# Ridley Corporation Limited

## Appendix 4E Preliminary final report

ABN 33 006 708 765

## Results for announcement to the market

| | |
|---|---|
| Reporting period: | Financial year ended 30 June 2020 |
| Previous corresponding period: | Financial year ended 30 June 2019 |
| Release date: | 26 August 2020 |

| | ***$A'000*** |
|---|---|
| Revenue from continuing operations | Down 3.5% to 967,942 |
| Profit from continuing operations after tax | Down 136.6% to a loss of 8,640 |
| Net profit for the period attributable to members | Down 136.6% to a loss of 8,640 |
| Total comprehensive income attributable to members | Down 136.8% to a loss of 8,526 |

| **Dividends** | **Amount per security** | **Franked amount per security** |
|---|---|---|
| FY19 Final dividend – paid on 31 October 2019 | 2.75 | 100% |
| FY20 Interim dividend – paid on 30 April 2020 | 1.50 | 100% |

After the balance sheet date, the Ridley Board determined not to pay an FY20 Final Dividend and to apply these funds to the retirement of net debt. This dividend decision was made in respect of the final FY20 dividend only and was made in accordance with Ridley practice to consider the payment of dividends in the context of capital requirements, net debt, the earnings and cash flow conversion of the business and the growth opportunities prevalent and foreseeable at the time of dividend declaration.

| | |
|---|---|
| Record date for determining entitlements to the final dividend | Not applicable |

| | 30 June 2020 | 30 June 2019 |
|---|---|---|
| Net tangible asset backing per ordinary share | 0.59 | 0.62 |

### Brief Explanation

See pages 2 to 11.

### Audit statement

This report is based on accounts which are in the process of being audited. There is not expected to be any dispute or qualification to the Company's financial report. The audit report will be made available with the Company's financial report.

**BUSINESS RESET AND READY TO GROW**

## Results

For statutory reporting purposes, the Consolidated Profit and Loss (**Table 1**) from continuing operations after income tax for the year was a loss of $8.6 million (**m**) (2019: $23.6m profit). The Consolidated Profit and Loss from continuing operations before income tax for the year was a loss of $15.8m (2019: $30.3m profit).

| **Table 1 – Summary results** | **2020 $'000** | **2019 $'000** |
|---|---|---|
| Profit from continuing operations before significant items and before income tax | **27,431** | **24,178** |
| Individually significant items before income tax | **(43,216)** | **6,161** |
| (Loss) / Profit from continuing operations before income tax | **(15,785)** | **30,339** |
| Income tax benefit / (expense) | **7,145** | **(6,774)** |
| **(Loss) / Profit from continuing operations after income tax** | **(8,640)** | **23,565** |
| Other comprehensive income / (loss), net of income tax | **114** | **(403)** |
| **Total comprehensive (loss) / income for the year** | **(8,526)** | **23,162** |

*The profit and loss summary with a prior period comparison provided in Table 1 above, has been sourced from the audited accounts but has not been subject to separate review or audit. The Directors believe that the presentation of the unaudited non-IFRS profit and loss summary in Table 1 is useful for users as it reflects the underlying profits of the business.*

Profit from continuing operations before significant items and before income tax (**Table 1**) of $27.4 m was up $3.2m from the prior year's $24.2m.

Sales revenue for FY20 of $967.9m was down $34.7m (3.5%) on last year's $1,002.6m, and reflects 1.79m (2019: 1.89m) tonnes of stockfeed and rendered product sold. The decrease in sales revenue is a reflection of the October 2018 expiry of the Inghams supply agreement (year on year 65,000 tonnes reduction), the pass through of raw material price movements, and a tightening of sales arising from the COVID-19 pandemic.

| **Table 2 - Profit and loss account in $ million** | **2020** | **2019** | **Movement** |
|---|---|---|---|
| **Earnings before net interest, tax expense, depreciation and amortisation (EBITDA) from ongoing operations before individually significant items** | 64.3 | 59.4 | 4.9 |
| EBITDA impact of introduction of lease accounting standard | 5.0 | - | 5.0 |
| Less: Corporate | (9.8) | (11.3) | 1.5 |
| **Consolidated EBITDA before significant items** | **59.5** | **48.1** | **11.4** |
| Individually significant items (Table 3) | (43.2) | 6.2 | (49.4) |
| **Consolidated EBITDA** | **16.3** | **54.3** | **(38.0)** |
| Depreciation and Amortisation (**DA**) | (26.2) | (18.9) | (7.3) |
| **Consolidated EBIT** | **(9.9)** | **35.4** | **(45.3)** |

| Table 2 - Profit and loss account in $ million (continued) | 2020 | 2019 | Movement |
|---|---|---|---|
| **Consolidated EBIT** | **(9.9)** | **35.4** | **(45.3)** |
| Net Finance costs | (5.8) | (5.0) | (0.8) |
| Income tax benefit / (expense) | 7.1 | (6.8) | 13.9 |
| **Reported net (loss) / profit after tax** | **(8.6)** | **23.6** | **(32.2)** |
| **Comprehensive income / (loss), net of tax** | 0.1 | (0.4) | 0.5 |
| **Total Comprehensive (Loss) / income for the year** | **(8.5)** | **23.2** | **(31.7)** |

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

The reported EBITDA from ongoing operations before significant items and lease accounting impact of $64.3m is $4.9m above last year's equivalent $59.4m.

Consolidated EBITDA of $16.3m (after significant items and lease accounting impact) is reported after deducting $43.2m of significant expense items and adding back lease payments of $5.0m previously expensed under the former lease accounting arrangements.

The new lease accounting standard gives rise to a favourable $5.0m EBITDA impact, unfavourable $4.9m increase in DA, and $0.4m increase in interest expense as detailed in Notes 5(b) and 5(c).

Corporate costs have been reduced by $1.5m to $9.8m, which is consistent with the prior year after concluding the Baiada legal claim in February 2020 and after implementing the internal restructure.

Details of the individually significant items are provided in the following section of this review.

