



ANNUAL REPORT 2003 RIDLEY CORPORATION



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Annual General Meeting

The Annual General Meeting of Ridley Corporation Limited ABN 33 006 708 765 will be held at 10am on Monday, 27 October 2003 in the:

James Cook Ballroom
InterContinental Hotel
117 Macquarie Street
Sydney NSW 2000

A formal notice of meeting and proxy form is enclosed with this report.

2003 Financial Calendar

15 October
Books close for final dividend

27 October
Annual General Meeting

29 October
Final dividend paid

2004 Proposed Timetable

23 February
Interim results and dividend announcement

23 March
Books close for interim dividend

6 April
Interim dividend paid

30 August
Preliminary profit and final dividend
announcement

13 October
Books close for final dividend

25 October
Annual General Meeting

27 October
Final dividend paid

ridley quality

In last year's annual report we asked the question Why Ridley? The response – carried as a theme throughout the report – highlighted our strict financial disciplines, our passion for understanding and managing risk, our strong position in key markets, the highly qualified specialists in all our businesses and the diversity of our customer base and product range.

This year our report has as its focus our products – and more particularly, the quality of our products. As a prominent player in the early part of the food chain there can be no room for error. Our commitment to providing our customers with products of the highest quality is vital to the success of all our businesses.

In Australia, all our AgriProducts plants are Hazard Analysis and Critical Control Points (HACCP) certified and this year we enhanced our quality management system from ISO 9002 to the new, more comprehensive ISO 9001:2000. We also expanded our quality program by commencing HACCP audits of major suppliers to provide further assurance that only the highest quality product is made by Ridley. All Cheetham Salt's manufacturing sites are certified to ISO 9002 and are being upgraded to ISO 9001:2000. The sites that produce salt for food products are also HACCP certified and all sites operate under the NSCA Five Star Safety System.

In North America, we are the first and only livestock feed manufacturer to be registered to the ISO 9001 quality standard. Our quality commitment was further strengthened in 2003 when our US feed plants received HACCP certification. Our Canadian plants were HACCP certified in 2002. In addition to receiving HACCP certification for the US plants, our US feed operation received the American Feed Industry Association's inaugural Food Safety Innovation Award, which recognises firms and organisations that are on the cutting edge of food safety technology and are responsible for pioneering new food safety methods.

ISO certification is an internationally recognised quality management system that emphasises integrity throughout the manufacturing process, using standardised and verifiable procedures in all aspects of operations from product design through manufacturing and distribution. HACCP is a systematic approach to identifying and preventing contamination of food and food products during the manufacturing process. These certifications acknowledge that Ridley's manufacturing processes are transparent, verifiable and aligned with the rest of the food industry.



chairman's review



It has been a year of further consolidation for Ridley. We continued to reshape the Company to provide a platform for sustained future growth while actively seeking opportunities for expansion in all of our key markets.

Despite some significant trading challenges, not the least of which has been the prolonged and debilitating droughts in Australia and some parts of North America combined with weakening swine markets, we enter the new fiscal year with a strong balance sheet, high interest cover and low levels of absolute borrowings. We have the financial capacity and, we believe, potential opportunities for growth in several of our key business areas, notably salt and feed supplements.

In last year's report we advised of our decision to divest our Cotswold European business and of our expectation that our North American genetics business would incur only modest losses in fiscal 2003. In a depressed market the losses turned out to be far from modest and, in July, the Board announced the decision to divest that business also, at an overall cost to our bottom line of \$5.9 million in 2003 with divestment costs of \$2 million expected in 2004. At the time of writing, negotiations for the sale of a significant portion of the business' assets are taking place and we will dispose of the balance over the next 12 months. Exiting Cotswold Swine Genetics is the final step in eliminating Ridley's direct ownership of swine through our involvement in genetics and commercial production.

Notwithstanding the Cotswold losses and the adverse impact of the strengthening Australian dollar on the translated earnings of our North American businesses, the underlying performance of our business was solid. In recognition of this, directors have increased the final dividend to 3.25

cents per share, fully franked, making a total dividend for the year of 5.75 cents per share, compared with 4.50 cents per share in the prior year.

The drought that has afflicted large parts of Australia over the past year saw Ridley using imported grains for the first time in some years. While necessary, our experiences with imported materials have reinforced the need for the continuation of strict quarantine regimes in Australia and confirmed our view that "home-grown" is best. As indicated in last year's report, salinity is another matter of great importance to Ridley and satisfactory progress has been made in our work on studying options for our potential involvement in the amelioration of salinity issues.

Once again, free trade is on the public agenda, with negotiations underway for a US-Australia free trade agreement and for a further WTO round. The benefits of free trade, and especially of a freeing up of trade in agriculture, are beyond doubt; however, it must be recognised that rhetoric is of value only if it translates to actual benefits, and so far, the actual benefits have fallen well short of the rhetoric. While we welcome the discussions about free trade, we caution that our preference is for multilateral over bilateral agreements, and that we must ensure that these are framed in such a way that potential benefits are realised in practice.

This year has seen a particularly strong focus on corporate governance, with the Australian Stock Exchange (ASX) releasing its guidelines and various other bodies expressing views on what constitutes good governance. The Board has reviewed where the Company stands in relation to the ASX guidelines. I am pleased to report that we already have a high level of compliance, a reflection, I believe, of the serious approach we have always taken to corporate governance.

On behalf of my fellow Board members, I would like to express my thanks to Matthew Bickford-Smith and all staff of Ridley for their very considerable and much appreciated efforts during the year.

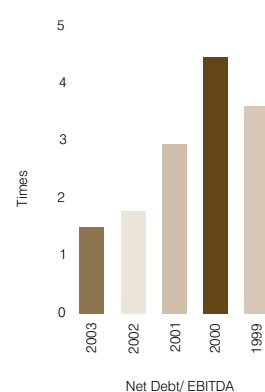
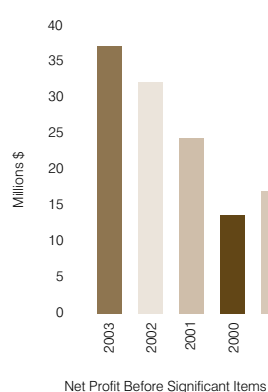
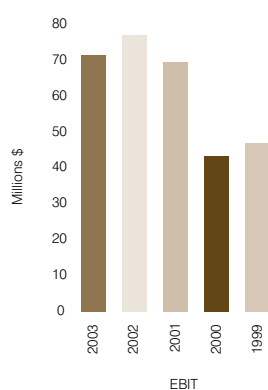
John S Keniry
Chairman

performance highlights

FIVE YEAR SUMMARY – \$000

	2003	2002	2001	2000	1999
OPERATING RESULTS					
Sales revenue	1,410,888	1,408,284	1,378,790	986,534	905,171
Other revenue	7,605	14,755	13,992	34,545	13,991
Earnings before interest and tax	71,344	77,062	69,627	43,414	46,822
Net interest expense/finance charge	13,046	17,747	21,797	17,375	13,083
Operating profit before tax	58,298	59,315	47,830	26,039	33,739
Tax expense	14,616	20,720	17,831	11,206	13,096
Net profit before significant items and outside equity interests	43,682	38,595	29,999	14,833	20,643
Outside equity interests	6,449	6,400	5,501	1,119	3,649
Net profit before significant items	37,233	32,195	24,498	13,714	16,994
Significant items (net of tax)	(5,935)	–	(12,406)	794	(24,199)
Net profit/(loss) after tax, significant items	31,298	32,195	12,092	14,508	(7,205)
FINANCIAL POSITION					
Ridley shareholders' funds	317,644	302,931	279,454	260,869	195,706
Outside equity interests	47,574	48,770	46,967	41,951	41,288
Total assets	702,775	766,271	829,415	798,577	618,309
Total liabilities	337,557	414,570	502,994	495,757	381,315
Funds employed	491,510	531,828	599,640	573,278	450,876
KEY RATIOS					
Net debt/EBITDA	1.5	1.8	3.0	4.5	3.6
EBITDA/net interest	7.6	6.0	4.6	4.1	5.7
Net debt/shareholders' equity	41.2%	54.9%	89.6%	101.3%	108.8%
Return on shareholders' funds	12.0%	11.1%	9.1%	6.0%	8.0%
OTHER INFORMATION					
Dividend per share (cents)	5.75	4.50	4.00	4.00	7.50
EBITDA per share* (cents)	37.1	43.2	41.2	28.7	30.1
Net tangible asset backing per share (cents)	103.7	96.3	93.3	83.9	61.3
Earnings per share* (cents)	14.0	13.1	10.2	5.8	7.2
Number of ordinary shareholders	11,859	13,420	13,732	14,345	13,745
Employees	2,109	2,299	2,214	2,348	2,198

