



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 2019

Previous corresponding period: Half year ended 31 December 2018

Release date: 26 February 2020

				\$A'000
Revenue from ordinary activities	Down	6.9%	to	487,342
EBITDA from ongoing operations	Up	0.3%	to	30,733
Profit from ordinary activities after tax attributable to members	Down	97.5%	to	396
Net profit for the period attributable to members	Down	97.5%	to	396
Total comprehensive income for the period attributable to members	Down	97.5%	to	396

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	9.00 a.m. on Thursday 9 April 2020
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The Board has resolved to utilise the Dividend Reinvestment Plan (**DRP**) providing all shareholders the opportunity to acquire Ridley shares at a discount and free of transaction costs. Further details will be provided in due course.

	31 December	2019	2018
Net tangible asset backing per ordinary share		0.59	0.61

Brief Explanation

See pages 2 to 8.

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26 February 2020

RIDLEY RESTRUCTURED FOR GROWTH

For statutory reporting purposes, the Ridley Corporation Limited consolidated group (**Ridley or Group**) today announced a consolidated Net Profit After Tax (**NPAT**) attributable to members and Total Comprehensive Income of \$0.4 million (**m**) for the half year ended 31 December 2019.

Consolidated Earnings Before Interest and Tax (**EBIT**) for the period was \$2.6m after an aggregate Depreciation and Amortisation (**DA**) charge of \$12.9m, which includes six months depreciation on the new extrusion plant in Tasmania and \$2.5m of amortisation arising from the implementation of the new lease accounting standard AASB16.

The Group has recorded consolidated Earnings Before Interest, Tax, Depreciation and Amortisation (**EBITDA**) of \$15.5m, after providing \$7.2m for the closure of the Murray Bridge feedmill as announced on 25 September 2019, \$2.9m for the internal business restructure announced on 11 November 2019, and \$1.9m for the settlement of a legal claim as announced on 14 February 2020.

Ridley EBITDA from ongoing operations for the half year was \$30.7m, marginally up on the corresponding prior year period, representing a stronger underlying performance in the last three months of trading after a soft first quarter.

PROFIT AND LOSS SUMMARY in \$m	Dec 2019	Dec 2018	Movement
EBITDA from ongoing operations	30.7	30.6	0.1
Less: Corporate	(5.8)	(5.7)	(0.1)
Non-recurring items:			
Add: AASB 16 lease adjustment	2.6	-	2.6
Less: Internal restructure	(2.9)	-	(2.9)
Less: Murray Bridge feedmill closure	(7.2)	-	(7.2)
Less: Settlement of legal claim	(1.9)	-	(1.9)
Add: Property Segment profit ¹	-	6.4	(6.4)
Consolidated EBITDA	15.5	31.3	(15.8)
Depreciation and amortisation	(12.9)	(9.1)	(3.8)
Consolidated EBIT	2.6	22.2	(19.6)
Net finance costs	(3.0)	(2.4)	(0.6)
Income tax credit / (expense)	0.8	(3.7)	4.5
Reported net profit after tax for period	0.4	16.1	(15.7)
Net change in fair value of available for sale financial assets	-	(0.4)	0.4
Total comprehensive income for the period	0.4	15.7	(15.3)

¹ Property Segment collapsed into Corporate from 1 July 2019.

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.

OPERATING PERFORMANCE

While there have been only two Lost Time Injuries in the half year, Ridley remains focused on achievement of its zero target.

Ridley's result from ongoing operations for the half year was \$30.7m, up \$0.1m on the corresponding prior year period, and a pleasing performance in a period marked by drought conditions in Queensland and New South Wales which highlights the advantage of supplying a wide range of sectors in a diversified geography.

Sales were up across the beef and sheep sectors as supplementary feeding demand was high and the dry season supported supplement sales for a second successive year. Rendering volumes were lower over the period but this was partially offset by improved sales prices.

A reduction in Packaged Products sales volumes against the corresponding prior year period has been partially offset by an improvement in gross margin following the delayed pass-through in raw material pricing. Year on year Poultry volumes and earnings reflect the expiry of the Ingham's supply agreement in South Australia which ultimately led to the closure of the Murray Bridge feedmill on 25 October 2019. Aqua feed volumes were lower due to a reduction in feed sales to the salmon sector, partially off-set by the growth in prawn feed sales.