Net finance costs have increased as a result of the higher borrowings associated with the major capital expenditure program which has concluded with the 3 August 2020 official opening of the new Wellsford feedmill, plus the $0.4m incremental charge associated with the change in accounting treatment for leases.

The income tax expense is calculated taking full account of the significant items.

The available for sale financial sale was disposed of during the financial year, thereby realising the fair value reserve, generating other comprehensive income of $0.1m, and realising cash proceeds of $1.9m.

## Individually significant items impacting the FY20 result

| Table 3 – Individually significant items | 2020 | 2019 | Movement |
|---|---|---|---|
| Murray Bridge feedmill closure | (7.2) | - | (7.2) |
| Internal restructure | (4.2) | - | (4.2) |
| Restructure of Central Victorian operations | (7.0) | - | (7.0) |
| Settlement of legal claim | (1.9) | - | (1.9) |
| Impairment of Novacq™ Cash Generating Unit | (21.6) | - | (21.6) |
| Impairment of Moolap Investment Property | (1.3) | - | (1.3) |
| Property segment profit [1] | - | 6.2 | (6.2) |
| **Total individually significant items** | **(43.2)** | **6.2** | **(49.4)** |

[1] The Property segment was closed on 30 June 2019 and ongoing surplus property maintenance costs absorbed within Corporate from 1 July 2019.

## Individually significant items impacting the FY20 result (continued)

*The profit and loss individually significant items summary with a prior period comparison provided in Table 3 above, has been sourced from the audited accounts but has not been subject to separate review or audit. The Directors believe that the presentation of the unaudited non-IFRS profit and loss significant items summary in Table 3 is useful for users as it reflects the underlying profits of the business.*

The reported result was impacted by six individually significant events, being the closure of the Murray Bridge feedmill, an internal restructure of the business in each of the first half and second half years, rationalisation of the Central/Northern Victorian operations, the settlement of the legal claim from a major customer, the impairment of the Novacq™ Cash Generating Unit (**CGU**), and the impairment of the Moolap investment property asset. All of these events have been progressively announced to the market through the ASX Announcements Platform.

### Murray Bridge feedmill closure

The aggregate financial impact of the closure of the Murray Bridge feedmill for the year ended 30 June 2020 amounts to the $7.2m brought to account in the first half year, which includes appropriate provisioning to complete the site demolition, remediation, rezoning approvals and asset removal. Of the total restructuring provision brought to account, $4.4m represents non-cash write downs of fixed assets to nil value and $2.1m is retained at 30 June 2020 for activities to be conducted in FY21.

### Internal restructure

The aggregate cost of internal restructure reflected in the year result amounts to $4.2m, of which $2.9m was incurred in the first half year and $1.3m in the second half year. The reported amounts include all notice periods, severance payments and associated oncosts. The new Ridley group 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.

### Rationalisation of Central and Northern Victorian operations

Ridley's operations in Central and Northern Victoria were rationalised in June with the announcement of the immediate closure of the former Bendigo feedmill and transition of Mooroopna production to the new Wellsford feedmill over the first eight months of FY21, at the conclusion of which the Mooroopna feedmill will also be closed. The total cost brought to account in FY20 in respect of this rationalisation is $7.0m, comprising non-cash asset write offs of $5.6m plus all estimated redundancy, site demolition, remediation, rezoning approvals and asset removal costs.

### Settlement of legal claim

On 14 February 2020 Ridley announced the settlement of the legal proceedings whereby Baiada immediately terminated its legal proceedings and Ridley agreed to pay $1.935m to Baiada in three instalments over a twelve month period, all of which have been brought to account in the full year results. As part of the settlement, the existing supply agreement between Ridley and Baiada was amended to provide production efficiencies for Ridley and changes to the fee structure. The term of the agreement was extended for a further two years to expire on 30 November 2025.

### Impairment of Novacq™ Business Unit

Although the efficacy of Novacq™ in the production of prawns has been well demonstrated and the product is being sold commercially, delays in the development and installation of processing technology have hindered the scale up of production and restricted sales volumes and earnings accordingly.

As a consequence of the above, coupled with the general economic uncertainty prevailing in domestic and world markets, the Company has raised a non-cash impairment of $21.6 million in its Novacq™ CGU in the financial results for the year ended 30 June 2020.

### Impairment of Moolap Investment Property

With the prospects of a commercial development considered to be low under the Victorian state government's strategic framework for the region encompassing Ridley's Moolap site, the site has been impaired down to zero as at 30 June 2020.

## Balance Sheet

The Balance Sheet reports a net deficiency in liquidity with current liabilities of $379.9m exceeding current assets of $262.2m by $117.7m. This position is a result of the borrowing liability of $193.0m being reported as a Current Liability for the reasons stated following.

Subsequent to 30 June 2020 and prior to 13 August 2020, the Group received certain waivers from its lenders on its financial covenants for the 30 June 2020 testing period. These waivers provide financial covenant relief in respect of any impairment charges raised against the FY20 result.

On 13 August 2020 the Ridley Board considered and resolved to approve the recognition of non-cash impairment charges against the Novacq™ cash generating unit. Despite having received the impairment waivers, the Australian Accounting Standards deem this decision to have applied as at 30 June 2020 (i.e prior to the granting of the impairment waivers by the Group's financiers) and therefore that there has been a technical breach of banking covenants, which requires the Group's borrowings to be reported as current rather than non-current. At the date of approval of the financial report, the lending facilities have been restored to the classification of non-current borrowings and the Group has remained at all times compliant with its funding covenants, including as at the most recent test date of 30 June 2020.

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

(i) A $45.8m increase in net debt for the year from $101.4m to $147.2m, reflecting the completion of the capital investment program to construct a new extrusion plant at Westbury in Tasmania and feedmill at Wellsford in Central Victoria. Net debt at 30 June 2020 comprises gross borrowings of $193.0m offset by cash and cash equivalent balances of $45.8m.

(ii) A $3.5m increase in Current Receivables from $108.2m to $111.7m, which reflects a normal fluctuation in timing between invoicing and receipts and no movement in debtor days outstanding from the 33 day pre-COVID-19 position at 30 June 2020.