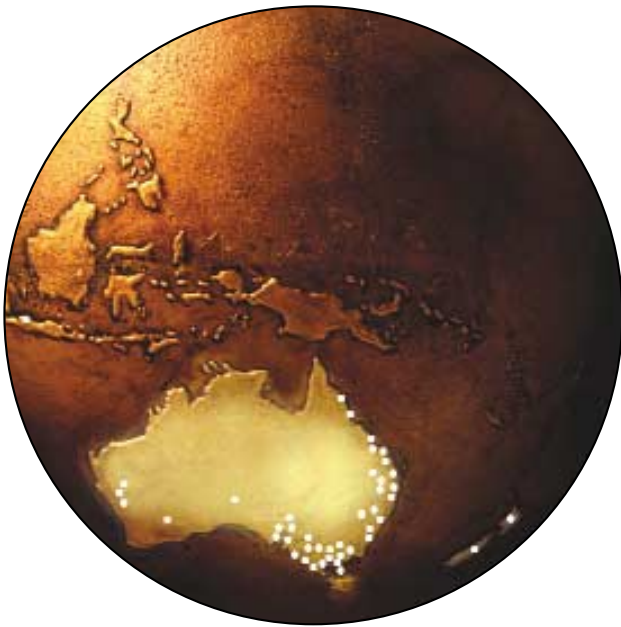
* Before significant items



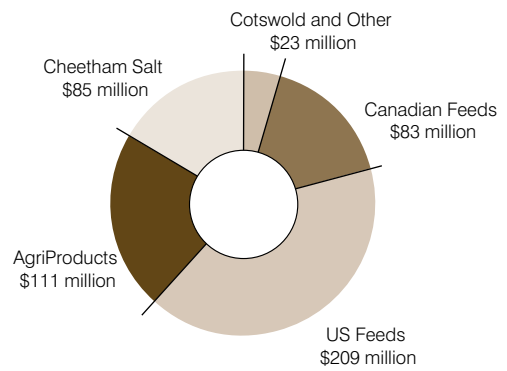
ridley operations

Cheetham Salt	AUSTRALIA	7	Salt Refineries
		10	Salt Fields
		2	Distribution Warehouses
	NEW ZEALAND	2	Salt Refineries
		1	Salt Field
	INDONESIA	1	Salt Refinery
Ridley AgriProducts	AUSTRALIA	8	Mixed Stockfeed Plants
		5	Monogastric Stockfeed Plants
		5	Ruminant Stockfeed Plants
		2	Supplement Plants
		1	Aquafeed Plant
		2	Distribution Warehouses
		Ridley Inc.	US
2	Equine Nutrition Plants		
1	Distribution Warehouse		
4	Low-moisture Block Plants		
1	Micro Premix Plant		
CANADA	12		
	3		Macro Premix Plants
	1		Micro Premix Plant
	7		Retail Stores

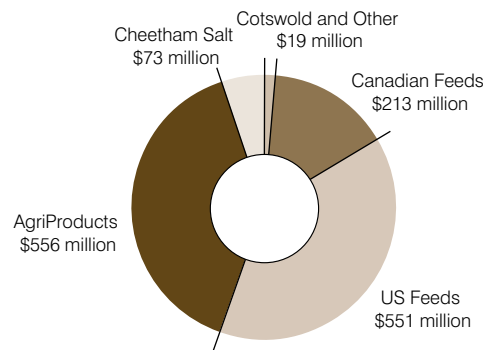




Funds Employed – Average



Sales Revenue



Ridley Corporation has operations in Australia, New Zealand, Indonesia, US and Canada.



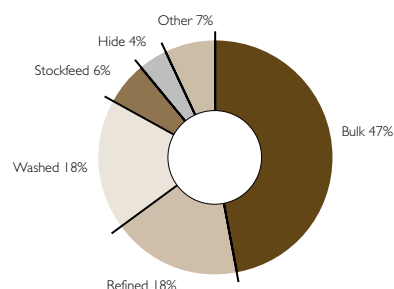
operating highlights

Sales Volumes

Salt Sales \$73 million up 10%
 EBIT \$22 million up 8%

Features

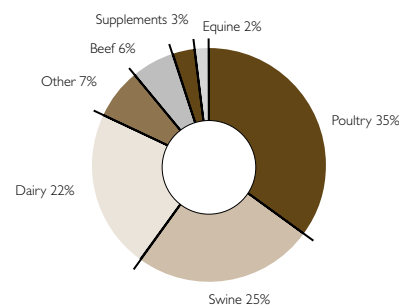
- Improved domestic margins and higher manufactured volumes
- Increased Japanese export volumes
- Lower sales into dairy and hide sectors



AgriProducts Sales \$556 million up 15%
 EBIT \$20 million up 26%

Features

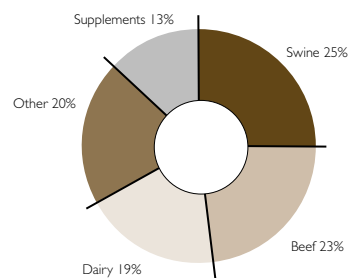
- Drought drives increased volumes in first half
- QLD and NSW particularly strong
- Swine and dairy volumes lower in VIC and SA
- Volatile grain markets
- Higher insurance costs



US Feeds Sales \$551 million down 6%
 EBIT \$39 million down 16%

Features

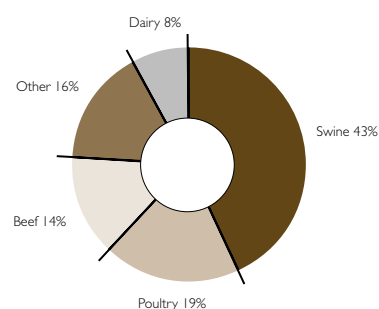
- Increased volumes due to government programs following drought
- Record sales volume for supplement blocks
- Average feed margins down
- Provisions for doubtful debts
- Earnings A\$4 million lower due to currency translation



Canada Sales \$213 million down 5%
 EBIT \$11 million down 8%

Features

- Swine volumes lower due to drought
- Improved margins
- BSE discovery resulted in border closure



While we derive some comfort from our bottom line result of this past year, it is worth stating that the year has been very much a story of two halves. This is particularly the case for our animal nutrition businesses.

Some time ago I went on record as saying I did not believe that given our geographic diversity, over the course of any one year climatic conditions could affect and leave a lasting impact on our animal nutrition businesses as a whole. This past year has seen that statement somewhat challenged and it will be an important issue for us to consider as we mould our business model going forward.

The debilitating drought that took hold of Australia drove volumes of complete feeds and supplements to record levels in the first half. However, the drought's duration and severity led to a sustained period of high grain prices at times driven well above import parity. The impact this has had on the livestock industry will force us to examine whether some sectors of the Australian feed business have been permanently altered.

What we can say at this juncture, is that it will take a complete and sustained break in drought conditions to restore the financial flexibility that the majority of our customers enjoyed some 18 months ago.

At the same time Australia was enduring these extreme conditions, the midwest and western regions of the US and the Canadian provinces of Alberta and Saskatchewan experienced the driest conditions they had seen for many years. In Canada, the effect was immediate and savage. High grain prices forced many small to medium sized swine producers to liquidate their herds, and in some cases to leave the market permanently.

