material right does not exist, then there are no accounting implications for transactions completed before the volume threshold is met. On the basis that the volume discounts are not incremental to any one customer, along with the fact that they are not material, management has assessed there to be no material right arising from these arrangements.

- **AASB 9 Financial Instruments**

The application of this revised standard has had no material impact on the disclosures or on the amounts recognised in the consolidated interim financial statements.

New and revised standards and amendments thereof and Interpretations effective in the future not yet adopted that are relevant to the Group include:

The Group has not early adopted any other standard, interpretation or amendment that has been issued but which is not yet effective. The following standards, are effective for annual periods beginning after 1 July 2018 and have been identified as those which may impact the Group in the period of initial application. They have not been applied in preparing this consolidated interim financial report.

- **AASB 16 Leases (applies from years commencing on or after 1 January 2019).**

AASB 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items.

The standard is effective for annual periods beginning on or after 1 January 2019. The Group plans to adopt AASB 16 for the year ending 30 June 2020. The Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of some sites and machinery/forklifts.

Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparing these consolidated interim financial statements, the significant judgements, estimates and assumptions made by management in applying the Group's accounting policies, and the key sources of estimation uncertainty, were the same as those that applied to the consolidated statements as at, and for the year ended, 30 June 2018.

Notes to the financial statements
For the half year ended 31 December 2018

	CONSOLIDATED	
	December 2018	December 2017
Note 2 – Other income	**$'000**	$'000
Rent received	**81**	115
Profits from sales of residual property site assets	**6,811**	477
Foreign exchange gains	**148**	-
Business services	**-**	43
Other	**178**	798
	7,218	1,433
Note 3 – Expenses		
Depreciation and amortisation	**9,119**	8,968
Finance costs:		
Interest expense	**2,972**	2,496
Amortisation of borrowing costs	**72**	72
Unwind of discount on deferred consideration	**(384)**	(167)
	2,660	2,401

Note 4 - Dividends

Dividends paid during the half year:

Half year ended 31 December 2018	**$'000**
Final dividend in respect of the 2018 financial year	
Paid on 31 October 2018 of 2.75 cents, fully franked per share	**8,464**
Half year ended 31 December 2017	
Final dividend in respect of the 2017 financial year	
Paid on 31 October 2017 of 2.75 cents, fully franked per share	**8,465**

Dividends not recognised at half year end
In addition to the above dividends, since half year end, the directors have approved a fully franked interim dividend of 1.5 cents per fully paid share payable on 30 April 2019.

The Board has also approved the reinstatement of a Dividend Reinvestment Plan providing all Ridley shareholders the opportunity to acquire Ridley shares at a small discount and free of transaction costs.

The aggregate amount of the proposed dividend expected to be paid out of retained profits at 31 December 2018, but not recognised as a liability at half year end:	**4,617**

No foreign conduit income is attributed to the dividend.

Notes to the financial statements
For the half year ended 31 December 2018

Note 5 – Segment reporting

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. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The financial results of each operating segment are regularly reviewed by the Group's Managing Director in order to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are 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 and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

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

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

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

Property:
Realisation of opportunities in respect of surplus property assets and sales of residual property site assets. At the date of this report and following the recent property sales at Lara, the residual sites are now the former saltfield at Moolap and a single residual lot, Lot D at Lara.

The Property segment result for the half year of $6.4m reflects a continuing restriction of management and realisation costs to essential activities only, with aggregate costs contained to $0.4m for the half year. These costs have been offset by a profit of $6.8m in respect of the sale of two parcels of land at Lara for gross proceeds of $9.5m, of which $1.0m has been received during the half year with a further $4.0m due by 30 June 2019. The balance of the consideration receivable is deferred under a payment instalment structure and has been adjusted to net present value accordingly through the generation of $1.4m of deferred interest receivable, which is released to profit and loss as interest income over the three year instalment period. The cost base of the land assets sold was $1.0m and transaction costs were $0.3m.

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.

Notes to the financial statements
For the half year ended 31 December 2018

Note 5 – Segment reporting (continued)

31 December 2018 $'000	AGRIPRODUCTS	PROPERTY	UNALLOCATED	TOTAL
Total sales revenue	**523,586**	**-**	**-**	**523,586**
Share of net profits/(losses) of equity accounted investments	(120)	-	-	**(120)**
Finance costs	-	-	(2,660)	**(2,660)**
Reportable segment profit before income tax	**21,454**	**6,417**	**(8,039)**	**19,832**
Segment assets	502,470	1,452	42,875	**546,797**
Segment liabilities	168,504	-	108,945	**277,449**

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

Note 6 – Investments accounted for using the equity method

Name of Company	Principal Activity	Country of Incorporation	Ownership Interest %		Contribution to Net Profit/(Loss) $'000	
Jointly controlled entities:						
			2018	2017	**2018**	2017
Nelson Landholdings Pty Ltd as Trustee for Nelson Landholdings Trust	Property.	Australia	**50**	50	**-**	-
Pen Ngern Feed Mill Co. Ltd	Aquafeed production.	Thailand	**49**	49	**(120)**	(38)
Investments accounted for using the equity method					**(120)**	(38)

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

Notes to the financial statements
For the half year ended 31 December 2018

Note 7 – Contingent liabilities

On 20 August 2018 Ridley advised the market of proceedings having been commenced against it by a customer, Baiada, in respect of stockfeed manufactured by Ridley for Baiada at its Wasleys feedmill in South Australia "between about 2014 until about October 2017." Baiada, through its operating entities Baiada Poultry Pty Limited and BPL Adelaide Pty Limited, is, and has been for many years, a significant customer of Ridley, and one which Ridley is continuing to supply. In the context of the legal proceedings, Baiada is yet to quantify its alleged loss but has said that it consists of increased milling fees (and associated costs) and lost profits as a result of the reduced growth of its broiler chickens. Ridley believes the claim is not of merit, and as such it is being vigorously defended. Ridley's insurers have been notified of the claim and are being advised of the status of the court proceedings. If required, Ridley believes insurance cover exists in respect of the claim. Legal costs are being expensed in the profit and loss as incurred and no provision has been raised to date for any insurance deductible.

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

Note 8 – 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 9 – Events occurring after the balance sheet date

No other matters or circumstances have arisen since 31 December 2018 that have significantly affected, or may significantly affect:

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

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

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

Directors' Declaration

In the opinion of the Directors of Ridley Corporation Limited:

a. the financial statements and notes set out on pages 13 to 22 are in accordance with the Corporations Act 2001 including:

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

   ii. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the six month period ended on that date; and

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

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

G H Weiss
CHAIRMAN

T J Hart
MANAGING DIRECTOR

Melbourne
20 February 2019

KPMG

Independent Auditor's Review Report

To the shareholders of Ridley Corporation Limited

Report on the Half-year Financial Report

Conclusion

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

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

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2018 and of its performance for the ***Half-year Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Consolidated Balance Sheet as at 31 December 2018
- Consolidated condensed statement of comprehensive income, Consolidated condensed statement of changes in equity and Consolidated condensed statement of cash flows for the Half-year Period ended on that date
- Notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

The ***Half-Year Period*** is the 6 months ended on 31 December 2018.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

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

KPMG

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

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Ridley Corporation Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

KPMG

Chris Sargent

Partner

Melbourne

20 February 2019