(iii) A $20.6m increase in Inventory from $83.8m to $104.4m, which reflects a combination of higher inventory holdings to ensure continuity of production in the current environment of uncertain supply plus an increase in stockbuild for new fin fish feed production and the forthcoming prawn growing season.

(iv) A $10.0m decrease in Non-current Receivables from $11.7m to $1.7m, due to the $3.85m receipt of prior year land sale deferred consideration plus the $6.6m recapitalisation of the loan to the former Thailand 49% joint venture interest which became wholly owned and consolidated during the year.

(v) The impairment down to zero in the financial year of the carrying values of the former salt fields at Moolap previously carried at $1.3m and disclosed as Non-current Investment property.

(vi) A $34.9m increase in Non-current Property, plant and equipment from $259.3m to $294.2m, which reflects the costs of completion for the new extrusion plant at Westbury and feedmill at Wellsford. In addition, $13.8m of Right-of-use assets, formerly off-balance sheet operating leased assets, were brought onto the balance sheet effective from 1 July 2019 as a result of the introduction of the new lease accounting standard (refer Notes 5(c) and 28). The closing carrying value of these assets as at 30 June 2020 was $8.8m after applying an amortisation charge of $4.9m. The closing balance reflects the write down of Bendigo and Mooroopna assets of $5.2m and Murray Bridge assets of $4.4m. Of the total impairment charge of $21.6m raised in the year, $7.9m was applied to Property, plant and equipment in the Novacq™ Cash Generating Unit.

(vii) A net $10.7m decrease in Intangibles from $85.7m to $75.0m comprising additions for software purchases of $0.3m, capitalised Novacq™ assets under development in Thailand of $3.4m, and goodwill of $1.0m. Offsetting the additions were the amortisation charge of $1.8m, disposals of $0.1m, and the $13.7m impairment of the Novacq™ CGU Asset under development.

## Balance Sheet (continued)

(viii) The 49% shareholding in the Non-current equity-accounted investment in the Thailand feedmill was increased during the year to 100%, recapitalised and consolidated within the Group. The Available for sale financial asset investment in the UK-listed specialist ingredients company was sold during the year.

(ix) A $4.9m increase in provisions which comprises a new $6.3m restructuring provision to cover the FY21 non-cash write down of Mooroopna assets ($2.8m) plus all anticipated costs associated with the disposal of the feedmills at Murray Bridge, Bendigo and Mooroopna ($3.5m) offset by a $1.4m reduction in employee provisions following the FY20 internal restructure.

(x) Current Lease liabilities of $4.2m and Non-current Lease liabilities of $4.8m are brought to account for the first full financial year within Balance Sheet Payables as a result of the introduction of the new lease accounting standard.

(xi) Share capital increased by $4.6m through of the utilisation of the Dividend Reinvestment Plan supported by a shortfall placement for the FY20 interim dividend.

## Dividend

The Board paid a 2019 final cash dividend of 2.75 cents per share, fully franked, on 31 October 2019 and a 2020 interim dividend of 1.5 cents per share, fully franked, on Thursday 30 April 2020. The Dividend Reinvestment Program (**DRP**) was reinstated for the 2020 interim dividend, under which 2,862,277 fully paid ordinary shares were issued to existing shareholders plus 3,313,057 fully paid ordinary shares under a placement shortfall at an issue price of $0.748 per share.

After the balance sheet date, the Ridley Board determined not to pay a dividend and to apply these funds to the retirement of net debt. This dividend decision was made in respect of the final FY20 dividend only and was made in accordance with Ridley practice to consider the payment of dividends in the context of capital requirements, net debt, the earnings and cash flow conversion of the business and the growth opportunities prevalent and foreseeable at the time of dividend declaration.

## Cash flow and working capital

The operating cash inflow for the year (**Table 4 overleaf**) after working capital movements and maintenance capital expenditure was $18.3m, a reduction of $15.4m on last year's $33.7m. The $22.8m impairment of the Novacq™ CGU and Moolap Investment property is a non-cash expense.

Working capital increased by $7.5m over last year largely due to an increase in inventory holding levels which have been temporarily raised to ensure continuity of raw material supply in the current environment of uncertainty.

Maintenance capital expenditure has been maintained at historical levels.

Development capital expenditure of $42.9m includes the completion of the extrusion plant at Westbury, Tasmania and the feedmill at Wellsford, Victoria, which was officially opened on 3 August 2020.

Payments for intangible assets of $4.5m comprise Novacq™ Assets under development and software, plus goodwill of $1.0m initially recognised on the acquisition of the controlling interest in the Thailand feedmill but subsequently impaired to zero.

Dividends paid for the year of $10.9m comprise the 2019 final dividend of 2.75 cents per share paid fully in cash on 31 October 2019, plus the interim FY20 dividend of 1.5 cents per share paid on 30 April 2020, of which $2.1m was settled through the take up of DRP entitlements by existing shareholders and $0.2m through payment of employee in-substance options.

$2.4m of proceeds were received in respect of the FY20 interim dividend DRP placement shortfall and $0.2m was expended to acquire 150,000 shares issued to two key employees under the Special Retention Plan.

## Cash flow and working capital (continued)

The prior year disposal of property assets realised $3.8m of proceeds in the year, with a further $1.9m of proceeds generated from the sale of the Available for sale financial asset.

$0.5m of funds were loaned to the Thailand Joint Venture prior to it becoming wholly owned as part of the land and share acquisition transaction, for which the cash consideration paid was $8.6m and attributed to property, plant and equipment.