Progress in the commercial production of Novacq™ at the operation in Yamba, New South Wales, provided more saleable product which has improved the contribution from this developing enterprise.

NON-RECURRING EVENTS IMPACTING THE RESULT

Ridley Operations' result was impacted by three significant non-recurring events, being the closure of the Murray Bridge feedmill, an internal restructure of the business, and the settlement after balance date of the legal claim from a major customer. All of these events were previously announced to the market through the ASX Announcements Platform.

Murray Bridge feedmill closure

With regard to the closure of the Murray Bridge feedmill, the aggregate financial impact for the half year ended 31 December 2019 amounts to \$7.2m, and includes appropriate provisioning to complete the site demolition, remediation, rezoning approvals and asset removal. Of the total brought to account, \$4.4m represents non-cash write downs of fixed assets to nil value while \$2.3m has been provisioned to be incurred in the second half year or following year. The closure of the Murray Bridge feedmill has not resulted in any loss of sales from the Group and an annualised net cost reduction of \$1.5m is expected.

Internal restructure

With regard to the internal restructure, the aggregate cost reflected in the half year result amounts to \$2.9m, and includes all notice periods, severance payments and associated oncosts. The new structure has removed a number of layers in certain parts of the organisation, provides clear lines of accountability, facilitates a more proactive relationship with customers, and enables effective leveraging of the centralised procurement purchasing and nutrition expertise.

Legal settlement

On 14 February 2020 Ridley announced the settlement of the legal proceedings against it which were originally advised through the ASX Announcements Platform on 20 August 2018.

A commercial settlement has been reached and executed with Baiada, whereby Baiada has immediately terminated its legal proceedings. Under the terms of the settlement agreement, Ridley will pay \$1.935 million to Baiada in three instalments over a twelve month period, all of which have been accrued as an Adjusting Post Balance Date Event in these financial results.

As part of the settlement, the current supply agreement between Ridley and Baiada has been amended to provide production efficiencies for Ridley and changes to the fee structure. The term of the agreement has been extended for a further two years to expire on 30 November 2025.

Progress on construction of new feedmill

Ridley advises that the construction of the new feedmill at Wellsford, Bendigo in Central Victoria is progressing well and remains on target for completion in the last quarter of the current financial year. As announced on 11 November 2019, upon commissioning of this new feedmill, there will be a review of Ridley’s existing mill capacity for the Central Victorian region.

EARNINGS PER SHARE

The non-recurring events have impacted the earnings per share for the period as shown in the following table.

Earnings per share (in cents & six months only)	Dec 2019	Dec 2018	Movement
Earnings per share	0.1	5.2	(5.1)
Earnings per share before non-recurring events impacting the result ¹	3.0	3.3	(0.3)

¹ The Directors believe that the presentation of the unaudited non-IFRS EPS calculation before non-recurring events above is useful for users of the accounts as it reflects the underlying earnings per share of the business.

Corporate costs

Corporate costs of \$5.8m (2019: \$5.7m) have been contained to the same levels as the corresponding prior year period and include \$0.2m of surplus property related costs (having closed the Property reporting segment effective from 30 June 2019).

While the legal defence costs of \$0.2m incurred for the period have been recognised as a Corporate expense for the period, the legal settlement of \$1.9m has been accounted for as a reduction of operating revenue in accordance with the requirements of the Australian Accounting Standards.

Finance costs

Consolidated net financing costs for the period were \$3.0m (2018: \$2.4m), which is reflective of the higher levels of debt required to fund the new extrusion plant at Westbury, Tasmania and construction of the new feedmill at Wellsford.

Tax expense

The current period tax “expense” is a tax credit for \$0.8m (2018: \$3.7m), and incorporates a prior year overprovision of \$0.15m and an estimate of \$0.76m for the pro rata R&D tax allowance.

Implementation of AASB16 Lease Accounting Standard

The pre-tax impact of the introduction of AASB16 is that the Depreciation and Amortisation charge has increased by \$2.5m and interest expense by \$0.2m, while \$2.6m of lease payments are no longer recorded as an operating lease expense in the determination of EBIT. The pre-tax net effect from the introduction of the standard is therefore adverse by \$0.1m.

DIVIDEND AND CAPITAL MANAGEMENT

A final dividend for the 2019 financial year of 2.75 cents per share, fully franked, was paid to shareholders in cash on 31 October 2019.