An increase in beef cattle slaughter numbers and the movement of cattle out of Alberta and into British Columbia, Manitoba, Ontario, and the US resulted in a reduction of numbers in the important prairie cow-calf market. This environment, combined with the discovery of a single cow with Bovine Spongiform Encephalopathy (BSE) in the province of Alberta late in the year and the resultant closure of the US-Canadian border led to a mediocre performance this year from our Canadian feed business.

In the US, the Federal Government moved quickly to implement a US\$150 million drought assistance program that used existing government stocks of dry milk powder as a protein source in feed rations. While this ensured strong volumes in the first half of the year, once the program was withdrawn our customer base was left exposed to higher feed prices which coincided with weaker swine and dairy prices, resulting in a slow-down in sales as we moved through the second half of the year.



managing director's review





Top to bottom:

Bill Poynton, Chief Executive Officer,

Cheetham Salt;

Sandy Murdoch,

Chief Executive Officer,

Ridley AgriProducts; and

Bob Gallaway, President

and Chief Executive

Officer, Ridley Inc.

Within the beef industry ongoing drought conditions forced producers to either slaughter out cattle or move them from drought-stricken areas of the US and Canada into states and provinces that had received rainfall. This had the effect of leaving fewer cattle in areas in which we have a strong market presence, and greater numbers in areas in which we have neither the same high level of product recognition nor representation by distributors and dealers.

Another factor impacting the feed industry was the 2002 US Farm Security and Rural Investment Act governing US farm programs, commonly referred to as the Farm Bill. One of the provisions of the bill that has caused some concern for livestock producers and processors in the US and Canada is a requirement that retailers provide Country Of Origin Labelling (COOL) for a variety of commodities, including beef, pork and lamb. (poultry is excluded). Country of origin labelling is currently voluntary but is slated to become mandatory in September 2004.

While there is some support for COOL, beef and pork producers and processors on both sides of the US-Canadian border are largely opposed due to the potential for significant cost increases and uncertainty surrounding its implementation. The cost of record keeping to track livestock from birth to retail shelf ultimately will be reflected in the price of the product, and could reduce the competitiveness of exports.

The beef and pork industries across the US and Canada are highly interdependent, with large numbers of animals crossing the border at some stage of their life cycle, sometimes more than once. A high proportion of this movement takes place between the Canadian prairie provinces and the US upper midwest. The way in which producers and processors respond to the requirements of COOL is not yet fully known, but its implementation could well alter the dynamics of both the beef and pork industries.

The long-term impact could be significant for our feed operations: our plants and production capacities have been configured over time to meet the feed requirements of these industries as they evolved. A dramatic shift in either or both industries could create imbalances in the feed industry's capacity to supply their nutritional needs.

OVERVIEW OF LAST YEAR'S OBJECTIVES

Before I move on to a review of each of our businesses, it may be appropriate to look back on the comments we made in last year's annual report and provide some overview on what has been achieved and what issues we are still working through.

Last year we stated that a primary focus of our efforts had been to improve all aspects of our balance sheet. The year has seen no relaxation in any of these efforts. Our CFO Ian Wilton will comment further in his section but it is pleasing to note that net debt has dropped down to a fraction over \$150 million, with gearing now sitting at 41%.

As you would expect from our statements over the last two years, management of our capital will continue to receive a high level of attention from myself, Ian and his team. The uncertain environment in which many of our feed business customers will be operating over the next few months will force us to redouble our efforts in managing our cash flows, while at the same time working with our customers to ensure that their own businesses move forward.

Risk management featured prominently in last year's report and again – as discussed later – has absorbed a considerable amount of management time. We continue to drive hard the philosophy throughout our organisation that as a prominent player in the early part of the food chain there can be no room for error.

FINE SEA SALT,
DEVELOPED SPECIFICALLY
FOR THE DOMESTIC AND
EXPORT GOURMET RETAIL
FOOD MARKETS, IS A
PRODUCT NATURALLY
HIGH IN MINERAL
CONTENT WITH A STRONG
FLAVOUR DESIGNED FOR
USE WITH FINE CUISINE.





In responding to our customers' requirements in areas such as e-commerce, we are planning enhancements to our information platform.

The initiatives we have undertaken over the past two years proved invaluable to our insurance renewal program this year. While we experienced a 14% rise in total insurance costs, absolute levels of insurance cover were maintained.

This year's planning process was again enthusiastically embraced by a wide range of our people from each division. While there were no significant changes to the broad conclusions we arrived at last year, our animal nutrition businesses are highlighting a more uncertain outlook for this coming year. In Australia, US and Canada our customers' balance sheets remain under pressure and we are keeping a close watch on some of the broader macro issues relating to free trade, and government legislation in the area of food safety.

In last year's report we observed that it was just as necessary to understand our weaknesses as it was our strengths. Specifically, we identified two weaknesses – information systems and succession planning – which over the course of this year have received attention.

While providing adequate support to the businesses currently, information systems in both Ridley AgriProducts and the North American operations are aging. As the requirements of our customers change, particularly in areas such as e-commerce, and the businesses themselves grow, these systems will require upgrades or replacement. During the coming year, future system requirements will be detailed, in the case of Ridley AgriProducts, as part of an holistic review of supply chain management.

On the subject of succession planning, key people have been identified across the whole group who we consider vital to the Company's ongoing success and while this is and will be a continuous process, we have begun to work through how, over time, we will not only maintain but develop the skill base required to ensure ongoing success into the future.

The final area we need to deal with before we move on relates to the comments we made last year about our Cotswold swine genetics business in Canada and the US. In last year's report we acknowledged that while we still did have some exposure to the swine genetics market, we had a degree of comfort that losses incurred in previous years were largely behind us. This statement has proven to be wrong. Losses from this business in this past fiscal year were similar to losses incurred in the previous year. As the year unfolded, swine prices declined in both the US and Canada, allowing little opportunity for our restructured swine genetics business to stabilise.

Given our inability to contain losses and with a considerably clearer view that the business in its current form was unlikely to ever achieve a satisfactory return, we decided in July this year to divest the business. We are currently in negotiations for the sale of a substantial portion of the assets and the rights to produce and market the Cotswold product.

The decision, while difficult, was necessary and now enables us to concentrate on developing our core businesses of animal nutrition in our three key markets and the manufacture and distribution of salt in Australasia, Japan and South East Asia.



CHEETHAM SALT WILL FOCUS ON PURSUING THE GROWTH OPPORTUNITIES THAT HAVE BEEN IDENTIFIED IN OUR STRATEGIC PLANNING PROCESS.

AUSTRALIAN OPERATIONS

One of the more significant decisions we made in this past year was the strengthening of our senior management team in Australia. Following the successful refocusing of Ridley AgriProducts under the leadership of Bill Poynton we decided in January 2003 to manage our Australian operations as two separate divisions. In early January, Sandy Murdoch joined us as CEO of AgriProducts. Sandy was most recently Managing Director of the Australian Dairy Corporation and prior to that gained some 30 years' experience in the dairy and meat processing industries in Australia and New Zealand.

Bill Poynton as CEO of Cheetham Salt will focus on pursuing the growth opportunities that have been identified in our strategic planning process of the last two years.

Cheetham Salt

Under Bill's guidance, Cheetham Salt put in another very solid performance this year and yet again proved the sustainability of its business model, supported by a first-class management team. While the performance this year was to some degree assisted by drought conditions relating to increased sales into stock feed manufacturers, continuing efforts to manage margins and contain costs proved rewarding.

It is also pleasing to note that the division's efforts to increase sales into the Japanese retail market are coming to fruition. Export volumes of manufactured salt increased by 92%, largely into Japan. On the back of this success, in July the Board approved the opening of a branch office of Cheetham Salt in Tokyo.

Total sales volumes into the Australian domestic market remained largely unchanged, however, the increased sales of manufactured products resulted in revenue growth of 10%.

Cheetham Salt continues to grow in carefully selected markets internationally through export sales and offshore manufacturing. We have managed a successful start-up operation in Indonesia and continue to take a measured approach to developing new opportunities in the region. By building on our domestic strengths, notably providing high quality, natural product tailored to our customers' needs, we see significant long-term potential for the development of a strong regional salt business.