Net tax payments of $4.3m were made during the year and $6.2m in net finance costs.

| Table 4 - Cash flows for the year in $ million | 30 June 2020 | 30 June 2019 |
|---|---|---|
| Consolidated EBIT | (9.9) | 35.4 |
| Depreciation and amortisation | 26.2 | 18.9 |
| **Consolidated EBITDA** | **16.3** | **54.3** |
| Add back non-cash impairment | 22.8 | - |
| Increase in working capital | (7.5) | (7.3) |
| Maintenance capital expenditure | (13.3) | (13.3) |
| **Operating cash flow** | **18.3** | **33.7** |
| Development capital expenditure | (42.9) | (60.0) |
| Payment for intangibles | (4.5) | (5.5) |
| Dividends paid | (10.9) | (11.7) |
| Issue of share capital under DRP | 2.4 | 3.1 |
| Share-based payments | (0.2) | (2.4) |
| Proceeds from sales of assets | 5.7 | 5.0 |
| Net finance cost | (6.2) | (5.7) |
| Net tax payments | (4.3) | (1.7) |
| Loans to related parties | (0.5) | (0.7) |
| Payment of lease liabilities for Right-of-use assets | (5.0) | - |
| Other items | 2.3 | (2.7) |
| **Cash flow for the period** | **(45.8)** | **(48.6)** |
| Opening net debt balance at 1 July | (101.4) | (52.8) |
| **Closing net debt balance at 30 June** | **(147.2)** | **(101.4)** |

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

## Earnings per share

| | | 2020 Cents | 2019 Cents |
|---|---|---|---|
| Basic / Diluted earnings per share - | Continuing | **(2.8) / (2.8)** | 7.6 / 7.6 |
| - | Before significant items # | **7.1 / 7.1** | 7.6 / 7.6 |

# The Profit after income tax before significant items adopted in the above calculation is $22,430,000.

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

## Gearing and financing facility

On 13 November 2019, Ridley executed a new $30m Receivables Purchase Agreement facility with Rabobank. The facility was and remains fully drawn down, with the funds applied against Ridley's consolidated banking facility, which was refinanced on 26 December 2019 for a further five years. As part of the refinancing, the total borrowing facility of $200m and the Trade Payables facility of $50m were both retained. In addition, certain banking covenant requirements were relaxed to accommodate the funding requirements for the new plants at Westbury and Wellsford, the closure of the Murray Bridge feedmill, and restructure of Central Victorian operations, and internal restructure of the business.

Gearing is reported as net debt to equity in accordance with the covenants of the banking facility, and includes the fully drawn Receivables Purchase Agreement facility but excludes the draw down against the Trade Payables Facility.

| | **2020 $'000** | 2019 $'000 |
|---|---|---|
| Gross debt | **193,000** | 118,926 |
| Less: cash | **(45,818)** | (17,483) |
| Net debt | **147,182** | 101,443 |
| Total equity | **261,645** | 277,499 |
| Gearing ratio | **56.3%** | 36.6% |

## Capital movements

During FY20, a total of 150,000 (FY19: 2,092,935) shares were acquired by the Company on market for an outlay of $0.2m (FY19: $2.8m) in satisfaction of:

(i) the vesting of 150,000 (FY19: nil) shares under the Special Retention Plan which were acquired on-market for a total outlay of $163,387.

(ii) the vesting of nil (FY19: 1,384,802 with a further 24,123 share entitlement satisfied by payment in cash) shares allocated to Ridley employees under the Ridley Long Term Incentive Plan; and

(iii) the vesting of nil (FY19: 708,133) shares allocated under the Ridley Employee Share Scheme which was suspended for FY20.

The Dividend Reinvestment Plan (**DRP**) was utilised for the payment of the FY20 interim dividend on 30 April 2020, which resulted in the issue of 2,862,277 (2019: 896,926) fully paid ordinary shares to existing shareholders plus 3,313,057 (2019: 2,542,224) fully paid ordinary shares issued to institutional and sophisticated investors pursuant to a shortfall placement under the DRP. The issue price for these shares was $0.748 per share.

## Segments

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

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

On 26 August 2019, Ridley appointed Mr Quinton Hildebrand as its new Chief Executive Officer and Managing Director (**CEO**). Following the appointment of the new CEO, Ridley has set a new strategic direction, continued the disposal of surplus property assets, announced a number of restructuring initiatives to better align the Group's operating model and site footprint to the new strategy, and has undertaken necessary investments to maximise the potential of Novacq™. These activities have included:

- An organisational redesign announced on 11 November 2019 involving changes in executive leadership and the establishment of a leaner organisational design, followed by a subsequent restructure announced on 23 June 2020 across those business units not included in the initial announcement.
- The closure, rationalisation or suspension of operations at selected feedmills across Australia and Thailand, combined with the commissioning of new facilities at Westbury and Wellsford.
- Continued divestment of residual property assets, with the remaining property at Moolap written down to nil as at 30 June 2020 as a reflection of the Victorian State Government's restrictions for the commercial development of the site as published in its August 2019 Moolap Coastal Strategic Framework Plan. Activities to divest the last remaining land parcel at Lara and the Moolap site are continuing in FY21.

In light of the above, and recognising the fundamental changes in business activity, the new organisational structure and internal reporting to the CODM arising from the FY20 business restructures, from 1 July 2020 Ridley expects to report segment information for:

- Bulk Stockfeeds – comprising the Group's premium quality, high performance animal nutrition stockfeed solutions delivered in bulk.
- Packaged Feeds and Ingredients – comprising the Group's premium quality, high performance animal nutrition feed and ingredient solutions delivered in packaged form from 1 tonne bulka bag down to 3kg bags.

## Risks

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

- **Cyclical fluctuations impacting the demand for animal nutrition products -** by operating in several business sectors within the domestic economy, (namely poultry and pig, dairy, aqua, beef and sheep, companion animals, consumer goods packaged products and rendering) some of which have a positive or negative correlation with each other, Ridley is not dependent upon a single business sector and is able to spread the sector and adverse event risk across a diversified portfolio.
- **Influence of the domestic grain harvest** - through properly managed procurement practices and many of our customers retaining responsibility for the supply of raw materials for the feed Ridley manufactures on their behalf, the impact of fluctuations in raw material prices associated with domestic and world harvest cycles is mitigated.
- **Influence of natural pasture on supplementary feed decision making -** whilst not being able to control the availability of natural pasture, Ridley believes there is a compelling commercial justification for supplementary feeding in each of its sectors of operation, whether that be measured in terms of milk yield and herd well-being or feed conversion ratios in poultry, pig and aquafeed.