The Ridley Board has approved a fully franked interim dividend of 1.5 cents per share payable on Thursday 30 April 2020. The Board has also approved the utilisation of the fully underwritten Dividend Reinvestment Plan providing domestic Ridley shareholders the opportunity to acquire Ridley shares at a discount and free of transaction costs. Further details will be provided in due course.

BALANCE SHEET

Current Receivables have increased \$7.6m from 30 June 2019 to \$115.8m as at 31 December 2019, which reflects an extension of trading terms with a major customer which has generated an overall saving to Ridley.

Current Inventories have increased \$5.6m from 30 June 2019 to \$89.4m as at 31 December 2019, which reflects a higher level of prawn feed stockbuild required to service an increase in seasonal demand plus a build-up of rendered meat meal at the Laverton plant.

Current Assets held and available for sale at 31 December 2019 have increased by \$1.7m to \$1.9m as a result of the reclassification of the investment in a UK-listed speciality ingredients business previously reported as a Non-current Available for sale asset.

Property, plant and equipment has risen by \$31.5m to \$290.8m, of which \$19.6m represents capital allocated to the completion of the new extrusion plant at Westbury and construction of the new feedmill at Wellsford.

Intangibles have increased by \$2.6m to \$88.3m, comprising the capitalisation of Novacq project costs in Thailand and of various software projects, offset by the amortisation charge for the period.

Current Payables have increased by \$13.3m to \$172.1m, within which the Westpac Trade Payables facility balance at 31 December 2019 was \$49.9m (30 June 2019: \$38.5m). The movement includes \$2.3m of costs to conclude the Murray Bridge site remediation, the \$1.9m settlement of legal claim, plus a heightened level of capital project activity on the construction of the new feedmill at Wellsford aligned with the normal timing of creditor payments.

Non-current Borrowings have increased by \$53.6m to \$172.5m, offset by a \$22.3m increase in cash and cash equivalents to \$39.8m. The increase in net borrowings of \$31.3m reflects the construction of the new feedmill at Wellsford, the ongoing capital projects and the Novacq project in Thailand.

CASH FLOWS

Consolidated EBITDA of \$15.5m for the half year is derived after deducting \$9.4m of non-recurring events associated with the closure of the Murray Bridge feedmill, the internal business restructure, and the legal settlement as previously noted, offset by a favourable \$2.6m arising from the introduction of new accounting standard AASB 16.

The Depreciation and amortisation charge for the period of \$12.9m (2018: \$9.1m) reflects the commencement of depreciation of the new extrusion plant at Westbury, Tasmania plus an amortisation charge of \$2.5m attributable to leases which have been capitalised for the first time in compliance with the 1 July 2019 implementation of the new lease accounting standard.

The short term operating cash flow for the period has been augmented by the \$1.8m release of working capital (2018: (\$15.0m)).

Development capital expenditure of \$24.8m includes \$3.0m to complete the new Westbury extrusion plant plus \$16.6m of construction costs for the new feedmill at Wellsford.

Payments for Intangibles of \$3.6m (2018: \$1.1m) for the half year reflects ongoing activity in respect of the Novacq™ applied R&D project in Thailand (\$3.5m) plus software acquired (\$0.1m) during the period.

Dividends paid in the period of \$8.4m comprises the 2019 final dividend of 2.75 cents per share paid on 31 October 2019 (2018: \$8.4m).

The absence of share-based payment activity, which comprises the on-market purchases of vested Long Term Incentive Plan (LTIP) and Employee Share Scheme shares, reflects a nil vesting of LTIP rights (2018: 58.1%) which matured on 1 July 2019.

Net finance cost payments of \$2.8m (2018: \$2.7m) and Net tax payments of \$2.8m (2018: \$3.8m) reflect the actual timing of interest and income tax payments versus the respective profit and loss accruals.