Cheetham is also progressing very specific initiatives in the area of salinity and is presently developing concepts in partnership with industry and government. We expect to see our salt business playing an increasingly important role in providing solutions for this issue.





Ridley AgriProducts' feed mill in Terang, Victoria has a capacity of 120,000 tonnes.

Most of the feed produced is sold to customers in the western Victorian dairy market.

Ridley AgriProducts

It is hard to be anything but pleased with the result achieved by our AgriProducts business this year. An EBIT contribution of over \$20 million with a return on funds employed of a little over 18% is a record for this division. While it must be acknowledged that this result in part was driven by drought conditions which allowed for increased sales into the swine, dairy and poultry sectors, combined with supplementary sales into the beef and sheep sectors, the Ridley AgriProducts management team has performed well in what, over the course of the year, proved to be difficult and testing conditions.

With the drought biting hard in the September through December 2002 period and the resulting sharp increase in grain prices, which led to a scarcity of certain cereals and proteins, our procurement team, exercising excellent judgement, worked diligently to procure and deliver the right raw materials at the right time to our various manufacturing facilities.

With this dramatic upward movement of grain prices in the first half, the management of receivables became an increasingly important issue. With many of our customers suffering as a result of the increase, a delicate balance was required between managing our side of the business and assisting our customers in getting through these difficult times.

By December 2002, with the majority of the major cereals at record prices and little noticeable improvement in the price our customers received for their products, we began to see customers take steps to preserve cash. This involved the feeding of minimum rations where possible and in some cases, the slaughtering out of "inefficient herds" in the meat and milk sector.

In the poultry sector, the high cost of feed forced consolidation of some of the country's major players.

NORTH AMERICAN OPERATIONS

Feed Operations

One of the most strategically important changes made during the year in Ridley Inc was the decision to combine and integrate our US and Canadian feed divisions under the name Ridley Feed Operations. The main rationale for this move was to combine the resources of these businesses and improve our customers' access to technical expertise. The organisational change also reflects the increasingly multinational character of our North American customer base.

While US feed sales volumes were up by 6%, driven largely by the introduction of the drought-related government assistance program particularly in the key western states, our Canadian business experienced a 9% reduction in sales volumes. This reduction can be largely attributed to drought conditions in western Canada and the consequent grain shortage that led to a reduction in the number of swine and cattle on complete feeds. Also, with no Canadian government assistance programs to offset the higher cost of feed, combined with low market prices for swine, an increasing number of swine were moved to the US for finishing, further reducing Canadian feed demand.

Increases in operating expenses and higher provisions that reflected the deterioration of some customers' credit outlook, impacted negatively on operating income for both the US and Canadian businesses when compared with the previous year.

**BARASTOC CALF REARER
PELLETS, A PALATABLE
AND NUTRITIONALLY
BALANCED CALF FEED
FORMULATED TO MEET
THE NUTRITIONAL
REQUIREMENTS OF
CALVES UP TO 12 WEEKS
OF AGE.**

The exact composition of the feed in terms of the individual percentages of each ingredient will vary from mill to mill due to ingredient availability, but the nutrient specification is the same.

Nutrient analysis (on a dry matter basis) is:

Min Crude Protein	20.0%
Min Crude Fat	3.0%
Max Crude Fibre	7.5%
Min Calcium (Ca)	1.2%
Min Phosphorus (P)	0.6%
Max Added Salt	0.5%
Max Urea	0%
Rumensin®	50mg/kg

Feed ingredients used in the feed include:

Wheat/barley/oats, soyabean meal/canola meal/cottonseed meal, field peas/lupins/faba beans, wheat bran/pollard/rice pollard/lucerne/malt combings, molasses, salt, calcium, phosphorus, trace minerals, vitamins A, D₃, E, sodium bicarbonate.





Market Conditions

The first half of fiscal 2003 was one of the poorer years for returns that we have seen for a while in milk, meat and egg sectors in the US. Prices continued to be weak as we entered the second half. In Canada, conditions were similarly weak, particularly in pork and beef production, with the exception being the dairy and poultry sectors that operate under a supply management system.

The pork industry recorded the longest streak of consecutive months of "below break-even" prices in the history of the North American swine industry. The price weakness is primarily the result of a worldwide oversupply of all sources of meat protein, exacerbated by the general weakness and uncertainty of the world economy.

The environment described above impacts our North American feed operations in two ways. First, a prolonged period of market prices that are below the cost of production weakens producers' balance sheets and inevitably leads to increased credit issues. Secondly, low prices lead to increased producer consolidation as producers are forced to liquidate animal numbers. This generally accelerates the rate of attrition among smaller producers and leaves fewer but much larger integrated producers.

Throughout fiscal 2003, US milk prices remained at levels that were below break-even due to an oversupply of milk brought on by the process of consolidation in the industry. The dairy industry is following the very recent experience of the pork production industry, with small producers leaving the business and large producers rapidly expanding their herd size. Operating in an environment of stable feed prices, and with lower unit production costs, large and modern dairy operations are generally more efficient, with more milk production per cow.

The discovery in May of a single case of BSE in a cow in Alberta has had a dramatic effect on the dynamics of the beef industries on both sides of the US-Canadian border. Announcement of the discovery resulted in some countries, led by the US, closing their borders to Canadian beef. Since most Canadian beef is exported, primarily "on the hoof" to the US, the Canadian beef industry has no meaningful alternative market for most of this beef production. As at the time of writing, there had only been a partial relaxation of the closed border status that has existed since 20 May 2003. Based upon a range of determinations, largely pertaining to preventative measures that Canada had in place prior to the detection of BSE, the US Department of Agriculture will no longer prohibit the import under application of a range of products. This will go some way to alleviating the substantial pressure that has built up within the Canadian beef industry. It remains to be seen how the broader implications of the single BSE incident will play out in the North American livestock sector.

On the US side of the border, the impact has been much less noticeable. Beef consumption was strong prior to the report of the BSE finding in Canada, and has largely remained unchanged since. With about 4% of US beef being imported from Canada, and with that source of supply being closed off, cattle prices moved higher.

Ridley Block Operations

For the sixth consecutive year, Ridley Block Operations showed its market leadership with a record sales performance. Volumes increased by a little over 15%. Central to this performance was our ability to react quickly to market opportunities brought on by the dry conditions in central and western parts of the US. As with our feed operations, our block operations registered for the US government's drought assistance program, assisting producers and dealers in qualifying, and reformulating our low-moisture blocks to include non-fat dry milk. As a result, we became one of the suppliers of choice among drought-stricken farmers, driving record sales in late 2002. Importantly, many buyers were first time users of our low-moisture blocks.

The drought-driven demand created unprecedented distribution and manufacturing challenges. Prices for beet molasses remained at high levels throughout the year as a result of a shortage of sugar beets, which in turn resulted in a shortage of beet molasses. Many competitors were unable to get sufficient quantities of molasses, but we worked closely with our suppliers and took advantage of our purchasing power to secure supply for our customers' needs.

The record sales volumes and revenue for 2003 were offset by higher ingredient, production and energy costs.

Research and new product development remains a priority: our goal is to produce the finest product in the marketplace with the safest ingredient profile. To that end, we have formed several research alliances with universities and private livestock operations to test the efficacy of our products in the field, learn from the results, and further stretch the lead over our competitors.

We also continued to support research into the use of low-moisture blocks to influence grazing patterns as a way of improving range management.

Recent research conducted on US Forest Service allotments in central and western Montana demonstrated that CRYSTALYX® low-moisture blocks are a powerful tool for attracting cattle to graze underutilised areas, ensuring uniform and efficient use of pasture and grazing land. This is especially valuable to producers who depend on public land grazing allotments, enabling them to graze more days on public lands or to graze more animals. Government land regulatory agencies now have a positive alternative other than to simply restrict grazing, while protecting sensitive riparian areas and improving wildlife habitat.