## Risks (continued)

- **Impact on domestic and export markets in the event of disease outbreak in livestock or market access restrictions offshore due to increased segregation requirements in rendering** - Ridley has a strategy of plant segregation in place to effectively manage its own risk of product contamination across the various species sectors. Ridley also has a footprint of mills dispersed across the eastern states of Australia that provides a geographical segregation of activities. The risk to Ridley is therefore more of a third party market risk, such as the 2016 outbreak of White Spot disease (White Spot Syndrome Virus or WSSV) in the Logan River region of Queensland which devastated a number of affected farms in the region, or from an offshore market demanding increased product segregation in rendering such as the Indonesian decree across animal protein imports issued in 2018 that banned Ridley's rendered product exports to Indonesia.

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

- **Commercialising Novacq™ -** although the efficacy of Novacq™ in the production of prawns has been well demonstrated and the product is being sold commercially, current delays in the development and installation of processing technology have hindered scale up of production and restricted sales volumes and earnings accordingly. Although commercialisation of Novacq™ and risk mitigation strategies are being actively managed by Ridley, risks exist with any start-up business, some of which are beyond Ridley's control and could further delay commercialisation. Risks such as adverse weather impacting the expansion of pond space to produce Novacq™, falling demand for prawns due to a significant disease outbreak, or from the current global economic uncertainty.

- **Corporate -** risks such as safety, recruitment and retention of high calibre employees, inadequate innovation and new product development, customer credit risk, climate risk, interest rate risk, foreign exchange risk ~~and~~ inappropriate raw material purchases, risk of lower than anticipated return on capital invested and risk of lower underlying earnings are all managed through the Group's risk management framework which includes review and monitoring by the executive lead team.

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

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

## Outlook

The 2020 financial year has seen a reset of the Group, with significant restructuring, repositioning and revaluing activities. These have now been substantially concluded. The outlook for the coming year is positive, despite the general economic uncertainty prevailing in domestic and world markets. In managing the risk posed by the COVID-19 pandemic, the Group has implemented a comprehensive program of segregation, isolation, sanitation and communication to safeguard the essential service provided by the Group. The program has jointly focussed on maintaining the safety and well-being of all employees, suppliers and customers, and of the well-being of the livestock which is dependent upon the continuity of supply of Ridley feed solutions.

**Outlook (continued)**

Ridley customers have been affected by the pandemic in many different ways, ranging from increased demand for layer birds for egg production to a decline in premium meat and fish cuts arising from the disruption to food service markets. Being a critical supplier to the essential industries providing protein predominantly to the Australian population, and having reset its operating cost base and customer value focus in FY20, Ridley's operational performance has proven to be robust.

With the completion of the $150m asset renewal program which has delivered four new world class production facilities in the last eight years, capital expenditure in the year ahead will return to more normal levels and the focus will be on cash generation and debt reduction. The execution of the growth strategy is expected to increase earnings as the business capitalises on the full year benefits of the initiatives implemented in FY20, derives value from the capital investment program, and focuses on providing proactive solutions and a compelling value proposition to support the sustainable growth of our customers.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

| | Note | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| Revenue from continuing operations | 4 | **967,942** | 1,002,583 |
| Cost of sales | | **(901,152)** | (930,033) |
| **Gross profit** | | **66,790** | **72,550** |
| Finance income | | **86** | 481 |
| Other income | 4 | **1,082** | 7,300 |
| Expenses from continuing operations: | | | |
| Selling and distribution | | **(14,493)** | (14,049) |
| General and administrative | 5(d) | **(63,003)** | (29,908) |
| Finance costs | 5(b) | **(5,914)** | (5,554) |
| Share of net (losses)/profits from equity accounted investments | | **(333)** | (481) |
| **(Loss) / Profit from continuing operations before income tax expense** | | **(15,785)** | **30,339** |
| Income tax benefit / (expense) | | **7,145** | (6,774) |
| **(Loss) / Profit from continuing operations after income tax** | | **(8,640)** | **23,565** |
| **Net (Loss) / Profit after tax attributable to members of Ridley Corporation Limited** | | **(8,640)** | **23,565** |
| **Other comprehensive income** | | | |
| Available for sale financial assets - net change in fair value | | 114 | (403) |
| **Other comprehensive income for the year, net of tax** | | **114** | **(403)** |
| **Total comprehensive (loss) / income for the year** | | **(8,526)** | **23,162** |
| **Total comprehensive (loss) / income for the year attributable to:** | | | |
| Ridley Corporation Limited | | **(8,526)** | **23,162** |
| **Earnings per share** | | | |
| Basic earnings per share - continuing | | **(2.8)c** | 7.6c |
| Basic earnings per share | | **(2.8)c** | 7.6c |
| Diluted earnings per share - continuing | | **(2.8)c** | 7.6c |
| Diluted earnings per share | | **(2.8)c** | 7.6c |

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

## CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2020

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | **45,818** | 17,483 |
| Receivables | **111,722** | 108,212 |
| Inventories | **104,490** | 83,829 |
| Tax asset | **-** | - |
| Assets held for sale | **188** | 182 |
| **Total current assets** | **262,218** | **209,706** |
| | | |
| **Non-current assets** | | |
| Receivables | **1,702** | 11,673 |
| Investment properties | **-** | 1,265 |
| Property, plant and equipment | **294,251** | 259,323 |
| Intangible assets | **75,001** | 85,670 |
| Investments accounted for using the equity method | **-** | 655 |
| Available for sale financial assets | **-** | 1,725 |
| Deferred tax asset | **13,554** | 3,737 |
| **Total non-current assets** | **384,508** | **364,048** |
| **Total assets** | **646,726** | **573,754** |
| | | |
| **Current liabilities** | | |
| Payables | **165,374** | 158,759 |
| Borrowings | **193,000** | - |
| Provisions | **21,117** | 16,006 |
| Tax liability | **384** | 2,046 |
| **Total current liabilities** | **379,875** | **176,811** |
| | | |
| **Non-current liabilities** | | |
| Payables | **4,882** | - |
| Borrowings | **-** | 118,926 |
| Provisions | **324** | 518 |
| **Total non-current liabilities** | **5,206** | **119,444** |
| **Total liabilities** | **385,081** | **296,255** |
| | | |
| **Net assets** | **261,645** | **277,499** |
| | | |
| **Equity** | | |
| Share capital | **223,521** | 218,941 |
| Reserves | **1,843** | 3,718 |
| Retained earnings (Note 6) | **36,281** | 54,840 |
| **Total equity** | **261,645** | **277,499** |