Cash flows for the six months in \$m	Half year ended	
	31 Dec 2019	31 Dec 2018
Consolidated EBIT	2.6	22.2
Depreciation and amortisation (P,P&E and Intangibles)	12.9	9.1
Consolidated EBITDA	15.5	31.3
Decrease /(Increase) in working capital	1.8	(15.0)
Profit on sale of properties	-	(6.8)
Maintenance capital expenditure	(8.5)	(6.8)
Operating cash flow	8.8	2.7
Development capital expenditure	(24.8)	(23.7)
Payment for Intangibles	(3.6)	(1.1)
Dividends paid	(8.4)	(8.4)
Share-based payments	-	(1.8)
Proceeds from sale of assets	-	1.5
Net finance cost	(2.8)	(2.7)
Net tax payments	(2.8)	(3.8)
Loans to related parties	(0.5)	(0.2)
Other items	2.8	1.1
Cash flow for the period	(31.3)	(36.4)
Opening net debt balance at 1 July	(101.4)	(52.8)
Closing net debt balance at 31 December	(132.7)	(89.2)

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

As I indicated in my address at the November 2019 Annual General Meeting, the business experienced a "soft" start to the year with a poor first quarter. However, I am pleased to advise that since then, there has been a pick-up in volumes as we extended ourselves to meet supplementary drought feeding and have been successful in securing some incremental business across a number of sectors, resulting in a stronger second quarter. The end result, an operating EBITDA of \$30.7m, was marginally higher than the same period last year.

Upon me joining the business on 26 August 2019, the Board identified the need to address a number of outstanding issues and grow the earnings of the business. In the past six months we have made significant progress on both of these fronts.

In summary, the business had a large overhead structure that was weighing on costs, the Murray Bridge feedmill was significantly underutilised and had been losing money since the expiry of the Ingham's supply contract in October 2018, and there was a long-standing legal claim from Baiada. All three of these matters have now been addressed and, although this has come at a once-off cost of \$12m, the closure of the Murray Bridge feedmill and the reduction in overhead staffing structure will deliver annualised savings of \$6.5m, and we are pleased to have resolved the legal claim with an important customer.

The Growth Strategy that has been developed has three broad elements – optimisation, sales growth and expansion / innovation – and is underpinned by the internal restructure that took place in November 2019.

A number of discrete optimisation initiatives have been identified which focus on simplifying the business, installing automation, leveraging our raw material and consumable procurement, and rationalising the supply chain.

The new structure was motivated by more than just overhead savings and has been designed to drive sales growth. This is achieved by assigning a single point of accountability for both the customer servicing and the operation of the supplying facility, which will make us more responsive to sale opportunities and well positioned to fill our existing underutilised capacity.

In time, the earnings growth will be fuelled by the commercialisation of our pipeline of innovation opportunities (of which Novacq™ is the most significant) and can be augmented by bolt-on acquisitions. Under the new structure, the role of Chief Executive Officer Novacq™ has been created to accelerate the commercialisation of the Novacq™ franchise internationally. Siddharth Jain, a well credentialed international executive, has been appointed to this role and joins Ridley on 1 April 2020, initially based in Singapore.

Furthermore, the momentum to commercialise Novacq™ has recently been underpinned by the successful acquisition of approximately 50 hectares of land encompassing the existing Thailand Novacq™ production ponds and the remaining 51% shareholding in the Pen Ngern feedmill. These production facilities provide the ideal footprint for the long-term expansion of the Novacq™ operations in Thailand and the foundation to supply Novacq™ and prawn feed to prawn producers in the Asia Pacific and Middle East regions.

Outlook

The recent rains have broken the drought in many parts of the country. Whilst these rains will have little impact on national grain supply, we anticipate less demand for supplementary feeding for beef and sheep and reduced supply of raw material to our rendering plants. However, with growth in volumes across poultry, pig, dairy and aquafeed, the fundamentals of the business are good.

The financial benefits from our Growth Strategy have started to support earnings and, over time, Novacq™ should move closer to being a positive cash flow and earnings contributor for the group.

The commissioning of the new flagship feedmill at Wellsford should complete in 2H FY20 and enable the rationalisation of Ridley's Northern Victorian footprint. Coinciding with the completion of the greenfield construction projects, net debt is expected to peak in this period. With a return to more traditional levels of capital expenditure, improved earnings under the Growth Strategy, and the utilisation of the Dividend Reinvestment Plan, we expect to be in a position to pay down debt.

For further information please contact:

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RIDLEY CORPORATION LIMITED

Directors' Report for the half year ended 31 December 2019

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 2019.

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
Q L Hildebrand	E Knudsen
P M Mann	D J Lord

Review of Operations

The review of operations is set out on pages 2 to 8.

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 10 and forms part of the Directors' report.

Signed at Melbourne on 26 February 2020 in accordance with a resolution of the Directors.