We are also focusing on diversifying our product line to deliver a convenient and effective means of free-choice supplementation in a variety of pasture conditions. For the dairy industry, we conducted research which proved the effectiveness of buffers in treating subacute ruminal acidosis, a disorder in dairy cattle. We have subsequently developed a low-moisture block buffer that will be brought to market during 2004. We also developed an equine nutrition bar that delivers supplemental nutrients for endurance and stress relief, to be marketed in 2004 under the brand name EquineHP Performance Bar.

Ongoing producer contact is a vital part of our marketing efforts and this year led to the introduction of a 60-pound container to meet the needs of smaller producers and to the expansion of the Rolyx line to include Fescue Mag, which provides fly control and magnesium nutrients for cattle grazing on fast growing pastures.



Research and new product development remains a priority: our goal is to produce the finest product in the marketplace with the safest ingredient profile.

An equine nutrition bar that delivers supplemental nutrients for endurance and stress relief will be marketed in 2004.



McCauley Bros' plant in Versailles, Kentucky services the thoroughbred and standardbred industries in the prestigious Kentucky market.

Ridley Specialty Products

Formed in 2003 to capitalise on the substantial growth occurring in the companion animal feed market in North America, Ridley Specialty Products sells through rural merchants and specialty product manufacturers. Companion animals include rabbits, guinea pigs, horses, wild and domestic birds and specialised livestock. Though new, this venture has already secured business with companies that are key participants in this market.

We expect to build on this early success in 2004, using existing Ridley resources and selective investments to secure a greater share of this market segment.

McCauley Bros

Our 51% owned equine nutrition business, McCauley Bros, turned in a strong performance with an increase in sales volumes. These results can be attributed to better plant utilisation, reduced expenses and savings realised on ingredient and packaging costs as a result of Ridley's purchasing power. We also grew our market share in Kentucky, recorded stronger export volumes and expanded into new markets in the mid-Atlantic states.

McCauley's considerable market share in the thoroughbred and standardbred industries of Kentucky makes it difficult to achieve significant growth in this market. While efforts will continue to build on our market position in the prestigious trading area in the immediate vicinity of the Versailles plant, we are also driving overall growth by expanding our presence in the equine markets of the mid-Atlantic region of the United States. There are extensive horse numbers in the suburbs surrounding major cities in the mid-Atlantic region that encompasses Pennsylvania, Maryland and Delaware. The area represents the largest market for premium equine feeds in North America.

McCauley has been serving this region from its Versailles plant, but high freight costs make it difficult to compete effectively. To address this, the Ridley Board has approved construction of a new feed plant in Chambersburg, Pennsylvania, to be completed in late 2003. The Chambersburg plant is the first step in a strategy to expand sales of McCauley feeds and nutritional products to areas of the US where there are concentrations of breeding farms, racing stables, English and western performance stables, upper-end riding stables and pleasure horses.



CRYSTALYX® BRAND MOLASSES
BASED SUPPLEMENT BLOCKS
ARE MANUFACTURED IN THE
UNITED STATES. PACKAGED
IN ENVIRONMENTALLY
FRIENDLY, RE-USABLE, STEEL
HALF-BARRELS, THE BLOCKS
ARE MANUFACTURED AT FOUR
STRATEGICALLY LOCATED
FACILITIES BY RIDLEY BLOCK
OPERATIONS, A DIVISION
OF RIDLEY INC.

WITH OVER 50% OF THE
LOW-MOISTURE BLOCK MARKET
IN NORTH AMERICA, ITS
MARKET SHARE CONTINUES TO
GROW, FUELLED BY ONGOING
RESEARCH PROJECTS AT
SEVERAL MAJOR UNIVERSITIES.



Rigorous testing of raw materials is an integral part of our manufacturing process, helping to ensure that Ridley's products are of the highest quality.

RISK MANAGEMENT

The management of all aspects of risk continues to receive the highest level of focus by our senior management team. Of particular focus this year has been the management of safety, product quality and our environmental responsibilities.

I am pleased to report that, overall, our occupational health and safety record continues to improve. We have seen an 18% reduction in lost time injuries compared with last year. Nonetheless, we still have more work to do. For example in AgriProducts, we need to reduce the number of manual handling injuries and have established a taskforce to specifically address this issue. We will be reporting on our progress in this area in the months ahead.

We have also taken additional steps in addressing environmental responsibilities following on from our review last year in Australia against ISO 14001. We have now addressed one-third of all identified issues and remain committed to developing and reporting on our environmental management systems.

The achievement of ISO quality certification and HACCP accreditation provides a quality assurance for our customers. In North America we are the first and only livestock feed manufacturer to be registered to the ISO 9001 quality standard, while in Australia this year, AgriProducts further upgraded its quality system from ISO 9002 to the new, more comprehensive ISO 9001:2000 quality management system. We also expanded our quality program by commencing HACCP audits of major suppliers to provide further assurance that only the highest quality product is made by Ridley.

In addition to this commitment to quality throughout the organisation, we continue to critically evaluate each segment of our business through Risk Profiling. This process identifies and ranks business risk exposures, assesses existing controls and determines what, if any, additional controls are required. We have also now established a major training initiative including a formal competency-based training system that can be used to continually measure and improve the skills of our staff.



OUTLOOK

The immediate outlook for all three of our animal nutrition businesses is somewhat uncertain. As always, if our customers are winning we are also very likely to be winning, and it is to our customers we turn to try and understand the immediate outlook. In Australia, while at the headline level the drought may be over, it has broken slowly and selectively and its lasting impact has yet to unfold.

Our customer base needs a period of lower feed prices and time to rebuild the reserves that have been substantially eroded over this past year. In North America, we will be keeping a close eye on the prices our customers receive for their production.

In both Australia and North America we are currently seeing some signs of improvement. However, prices will need to improve further and to hold for some time to come to ensure that we do not see any further weakening in the all important meat and milk markets. Over the next few months these issues will be monitored closely and we will need to be prepared to move quickly and aggressively on our cost base if we do not see an improvement in our customers' environment.

Despite this tougher outlook for our animal nutrition businesses, we remain committed to continuous improvement in all aspects of our operations, and to taking the actions that will drive solid financial performance. We will continue to be aggressive in pursuing cost reductions while keeping a focus on our customers' needs and at the same time investing in those segments that we believe have growth potential.

We are expecting Cheetham Salt to have another positive year. This is likely to be reflected in a broadening of the division's earning base as it brings to fruition a range of initiatives that have been worked on over this past year. As always, of paramount importance will be the continuing drive to enhance returns from the Australasian market.

Our employees are motivated and focused on the future and I have every confidence in their ability to continue to grow shareholder value. I thank them for their hard work and support during the last year.

Matthew Bickford-Smith

*Managing Director and
Chief Executive Officer*

chief financial officer's review



Ridley's ongoing attention to the management of our capital has resulted in a further strengthening of the balance sheet during the last financial year. This gives us a level of flexibility and security which we consider essential in today's markets as well as the financial capacity to take full advantage of growth opportunities as they arise.

EARNINGS PERFORMANCE

Net profit after significant items for the year ended 30 June 2003 was \$31.3 million, 3% lower than the \$32.2 million reported last year. The net result from operations was \$37.2 million, which was up 16% on the corresponding result last year. A significant item of \$5.9 million, representing the write-down in the value of the assets of the Cotswold Swine Genetics business in North America, reduced the overall net profit result.

	2003 \$000	2002 \$000
Sales revenue	1,410,888	1,408,284
EBIT	71,344	77,062
Less: Borrowing costs	13,046	17,747
Operating profit before tax	58,298	59,315
Less: Tax expense	14,616	20,720
Outside equity interests	6,449	6,400
Net profit from operations	37,233	32,195
Significant item – net	(5,935)	–
Operating profit after tax and significant items	31,298	32,195

EBIT (EARNINGS BEFORE INTEREST AND TAX)

In their local operating currencies our major businesses performed well at the EBIT level with Ridley AgriProducts reporting earnings up 26% to \$20 million and the Salt division earnings up 8% to \$22 million. Earnings from US Feeds were down 8% on last year in US dollar terms. Canadian Feeds was down 26% in Canadian dollar terms or Canadian \$3.5 million. The 2002 result included a Canadian \$3.0 million settlement from suppliers.