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

### 2020

| | Share Capital $'000 | Share Based Payments Reserve $'000 | Fair Value Reserve $'000 | Retained Earnings $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Opening balance at 1 July 2019** | 218,941 | 3,601 | 117 | 54,840 | 277,499 |
| (Loss) / Profit for the year | - | - | - | (8,640) | (8,640) |
| **Other Comprehensive (Loss) / Income:** | | | | | |
| Available for sale financial assets – net change in fair value, net of tax | - | - | 114 | - | 114 |
| **Total Comprehensive (Loss) / Income for the year** | **-** | **-** | **114** | **(8,640)** | **(8,526)** |
| Realisation of reserves following disposal of asset | - | - | (231) | 231 | - |
| **Transactions with owners recognised directly in equity:** | | | | | |
| Dividends paid / declared | - | - | - | (13,226) | (13,226) |
| Shares issued under the Dividend Reinvestment Plan | 4,580 | - | - | - | 4,580 |
| Share based payment transactions | - | (1,758) | - | 3,076 | 1,318 |
| **Total transactions with owners recognised directly in equity** | **4,580** | **(1,758)** | **-** | **(10,150)** | **(7,328)** |
| **Balance at 30 June 2020** | **223,521** | **1,843** | **-** | **36,281** | **261,645** |

### 2019

| | Share Capital $'000 | Share Based Payments Reserve $'000 | Fair Value Reserve $'000 | Retained Earnings $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Balance at 1 July 2018** | **214,445** | **3,240** | **520** | **44,902** | **263,107** |
| Recognition of expected credit losses under IFRS 9 | - | - | - | (239) | (239) |
| Related tax | - | - | - | 72 | 72 |
| Impact at 1 July 2018 | - | - | - | 167 | 167 |
| **Revised opening balance at 1 July 2018** | 214,445 | 3,240 | 520 | 44,735 | 262,940 |
| Profit for the year | - | - | - | 23,565 | 23,565 |
| **Other Comprehensive Income:** | | | | | |
| Available for sale financial assets – net change in fair value, net of tax | - | - | (403) | - | (403) |
| **Total Comprehensive Income for the year** | **-** | **-** | **(403)** | **23,565** | **23,162** |
| **Transactions with owners recorded directly in equity:** | | | | | |
| Dividends paid / declared | - | - | - | (13,083) | (13,083) |
| Shares issued under the Dividend Reinvestment Plan | 4,496 | - | - | - | 4,496 |
| Share based payment transactions | - | 361 | - | (377) | (16) |
| **Total transactions with owners recorded directly in equity** | **4,496** | **361** | **-** | **(13,460)** | **(8,603)** |
| **Balance at 30 June 2019** | **218,941** | **3,601** | **117** | **54,840** | **277,499** |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS
# FOR THE YEAR ENDED 30 JUNE 2020

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers | **1,059,670** | 1,104,549 |
| Payments to suppliers and employees | **(1,026,704)** | (1,060,736) |
| Interest received | **86** | 481 |
| Other income received | **1,082** | 410 |
| Interest and other costs of finance paid | **(6,314)** | (6,225) |
| Income tax payment | **(4,335)** | (1,655) |
| **Net cash from operating activities** | **23,485** | **36,824** |
| | | |
| **Cash flows from investing activities** | | |
| Payments for property, plant and equipment | **(56,245)** | (73,336) |
| Payments for intangibles | **(4,544)** | (5,479) |
| Proceeds from sale of available for sale asset | **1,888** | - |
| Proceeds from sale of non-current assets | **3,850** | 5,000 |
| **Net cash used in investing activities** | **(55,051)** | **(73,815)** |
| | | |
| **Cash flows from financing activities** | | |
| Issue of share capital | **2,440** | 3,140 |
| Purchase of shares for share based payments | **(160)** | (2,370) |
| Proceeds of borrowings | **74,074** | 42,704 |
| Dividends paid (Note 3) | **(10,926)** | (11,727) |
| Payment of lease liabilities | **(5,046)** | - |
| Loans to related parties | **(481)** | (714) |
| **Net cash from financing activities** | **59,901** | **31,033** |
| | | |
| **Net movement in cash held** | **28,335** | (5,958) |
| | | |
| **Cash at the beginning of the financial year** | **17,483** | 23,441 |
| | | |
| **Cash at the end of the financial year** | **45,818** | **17,483** |

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

## Note 1 – Basis of preparation of preliminary financial report

This report has been prepared in accordance with Australian Accounting Standards relevant to the preparation of the Appendix 4E and other mandatory professional reporting requirements for the purpose of fulfilling the Group's obligation under Australian Securities Exchange (**ASX**) listing rules. The report is presented in Australian dollars.

The accounting policies have been applied consistently to all periods presented in the consolidated financial report. The financial report has been prepared on the basis of historical cost, except for derivative financial instruments and cash settled share-based payment arrangements which have been measured at fair value. A full description of the accounting policies adopted by the Group may be found in the Group's full financial report.