G H Weiss
CHAIRMAN



Q L Hildebrand
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 2019 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
26 February 2020

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**CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

	Note	December 2019 \$'000	December 2018 \$'000
Revenue		487,342	523,586
Cost of sales		(455,083)	(484,796)
Gross profit		32,259	38,790
Finance income		59	228
Other income	2	407	7,218
Expenses:			
Selling and distribution		(8,743)	(7,770)
General and administrative		(21,023)	(15,854)
Finance costs	3	(3,039)	(2,660)
Share of net losses from equity accounted investments	5	(311)	(120)
(Loss) / Profit before income tax		(391)	19,832
Income tax benefit / (expense)		787	(3,681)
Net profit after tax attributable to members of Ridley Corporation Limited		396	16,151
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		396	15,723
Total comprehensive income for the period attributable to members of Ridley Corporation Limited		396	15,723
Earnings per share		Cents	Cents
Basic earnings per share		0.1	5.2
Diluted earnings per share		0.1	5.2

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 2019

	Note	December 2019 \$'000	June 2019 \$'000
Current assets			
Cash and cash equivalents		39,771	17,483
Receivables		115,809	108,212
Inventories		89,390	83,829
Tax asset		1,173	-
Available for sale financial asset		1,725	-
Assets held for sale		188	182
Total current assets		248,056	209,706
Non-current assets			
Receivables		11,809	11,673
Investment properties		1,265	1,265
Property, plant and equipment	7	290,832	259,323
Intangible assets	8	88,331	85,670
Investments accounted for using the equity method		344	655
Available for sale financial asset		-	1,725
Deferred tax asset		4,076	3,737
Total non-current assets		396,657	364,048
Total assets		644,713	573,754
Current liabilities			
Payables		172,098	158,759
Lease liabilities		4,492	-
Provisions		17,101	16,006
Tax liability		-	2,046
Total current liabilities		193,691	176,811
Non-current liabilities			
Payables		500	-
Lease liabilities		7,222	-
Borrowings		172,483	118,926
Provisions		335	518
Total non-current liabilities		180,540	119,444
Total liabilities		374,231	296,255
Net assets		270,482	277,499
Equity			
Share capital		218,941	218,941
Reserves		4,933	3,718
Retained earnings		46,608	54,840
Total equity		270,482	277,499

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 2019**

\$'000	Share capital	Share based payment reserve	Fair value reserve	Retained earnings	Total
Balance at 1 July 2019	218,941	3,601	117	54,840	277,499
Profit for the period	-	-	-	396	396
Other comprehensive income					
Available for sale financial assets – net change in fair value, net of tax	-	-	-	-	-
Total comprehensive income for the period	-	-	-	396	396
Transactions with owners recorded directly in equity:					
Dividends paid	-	-	-	(8,628)	(8,628)
Share based payment transactions	-	1,215	-	-	1,215
Total transactions with owners recorded directly in equity	-	1,215	-	(8,628)	(7,413)
Balance at 31 December 2019	218,941	4,816	117	46,608	270,482

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 period	-	-	-	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

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 2019**

	December 2019 \$'000	December 2018 \$'000
Cash flows from operating activities		
Receipts from customers	529,778	555,040
Payments to suppliers and employees	(507,619)	(544,757)
Other revenue received	407	259
Net interest and other finance costs paid	(2,848)	(2,736)
Income taxes paid	(2,771)	(3,756)
Net cash from operating activities	16,947	4,050
Cash flows from investing activities		
Payments for property, plant and equipment	(33,341)	(30,526)
Payments for intangible assets	(3,582)	(1,082)
Proceeds from sale of non-current assets	-	1,450
Net cash used in investing activities	(36,923)	(30,158)
Cash flows from financing activities		
Share based payment transactions	-	(1,823)
Proceeds from borrowings	53,557	30,072
Dividends paid	(8,448)	(8,355)
Payments for lease liabilities	(2,360)	-
Loans to related parties	(485)	(169)
Net cash from financing activities	42,264	19,725
Net movement in cash held	22,288	(6,383)
Cash at the beginning of the financial year	17,483	23,441
Cash at the end of the half year	39,771	17,058

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 2019

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 2019, 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 2019.

These interim financial statements were approved by the Board of Directors on 26 February 2020.

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 2019, 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 16 Leases (Policy applicable from 1 January 2019)

The new lease accounting standard AASB 16 is effective for the financial year beginning 1 July 2019. It 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. AASB 117 Leases only requires leases categorised as finance leases to be recognised on the balance sheet. The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

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 is applied to contracts entered into on or after 1 July 2019.