The strengthening Australian dollar, however, contributed significantly to the reported reduction in EBIT for the year ended 30 June 2003. Had the US and Canadian results been translated at similar exchange rates to those applicable last year, EBIT would have been \$4.7 million higher than the reported \$71.3 million in 2003.

Translated into Australian dollars, the EBIT attributable to Ridley Inc was down 22% at \$35.8 million. US Feeds was down \$7.4 million or 16%, due to exchange rate differences when compared to 2002 and higher doubtful debts provisions. Canadian Feeds was down \$5 million or 30%, \$3.7 million of which reflected non-recurring items in 2002. The Cotswold Swine Genetics business, which is now being divested, lost \$9.7 million.

Unallocated costs were \$1.2 million higher than last year, primarily due to the write-down in the value of a limited partnership in Canada. Unallocated costs include corporate office costs in Australia and North America, board, listing and compliance costs and costs associated with risk management and business development.

INTEREST EXPENSE

Average borrowing costs including convertible note interest for the year were 7.1% (last year 7.7%). Convertible notes totalling \$41.8 million were repaid in December 2002. The interest rate on these notes was 7.5%. The notes were replaced by funding available from our global banking facility at lower interest rates.

Year-end net debt levels reduced from \$193 million in 2002 to \$151 million at June 2003. Interest expense at \$14.3 million was \$6.2 million lower than last year. Borrowing costs, net of interest income and bank fees, totalled \$13.1 million.

INSURANCE

The tight insurance market encountered this year resulted in our total insurance premium costs increasing by 14% at the 30 June renewal date. These increased costs will be reflected in next year's accounts. This follows a 44% increase experienced at the previous renewal which is included in the 2003 result.

Our focus on risk management has helped us to contain some premium increases and to obtain levels of insurance cover some of our competitors have been unable to achieve.

The level of cover achieved was similar to the previous year. Ridley believes that it is important to continue to obtain high levels of insurance cover, particularly for liability, in order to provide security for our large corporate customers, as well as protecting shareholders' interests.

INCOME TAX

Total income tax of \$14.6 million averaged 25% of pre tax earnings. Included in this total is a credit of \$1.9 million, due to the tax effecting of prior year losses in the Canadian Cotswold business. These losses are now deductible following a corporate restructure of our business in Canada. Excluding this credit, the average income tax rate was 28%.

CASH FLOW AND BALANCE SHEET MANAGEMENT

Our continuing focus on the management of our balance sheet and the control of cash expenditures led to debt reductions of \$42 million, of this \$29 million was actual cash repayments with a further \$13 million due to translation differences. Gearing fell to 41% compared to 55% at the end of last year. Total debt, net of cash on hand and on deposit, was \$151 million at 30 June 2003.

Continuing attention was given to the management of working capital. Given the economic environment experienced by many of our customers, particular focus was directed to the quality and recovery of our receivables. Doubtful debt provisions were increased during the year and this had an impact on earnings. Nevertheless, days sales of receivables outstanding at year-end were 30, an improvement of 1 day compared to last year.

Capital expenditure including acquisitions totalled \$23 million for the year. This is \$8 million higher than last year and reflects a small acquisition in Canada and increased expenditure on safety and environmental compliance in our businesses.

Last year the terms and conditions under which Ridley Inc advances loans to certain key customers to facilitate growth and strengthen long-term relationships were revised. This together with favourable currency translation has led to a further reduction of \$11 million in those net loan balances. At year-end, loans and guarantees advanced by Ridley Inc totalled a net \$25.6 million compared to \$36.4 million a year earlier.

BORROWINGS

	2003 \$000	2002 \$000
Gross bank and other debt	169,429	170,232
Convertible notes	–	41,798
Less: Cash	(18,821)	(19,056)
Net debt	150,608	192,974

GEARING

	2003	2002
Total liabilities/Total tangible assets	52.9%	60.2%
Net debt/Shareholders' equity	41.2%	54.9%
Net debt/EBITDA	1.5	1.8
EBITDA/Net interest	7.6	6.0

EBITDA =

Earnings before interest, tax, depreciation and amortisation.

EXCHANGE RATE

Overseas earnings are translated into Australian dollars at an average weighted exchange rate for the year. The Statements of Financial Position are translated at the ruling year-end rate. Major exchange rates applicable were as follows:

		2003	2002
Weighted average	C\$: A\$.8697	.8100
	US\$: A\$.5651	.5165
Year end rates	C\$: A\$.8989	.8518
	US\$: A\$.6674	.5639

ISSUED CAPITAL MOVEMENTS

During the year, 1.6 million shares were issued for a consideration of \$1.8 million under the Dividend Reinvestment Plan and the Employee Share Plan.

FINANCIAL RISK MANAGEMENT

The Board of Directors, through management, seeks to minimise risk to our earnings and assets in the following ways:

- **Interest Rate Risk:** At 30 June 2003, approximately \$152 million of gross debt was subject to fixed rates of interest for periods up to four years. The level of cover is reviewed with the aim of maintaining a spread of interest rate maturity periods.
- **Currency Risk:** Wherever possible we borrow in the currencies of the countries in which we operate. Exposure is thereby limited to the net asset investment in any particular country. Ridley has borrowings in Australian, US and Canadian dollars. Movements in currency, as they affect the translation of the overseas net assets, are transferred to the Foreign Currency Translation Reserve. Net transactional exposures are generally covered at the time a commitment is made or when the liability occurs.
- **Commodity Risk:** Ridley purchases a range of raw materials on a global and domestic basis. Approval levels and the forward purchasing of raw materials are monitored and restrictions placed on the length of forward purchases.

Ian Wilton

Chief Financial Officer

board of directors



RICHARD J LEE

BEng (Chem) (Hons) MA (Oxon) FAICD
Independent Non-executive Director,
Age 53

Richard has been a director of the Company since September 2001. He retired from executive duties with the NM Rothschild Australia Group in May 2001 after 15 years service, the last seven as Chief Executive. Prior to joining Rothschild, Richard spent 16 years in the Sugar Division of CSR Limited. He is Chairman of Salmat Limited and Inteq Limited, a director of SEES Pty Ltd, an advisory board director of ICI South Pacific Limited, and a member of the Risk Management Committee of Graincorp Limited.

DONALD G McGAUCHIE

Independent Deputy Chairman, Age 53

Donald has been a director since December 1998. He is Chairman of Rural Finance Corporation of Victoria and Deputy Chairman of the Australian Wool Testing Authority Limited and a director of The Reserve Bank of Australia, Telstra Corporation Limited (Chairman, Telstra Country Wide Advisory Board), National Foods Limited and James Hardie NV. Donald is a Partner, C & E McGauchie, Terrick West Estate.

ELIZABETH B BRYAN

BA MA (Econ) MAICD
Independent Non-executive Director,
Age 56

Elizabeth has been a director of the Company since September 2001. She has more than 20 years of executive experience in the financial services industry and on the boards of companies and statutory organisations. Presently she is a director of Caltex Australia Limited, UniSuper Limited, Australian Pacific Airports Ltd, and Guild Insurance and Financial Services Holdings Limited.



From left to right

Richard Lee, Donald McGauchie, Elizabeth Bryan, John Keniry, Matthew Bickford-Smith, Andrew Vizard, Robert Lotze.

JOHN S KENIRY

BSc PHD FTSE FRACI FAICD
Independent Chairman, Age 60

A director of the Company since 1990 and Chairman since March 1994. Formerly held executive positions with CSR Limited and Goodman Fielder Limited. Presently Chairman, Sugar Australia Pty Ltd and First Wine Fund Ltd, and a director of NSW EPA, Gardiner Smith Pty Ltd and Mikoh Corporation Ltd. Immediate past President of the Australian Chamber of Commerce and Industry.

MATTHEW BICKFORD-SMITH

CEO, Managing Director, Age 43

Matthew joined Ridley Corporation Limited in November 2000. He was previously with the Man Group and in his last role before joining Ridley was Managing Director of Australia where he was responsible for Man Group's interests in the domestic refined sugar industry. Before moving to Australia he was based in Hong Kong with responsibility for managing risk relating to the Man Group's sugar businesses within the region. Before joining the Man Group in 1991, he spent five years with Phibro, the commodity trading division of Salomon Brothers, where he worked in several soft commodity divisions with the main focus being proprietary trading, structured financing and marketing.