## Note 2 – Earnings per share

| | | **2020** | 2019 |
|---|---|---|---|
| | | **Cents** | Cents |
| Basic / Diluted earnings per share - | Continuing | **(2.8) / (2.8)** | 7.6 / 7.6 |
| - | Before significant items # | **7.1 / 7.1** | 7.6 / 7.6 |

| | **2020** | | 2019 | |
|---|---|---|---|---|
| **Earnings used in calculating earnings per share:** | **Basic $’000** | **Diluted $’000** | Basic $’000 | Diluted $’000 |
| Profit after income tax | **8,640** | **8,640** | **23,565** | **23,565** |

# The Profit after income tax before significant items adopted in the above calculation is $22,316,000.

| **Weighted average number of shares used in calculating:** | **2020** | 2019 |
|---|---|---|
| **Basic earnings per share** | **312,285,443** | 308,297,610 |
| **Diluted earnings per share** | **312,285,443** | 310,685,570 |

**Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares on issue during the financial year. On 5 May 2020 2,862,277 (2019: 3,439,150) shares were issued under the Dividend Reinvestment Plan (**DRP**) which was utilised for the payment of the FY20 interim dividend. On 6 May 2020 a further 3,313,057 shares were issued pursuant to a DRP shortfall placement.

**Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Based on the vesting conditions and exercise price, as at 30 June 2020 there are no dilutive potential ordinary shares outstanding.

The Group has historically purchased shares on-market to satisfy vesting performance rights. Details relating to the performance rights are set out in the Group’s full financial report. There are nil (2019: Nil) performance rights outstanding that have been included in the determination of diluted earnings per share, however if the Group purchases shares on-market to satisfy any vesting performance rights there would be no dilution.

## Note 3 – Dividends

| **Dividends paid during the year** | **Franking** | **Payment date** | **Per share (cents)** | **2020 $'000** | 2019 $'000 |
|---|---|---|---|---|---|
| Interim dividend in respect of the current financial year | Fully franked | 30 April 2020 (2019: 10 May 2019) | 1.5 (2019: 1.5) | **4,670** | 4,618 |
| Final dividend in respect of the prior financial year | Fully franked | 31 October 2019 (2019: 31 October 2018) | 2.75 (2019: 2.75) | **8,556** | 8,465 |
| | | | | **13,226** | **13,083** |

| | | |
|---|---|---|
| **Paid in cash** | **10,926** | 11,727 |
| **Paid through the issue of shares #** | **2,140** | 1,193 |
| **Non-cash dividends paid on employee in-substance options** | **160** | 163 |
| | **13,226** | **13,083** |

The Dividend Reinvestment Plan (**DRP**) was utilised for the payment of the FY20 interim dividend on 30 April 2020 which resulted in the issue of 2,862,277 (2019: 896,926) fully paid ordinary shares to existing shareholders plus 3,313,057 (2019: 2,542,224) fully paid ordinary shares issued to institutional and sophisticated investors pursuant to a shortfall placement under the DRP. The issue price for these shares was $0.748 per share.

| **Since the end of the financial year, the Board has declared the following with respect to the FY20 final dividend** | **2020 $'000** | 2019 $'000 |
|---|---|---|
| After the balance sheet date, the Ridley Board determined not to pay a dividend and to apply these funds to the retirement of net debt. This dividend decision was made in respect of the final FY20 dividend only and was made in accordance with Ridley practice to consider the payment of dividends in the context of capital requirements, net debt, the earnings and cash flow conversion of the business and the growth opportunities prevalent and foreseeable at the time of dividend declaration | **-** | 8,465 |
| Amount of franking credits available at 30 June to shareholders of Ridley Corporation Limited for subsequent financial years | **16,048** | 17,321 |

## Note 4 – Revenue and other income

| | **2020 $'000** | **2019 $'000** |
|---|---|---|
| Revenue from continuing operations | | |
| Sale of goods | **967,942** | **1,002,583** |
| Other income from continuing operations | | |
| Rent received | **78** | 124 |
| Profit on sale of land | **-** | 6,809 |
| Credit card fees | **277** | - |
| Other | **727** | 367 |
| | **1,082** | **7,300** |

## Note 5 – Expenses

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

| (a) Depreciation and amortisation (i) | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Buildings | **2,153** | 1,704 |
| Plant and equipment | **17,584** | 14,905 |
| Software | **1,418** | 1,325 |
| Intangible assets | **133** | 969 |
| Right of use assets | **4,871** | - |
| | **26,159** | **18,903** |

(i) The depreciation and amortisation charge is included either as Cost of Goods sold or within General and Administrative expenses in the Consolidated Statement of Comprehensive Income, depending on the use of the asset.

| (b) Finance costs | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Interest expense | **5,877** | 6,225 |
| Interest expense on lease liabilities | **437** | - |
| Amortisation of borrowing costs | **279** | 144 |
| Interest income | **(86)** | - |
| Unwind of discount on deferred consideration | **(679)** | (815) |
| | **5,828** | **5,554** |

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

| (c) Other expenses | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Employee benefits expense | **89,493** | 85,471 |
| Expenses relating to short term leases and low value assets # | **747** | 4,313 |
| Bad and doubtful debt expense – net of recoveries | **(10)** | 163 |
| Foreign exchange loss | **94** | - |
| Loss on disposal of property, plant and equipment | **269** | - |
| Research and development | **17,779** | 24,480 |

# The new lease accounting standard AASB 16 is effective for the financial year beginning 1 July 2019. For the year ended 30 June 2020, the introduction of the new lease accounting standard has had the following financial impact. Refer also Note 28 in the Group's full financial report.

| | 30 June 2020 in $'000 | | |
|---|---|---|---|
| | **EBITDA** | **EBIT** | **EBT** |
| Reversal of lease payments previously expensed in Profit and Loss as General and Administrative expenses | 5,046 | 5,046 | 5,046 |
| Depreciation expense on right-of-use assets | - | (4,871) | (4,871) |
| Interest expense on lease liabilities | - | - | (437) |
| **Total Profit and Loss financial impact** | **5,046** | **175** | **(262)** |

## Note 6 – Retained earnings

| Retained earnings | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Opening balance at 1 July | **54,840** | 44,902 |
| Recognition of expected credit losses under IFRS 9 | **-** | (239) |
| Related tax | **-** | 72 |
| Impact at 1 July | **-** | (167) |
| Revised opening balance at 1 July | **54,840** | 44,735 |
| Net (Loss) / Profit for the year | **(8,640)** | 23,565 |
| Dividends paid | **(13,226)** | (13,083) |
| Share based payments reserve transfer | **3,076** | (377) |
| Fair Value reserve transfer | **231** | **-** |
| Closing balance at 30 June | **36,281** | **54,840** |