(i) 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.

Notes to the financial statements
For the half year ended 31 December 2019

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

AASB 16 Leases (Policy applicable from 1 January 2019) (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 will be 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.

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.

(ii) As a lessor

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

Notes to the financial statements
For the half year ended 31 December 2019

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

AASB 16 Leases (Policy applicable from 1 January 2019) (continued)

(iii) Financial impact – Profit and Loss account

For the half year ended 31 December 2019, the introduction of the new accounting standard has had the following financial impact.

	31 December 2019 in \$'000		
	EBITDA	EBIT	EBT
Reversal of lease payments previously expensed in Profit and Loss as General and Administrative expenses	2,571	2,571	2,571
Amortisation charge on leases	-	(2,485)	(2,485)
Lease interest expense	-	-	(211)
Total Profit and Loss financial impact	2,571	86	(125)

	CONSOLIDATED	
	December 2019 \$'000	December 2018 \$'000
Note 2 – Revenue and other income		
Revenue from continuing operations		
Sale of goods	487,342	523,586
Finance income	59	228
Other income from continuing operations		
Rent received	39	81
Profits from sales of residual property site assets	-	6,811
Foreign exchange gains	-	148
Other	368	178
	407	7,218

Note 3 – Expenses

Amortisation of "right of use" asset relating to leases	2,485	-
Depreciation and amortisation	10,407	9,119
	12,892	9,119
Finance costs:		
Interest expense	3,035	2,972
Interest expense on lease liabilities	211	-
Amortisation of borrowing costs	132	72
Unwind of discount on deferred consideration	(339)	(384)
	3,039	2,660

Notes to the financial statements
For the half year ended 31 December 2019

Note 4 - Dividends

Dividends paid during the half year:

Half year ended 31 December 2019 \$'000

Final dividend in respect of the 2019 financial year

Paid in cash on 31 October 2019 of 2.75 cents, fully franked per share 8,628

Half year ended 31 December 2018

Final dividend in respect of the 2018 financial year

Paid in cash on 31 October 2018 of 2.75 cents, fully franked per share 8,464

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 2020.

The Board has also approved the utilisation of the Dividend Reinvestment Plan for the interim dividend on a fully underwritten basis, thereby providing all Ridley shareholders the opportunity to acquire Ridley shares at a discount and free of transaction costs.

The aggregate amount of the proposed dividend expected to be paid out of retained profits at 31 December 2019, but not recognised as a liability at half year end: 4,668

No foreign conduit income is attributed to the dividend.

Note 5 – Investments accounted for using the equity method

Name of Company	Principal Activity	Country of Incorporation	Ownership Interest %		Contribution to Net Profit/(Loss) \$'000	
			2019	2018	2019	2018
Jointly controlled entities:						
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	(311)	(120)
Investments accounted for using the equity method					<u>(311)</u>	<u>(120)</u>

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 2019**

Note 6 – 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, 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.

Following the recent property sales at Lara in FY18 and FY19, the residual surplus property sites are now only the former saltfield at Moolap and a single residual lot, Lot D at Lara, for which the option to purchase has been extended for a further year to 2 July 2020. In light of the lack of commercial activity at Moolap, low cost base and low property holding costs, from 1 July 2019 the reporting of a Property segment ceased and its activities reported through the Corporate results and balances, which also includes any items not allocated to a particular segment.

With the recent appointment of a new Chief Executive Officer (the Group's Chief Operating Decision Maker) on 26 August 2019 and internal organisational restructure as announced through the ASX Announcements Platform on 11 November 2019, the Group is currently reviewing the business operations identified as reportable segments. Any changes will be reported in the financial report for the year ended 30 June 2020.

In light of the above, the Group currently has a single identified reportable segment for the half year ended 31 December 2019, as described below, which is consistent with the manner in which products are sold or how future economic benefits will be realised.

AgriProducts:

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

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.

Notes to the financial statements
For the half year ended 31 December 2019

Note 6 – Segment reporting (continued)

31 December 2019 in \$'000	AGRIPRODUCTS	PROPERTY ¹	CORPORATE	TOTAL
Total sales revenue	487,342	-	-	487,342
Share of net profits/(losses) of equity accounted investments	(311)	-	-	(311)
Finance costs	-	-	(3,039)	(3,039)
Reportable segment profit before income tax	8,342	-	(8,733)	(391)
Segment assets	611,609	-	33,104	644,713
Segment liabilities	196,036	-	178,195	374,231

¹ Following the divestment of the majority of surplus property, from 1 July 2019 all surplus property related activity is incorporated within the Unallocated (“Corporate”) results and balances.