ANDREW L VIZARD

BVSc (Hons) MPVM
Independent Non-executive Director,
Age 45

A director of the Company since January 2001, Andrew is Senior Consultant, and former Director of the Mackinnon Project at the University of Melbourne. He is currently Chairman of Vital Capital Ltd and a board member of the Zoological Parks and Gardens of Victoria, the Australian Sheep CRC and PrimeSafe, the statutory authority responsible for administering the Victorian Meat Industry Act and the Victorian Seafood Act. He also sits on scientific advisory boards for The Hermon Slade Foundations.

ROBERT J LOTZE

FCA MAICD
Independent Non-executive Director,
Age 62

A director of the Company since May 1998, Robert was a former partner in the accounting firm Coopers & Lybrand for more than 25 years. He has a background in accounting, auditing, financial analysis and corporate governance. He is Chairman of the audit committee and a policy committee member of the Ridley Superannuation Plan.

Corporate Governance

BOARD OF DIRECTORS

The Board is responsible for the overall governance of the Company, including setting the strategic direction, establishing goals for management and monitoring the achievement of these goals. Directors are accountable to shareholders for the Company's performance. The management of the business is delegated to the Managing Director, as designated by the Board, which has defined the limits of management responsibility. The Board has established an Audit Committee and Remuneration Committee to assist in the execution of its responsibilities. The roles of all Board committees are documented in a Corporate Policy which is approved by the Board of Directors. The Board has also established a framework for the management of the Company including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

Composition of the Board

The names, profiles and qualifications and experience of the directors in office at the date of this statement are set out on pages 22 and 23 of this Annual Report.

The composition of the Board is determined using the following principles:

- The Board should comprise directors with a broad range of expertise both nationally and internationally.
- The Board should comprise a minimum of six directors. This number may be increased where it is felt that additional expertise is required in specific areas.
- The Chairman of the Board will be an independent non-executive director.
- The Board will comprise a majority of independent non-executive directors. Currently the only non-independent director is the Managing Director.

The composition of the Board is continually under review by all directors to ensure that the Board has the appropriate mix of expertise and experience. The Board does not have a formal nominations committee as it considers it is sufficiently small for the whole Board to consider director nominations, therefore, when a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, directors are asked to nominate suitable candidates with the appropriate expertise and experience with advice from an external consultant if necessary. Potential candidates are reviewed by the Board. The Board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

The Constitution of the Company requires one third of the directors, with the exception of the Managing Director, to retire from office at the AGM each year. Retiring directors are eligible for re-election. When a vacancy is filled by the Board during the year, the new director must stand for election at the next AGM.

Corporate Governance

Remuneration of Directors

Non-executive directors' fees are determined by the full Board within the aggregate of \$400,000 approved by the shareholders at the AGM in 1996. Non-executive directors are not offered share options, nor do they receive incentive payments. However, they may participate in the Share Acquisition Plan by salary sacrifice of their fees. Details of the remuneration of directors during 2003 are set out below. On leaving the Board and depending upon their length of service, non-executive directors are entitled to a retiring allowance of up to a maximum three years fees after nine years service with a pro rata payment between three years and nine years, less compulsory superannuation contributions made on their behalf.

Board Meetings

Board and committee agendas are structured throughout the year to review Company strategy and to give the Board a detailed overview of the performance and significant issues confronting each business unit and to identify major risk elements. The number of meetings held and the attendance details are set out in the Directors' Report (page 36).

Directors receive detailed financial and operational reports from senior management during the year and management is available to discuss the reports with the Board. The Board also visits and holds some meetings at the Company's principal operating sites to enable directors to meet with employees and customers.

Independent Professional Advice

Each director has the right to seek independent professional advice at the Company's expense. However, prior approval of the Chairman is required, which is not unreasonably withheld.

Remuneration Committee

The role of the Remuneration Committee is to review and make recommendations to the Board on remuneration packages and policies applicable to the Managing Director, senior executives and directors themselves. This role also includes responsibility for share option schemes, Employee Share Scheme, incentive performance packages, superannuation entitlements, retirement and termination entitlements and fringe benefits policies. For Australian executives, remuneration consists of a base salary package and performance-related bonuses. North American executives' remuneration consists of a base salary, retirement, performance-related bonuses and fringe benefits. Executives are also eligible to participate in the Company's option and employee share plans.

The members of the Remuneration Committee during the year were:

J S Keniry	Independent Chairman
D G McGauchie	Independent Director
M P Bickford-Smith	Managing Director

The Remuneration Committee meets twice a year and as required.

Corporate Governance

Details of directors' remuneration and the five highest paid executives are set out below:

DIRECTORS' REMUNERATION – 12 MONTHS ENDING 30 JUNE 2003

Name	Base Salary Package \$	Bonus \$	Directors' Fees		Superannuation \$	Total \$
			Ridley Corp \$	Ridley Inc \$		
J S Keniry Chairman	–	–	104,000	43,118	9,360	156,478
M P Bickford-Smith Managing Director #	514,500	300,000	–	–	–	814,500
E B Bryan	–	–	52,000	–	4,680	56,680
R J Lee	–	–	52,000	–	4,680	56,680
R J Lotze	–	–	52,000	–	4,680	56,680
D G McGauchie	–	–	56,333	–	5,070	61,403
A L Vizard	–	–	52,000	–	4,680	56,680

REMUNERATION OF THE FIVE HIGHEST PAID EXECUTIVES – 12 MONTHS ENDING 30 JUNE 2003

Name	Base Salary Package \$	Motor Vehicle \$	Bonus \$	Retirement Benefits \$	Other \$	Total \$
R B Gallaway President and Chief Executive Officer Ridley Inc	539,287	10,511	91,181	38,372	13,166	692,517
I Wilton # Chief Financial Officer Ridley Corporation Limited	392,981	–	100,000	–	999	493,980
W J Poynton # Chief Executive Officer Cheetham Salt	373,289	–	90,000	–	999	464,288
S VanRoekel President Ridley Feed Operations Ridley Inc	312,619	9,332	55,577	5,923	6,716	390,167
M Mitchell Chief Financial Officer Ridley Inc	274,409	11,922	54,882	24,419	10,945	376,577

Options were issued to the Managing Director and the two Australian executives during the year. Details of the number of options issued, the value of these options and the valuation method used to determine the value are set out on pages 34 and 35 of this Annual Report. Australian executives receive a base salary package. This package is then split between base salary, motor vehicle and superannuation in accordance with legislation and Company policy.

Corporate Governance

Audit Committee

Board policy states that all members of the Audit Committee must be independent non-executive directors. The role of the committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company and to review the performance and work of the external auditors.

The committee makes recommendations to the Board on the appointment and remuneration of the external auditor including an annual review of its work and performance. The current auditor of the Company is PricewaterhouseCoopers. Details of the amounts paid for audit and other services are set out on page 65. The committee meets with the external auditor four times a year to discuss matters relevant to its terms of engagement and review any significant disagreements between management and the auditor. In addition, the committee meets with the auditor at least annually without the presence of management. The committee reviews the level of non-audit services provided by the external auditor and ensures it does not adversely impact on the auditor's independence. The auditor also provides the committee with written confirmation of its professional independence. The audit partner or senior representative also attends all AGMs and is available to answer any relevant shareholder questions. The Company requires the audit partner be changed at least every five years.

The committee is also responsible for the internal audit program of the Company, which is carried out by Ernst & Young in Australia and is totally independent of the external audit function though it is designed to complement it. The committee sets and agrees the internal audit program and receives and reviews all internal audit reports and meets with the internal auditor twice a year.

The committee also gives the Board additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial statements.

The members of the Audit Committee during the year were:

R J Lotze	Independent Director
E B Bryan	Independent Director
R J Lee	Independent Director

Details of the Audit Committee members' experience and technical expertise is set out in the directors' biographies on pages 22 and 23.