## Note 7 – Segment reporting

| 2020 financial year in $'000 | AgriProducts | Unallocated | Consolidated |
|---|---|---|---|
| **Total sales revenue – external (Note 4)** | 967,942 | - | **967,942** |
| Other revenue (Note 4) | 741 | 341 | **1,082** |
| **Total revenue** | **968,683** | **341** | **969,024** |
| Share of (losses) of equity accounted investments (Note 14) | - | (333) | **(333)** |
| Depreciation and amortisation expense (Note 5) | (26,148) | (11) | **(26,159)** |
| Interest income | 5 | 81 | **86** |
| Finance costs (Note 5) | (1,490) | (4,424) | **(5,914)** |
| **Reportable segment profit/(loss) before income tax** | **6,352** | **(22,137)** | **(15,785)** |
| Total segment assets | 579,664 | 67,062 | **646,726** |
| Segment liabilities | 186,775 | 198,306 | **385,081** |
| Acquisitions of property, plant and equipment, intangibles and other non-current segment assets (including the impact of business combinations and the transition impact of AASB 16 *Leases*) | 53,031 | 26,204 | **79,235** |

## Note 7 – Segment reporting (continued)

| 2019 financial year in $'000 | AgriProducts | Unallocated | Consolidated |
|---|---|---|---|
| **Total sales revenue – external (Note 4)** | 1,002,583 | - | **1,002,583** |
| Other revenue (Note 4) | 285 | 7,015 | **7,300** |
| **Total revenue** | **1,002,868** | **7,015** | **1,009,883** |
| Share of (losses) of equity accounted investments (Note 14) | (481) | - | **(481)** |
| Depreciation and amortisation expense (Note 5) | (18,898) | (5) | **(18,903)** |
| Interest income | 27 | 454 | **481** |
| Finance costs (Note 5) | (1,567) | (3,987) | **(5,554)** |
| **Reportable segment profit/(loss) before income tax** | **38,978** | **(8,639)** | **30,339** |
| Segment assets | 541,583 | 31,516 | **573,099** |
| Investments accounted for using the equity method | 655 | - | **655** |
| Total segment assets | 542,238 | 31,516 | **573,754** |
| Segment liabilities | 170,204 | 126,051 | **296,255** |
| Acquisitions of property, plant and equipment, intangibles and other non-current segment assets (including the impact of business combinations) | 75,142 | - | 75,142 |

## Note 8 – Investments accounted for using the equity method

| Name of Company | Principal Activity | Country of Incorporation | Ownership Interest | | Carrying Amount | |
|---|---|---|---|---|---|---|
| | | | **2020** | 2019 | **2020** | 2019 |
| **Joint venture entities:** | | | **%** | % | **$'000** | $'000 |
| Nelson Landholdings Pty Ltd as Trustee for Nelson Landholdings Trust [1] | Property realisation | Australia | **50** | 50 | **-** | **-** |
| Pen Ngern Feed Mill Co., Ltd. [2] | Aquafeed production | Thailand | **100** | 49 | **-** | 655 |
| **Investments accounted for using the equity method** | | | | | **-** | **655** |

1 The Company and Unit Trust are the corporate structure through which any ultimate development of the Moolap site will be managed. There are a number of restrictions for this entity to protect the interests of each party, being Ridley and development partner Sanctuary Living, which cause the entity to be reported as a joint venture rather than controlled entity. Despite this classification for reporting purposes, Ridley retains full control of the value and use of the land at Moolap until such time as Ridley resolves to commit the land to the project. The balance date of the Nelson Landholdings Pty Ltd joint venture entity is 30 June.

2 On 28 January 2016, the Group acquired a 49% interest in Pen Ngern Feed Mill Co., Ltd. (**PNFM**) for an investment of $1.3 million. PNFM is an entity domiciled in Thailand which owns, and up to 30 June 2020 operated, a feedmill at Chanthaburi for the production of aquafeed. The PNFM balance date is 31 December. Movements in the carrying amount of the investment up to 14 February 2020 reflect Ridley's equity accounted share of the operating result for PNFM.

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

2 Continued

On 14 February 2020, the Group acquired the remaining 51% ownership interest in Pen Ngern Feed Mill Co., Ltd. (**PNFM**) as part of a transaction which included the acquisition of approximately 50 hectares of land encompassing the existing Thailand Novacq™ production ponds plus 3 million Thai Baht (c.$143k) of net debt forgiveness. The purchase consideration of 171.2 million Thai Baht (approximately $8.2m) has been applied to the value of the land acquired given the net indebtedness and recapitalisation of PNFM.

In accordance with the accounting requirements of AASB 3 Business Combinations, fair values have been attributed to the net assets of PNFM as at the acquisition date and these values, plus 100% of the profits and losses of PNFM, have been consolidated as part of the Ridley Group result since that date.

On 30 June 2020, the PNFM operation was restructured. From 1 July 2020, the feedmilling operations of PNFM have been suspended until such time as local prawn production has recovered from its current lows. The PNFM site is now dedicated to the Novacq™ dewatering, drying and bagging operation in accordance with the Thailand Board of Investment (**BoI**) approval received during FY20 for this activity. Approval was also received in FY20 from the BoI to relax the foreign land ownership restriction, thereby enabling Ridley to acquire full control and 100% ownership of PNFM.

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

As previously announced, Ridley Chair Dr Gary Weiss AM retires on 26 August 2020.

Mr Mick McMahon and Mr Rhys Jones are being appointed as Ridley Directors on 27 August 2020, with Mr McMahon assuming the role of Ridley Chair. Mr McMahon is also being appointed to the Ridley Audit and Risk Committee and Mr Jones to the Remuneration and Nominations Committee.

There were no other matters or circumstances have arisen since 30 June 2020 that have significantly affected, or may significantly affect:

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

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

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