31 December 2018 in \$'000	AGRIPRODUCTS	PROPERTY	CORPORATE	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

Note 7 – Property, plant and equipment

\$'000	Capital work in progress	Right of use assets	Land and Buildings	Plant and Equipment	Total
Cost at 1 July 2019	88,599	-	67,175	268,725	424,499
Accumulated depreciation	-	-	(10,878)	(154,298)	(165,176)
Carrying amount at 1 July 2019	88,599	-	56,297	114,427	259,323
Adoption of AASB 16	-	13,810	-	-	13,810
Additions	30,175	969	18	2,942	34,104
Transfers from Capital WIP	(55,542)	-	-	55,542	-
Write down of Murray Bridge	-	-	(1,034)	(3,400)	(4,434)
Depreciation and amortisation	-	(2,485)	(1,011)	(8,475)	(11,971)
Carrying amount as at 31 December 2019	63,232	12,294	54,270	161,036	290,832

Notes to the financial statements
For the half year ended 31 December 2019

Note 7 – Property, plant and equipment (continued)

\$'000	Capital work in progress	Right to use assets	Land and Buildings	Plant and Equipment	Total
As at 31 December 2019					
Cost	63,232	14,779	67,193	327,209	472,413
Accumulated depreciation and amortisation	-	(2,485)	(12,923)	(166,173)	(181,581)
Carrying amount at 31 December 2019	63,232	12,294	54,270	161,036	290,832

Note 8 – Intangibles

\$'000	Software	Goodwill	Contracts	Assets under development	Total
Cost at 1 July 2019	17,806	69,903	685	12,477	100,871
Accumulated depreciation	(14,027)	(953)	(88)	(133)	(15,201)
Carrying amount at 1 July 2019	3,779	68,950	597	12,344	85,670
Additions	12	-	-	3,570	3,582
Disposals	-	-	-	-	-
Amortisation	(750)	-	(105)	(66)	(921)
Carrying amount as at 31 December 2019	3,041	68,950	492	15,848	88,331
As at 31 December 2019					
Cost	17,818	69,903	685	16,047	104,453
Accumulated depreciation and amortisation	(14,777)	(953)	(193)	(199)	(16,122)
Carrying amount at 31 December 2019	3,041	68,950	492	15,848	88,331

Note 9 – Contingent liabilities

On 14 February 2020 Ridley announced the settlement of the legal proceedings against Ridley which were announced through the ASX Announcements Platform on 20 August 2018.

A commercial settlement has been reached and executed with Baiada, whereby Baiada has immediately terminated its legal proceedings. Under the terms of the settlement agreement, Ridley will pay \$1.935 million to Baiada in three instalments over a twelve month period, all of which have been accrued as an Adjusting Post Balance Date Event in these financial results.

Notes to the financial statements
For the half year ended 31 December 2019

Note 9 – Contingent liabilities (continued)

As part of the settlement, the current supply agreement between Ridley and Baiada has been amended to provide production efficiencies for Ridley and changes to the fee structure. The term of the agreement has been extended for a further two years to expire on 30 November 2025.

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 10 – 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 11 – Events occurring after the balance sheet date

The settlement of the legal claim after balance date as reported in Note 9 is an Adjusting Post Balance Date Event and as such has been fully provided for in these financial results.

On 17 February 2020, Ridley announced the appointment of Siddharth Jain to the role of Chief Executive Officer - Novacq™ and advised of the completion of the acquisition in Thailand comprising approximately 50 hectares of land encompassing the existing Thailand Novacq™ production ponds and the remaining 51% shareholding in the Pen Ngern feedmill for an outlay of 171.2 million Thai Baht (approximately AUD\$8.2m).

Other than as noted above, no other matters or circumstances have arisen since 31 December 2019 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 10 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 2019 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



Q L Hildebrand
MANAGING DIRECTOR

Melbourne
26 February 2020



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 2019 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 2019
- 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 11 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 2019.

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.

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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 2019 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

Chris Sargent

Partner

Melbourne

26 February 2020

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