Risk Management

The Company has in place a number of arrangements intended to identify and manage areas of significant business risk. These include the maintenance of Board committees, detailed and regular budgetary financial and management reporting, established organisational structures, procedures, manuals and policies, audits (including internal and external, financial, environmental, safety and risk management audits), comprehensive insurance programs and the retention of specialised staff and external advisors. The Company also has in place detailed policies and review processes covering commodities hedging, interest rate risk management and foreign exchange.

This year the Chief Executive Officer and the Chief Financial Officer provided the Board with an Integrity of the Financial Accounts Declaration in accordance with the Best Practice Recommendations of Principles 4 and 7 of the ASX Corporate Governance Guidelines.

Corporate Governance

The Environment

The Company aims to ensure that the highest standard of environmental care is achieved and has in place various policies and procedures to ensure the Company is aware of and is in compliance with all relevant environmental legislation.

Directors' Indemnity

The Company has entered into a Deed of Indemnity Insurance and Access (as approved at the 1998 AGM) with all directors of Ridley Corporation Limited and with all executives appointed as directors of controlled entities. The Company also has in place a Directors and Officers Insurance policy, covering all directors and officers of the Company.

The liabilities insured against include costs and expenses that may be incurred in defending civil or criminal proceedings, that may be brought against the directors and officers while working in such capacity for the Company.

Ethical Standards

In pursuance of the promotion of high standards of Corporate Governance, the Company has adopted various internal standards and policies, which extend beyond requirements prescribed by law and include additional disclosure of interests by directors and guidelines relating to the dealing in securities by directors and managers. The Company also has in place a formal Code of Conduct for adherence by all directors.

Securities Trading

All directors and officers are prohibited from buying or selling securities in the Company from the last day in each financial year and half year until two days after the release to the ASX of the announcement by the Company of its full year and half year results and anytime the individual is in possession of price sensitive information.

Corporate Governance

ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS

The ASX Listing Rules have been changed and now require the Company to provide a statement disclosing the extent to which the entity has followed the best practice recommendations set by the ASX Corporate Governance Council during the reporting period.

Mandatory reporting of this does not apply until the 2004 Annual Report, however, Ridley has decided to provide information on its progress and compliance with the recommendations this year.

Following is a listing of each of the 10 principles of the Corporate Governance Council with a commentary on Ridley's compliance or otherwise with each principle.

Principle 1 – Lay Solid Foundations for Management and Oversight

The Company has in place a Board Charter, Position Descriptions and other policies that clearly set out the matters reserved for the Board and those delegated to management. All directors appointed during the last 10 years have received letters of appointment which adequately cover the requirements of this principle, with the exception of a statement of the time required by each director to carry out his/her duties. The Company considers directors individually are capable of determining the correct amount of time required to carry out their duties. A summary of this information will be available on the website by November 2003.

Principle 2 – Structure the Board to Add Value

The Company complies with this principle except that it does not have a nominating committee. It is considered the Board is sufficiently small so that all directors may participate in nominating and reviewing candidates for any new director positions. The Company does not intend to appoint a nominating committee.

Principle 3 – Promote Ethical and Responsible Decision Making

The Company has in place a formal Code of Conduct for directors and executives. This is currently under review to ensure it covers all the items listed in the guidelines. Details will be available on the website by November 2003.

Principle 4 – Safeguard Integrity in Financial Reporting

The Company currently fully complies with this principle and will include a copy of the Audit Committee Charter on its website by November 2003.

Principle 5 – Make Timely and Balanced Disclosures

The Company considers it makes timely and balanced disclosures of all material matters regarding the Company. However, it does not currently have formal written policies and procedures to ensure compliance with the Listing Rules as it considers the Company is of a size where this has not been necessary. The Company will, however, formalise existing practices into a policy and include details on the website by November 2003.

Principle 6 – Respect the Rights of Shareholders

The Company believes it complies with this principle and will include details of its compliance on the website by March 2004.

Principle 7 – Recognise and Manage Risk

The Company has in place an extensive management system aimed at identifying and managing risk. The procedures will be condensed within a policy document for inclusion on the website. The Company's compliance with this principle is, however, under review and a description of the Company's Risk Management Policy and internal compliance and control system will be on the website by December 2003.

Corporate Governance

Principle 8 – Encourage Enhanced Performance

The Company has in place various review and evaluation processes for the Board and senior management. It is intended they will be fully reviewed and formalised over the current financial year.

Principle 9 – Remunerate Fairly and Responsibly

The Company has a Remuneration Committee, which is governed by a formal charter. The Company generally discloses the information required by this principle in its Annual Report. The format of this disclosure is under continual review to ensure compliance with contemporary standards.

The Company has in place a retirement scheme for non-executive directors that has been approved by shareholders and is less generous than that allowed by the Corporations Law. The scheme provides for a payment of three years average fees after nine years service, less compulsory superannuation contributions made by the Company. The benefit is prorated between three and nine years service. A proposal to terminate this retirement scheme will be put to shareholders at the AGM subject to approval by shareholders of an increase in directors' fees.

Principle 10 – Establish and Disclose a Code of Conduct to Guide Compliance with Legal and Other Obligations to Legitimate Stakeholders

The Company currently has in place many of the policies referred to in the guidance notes. All the existing policies will be reviewed and others that are recommended will be put in place before June 2004 and a summary of the main provisions of the Code of Conduct will be included on the website at that time.

Directors' Report for the year ended 30 June 2003

The directors submit the Statements of Financial Position at 30 June 2003, Statements of Financial Performance and Statements of Cash Flows for the year ended on that date for the Company and the consolidated entity and report as follows:

1. DIRECTORS

The directors of Ridley Corporation Limited at any time during or since the financial year are as follows:

J S Keniry
M P Bickford-Smith
E B Bryan
R J Lee
R J Lotze
D G McGauchie
A L Vizard

2. PRINCIPAL ACTIVITIES

The principal continuing activities of the consolidated entity during the year were stockfeed milling and marketing, production of crude salt, salt refining and marketing, swine genetics and production and the provision of rural products.

3. RESULTS

	2003 \$000	2002 \$000
Profit from ordinary activities before significant items and income tax	58,298	59,315
Income tax	14,616	20,720
Operating profit of the consolidated entity before significant items	43,682	38,595
Profit attributable to outside equity interests	6,449	6,400
Profit attributable to members of Ridley Corporation Limited before significant items	37,233	32,195
Significant items net of tax and outside equity interests	5,935	–
Profit attributable to members of Ridley Corporation Limited	31,298	32,195

4. REVIEW OF OPERATIONS/SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

A review of:

- (i) operations and financial matters including significant changes in the state of affairs;
- (ii) the results of those operations; and
- (iii) likely developments

are set out elsewhere in the Annual Report.

Directors' Report for the year ended 30 June 2003

5. DERIVATIVES

The consolidated entity is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities. It is Company policy to use derivative financial instruments where appropriate to fully or partially hedge these risks and not to enter, hold or issue derivative financial instruments for speculative purposes.

6. DIVIDENDS

Details of dividends paid or proposed to be paid out of profits of the Company are as follows:

- (i) Interim, fully franked at 30% (2002: 30%), dividend of 2.50 cents (2002: 2.00 cents) per fully paid ordinary share, totalling \$6,656,000 (2002: \$4,831,000) was paid on 8 April 2003.
- (ii) A final, fully franked at 30%, dividend of 3.25 cents (2002: 2.50 cents) per fully paid ordinary share, totalling \$8,670,000 (2002: \$6,630,000) has been declared by directors payable on 29 October 2003.

7. ENVIRONMENTAL REGULATION

Ridley has environmental and risk management reporting processes which provide senior management and the directors with monthly reports on environmental matters, including rectification of any issues as discovered. The directors are not aware of any environmental matters likely to have a material financial impact.

In accordance with its environmental policy and associated procedures Ridley monitors environmental compliance of all of its operations on an ongoing basis.

8. DIRECTORS' AND EXECUTIVES' REMUNERATION

The Remuneration Committee, consisting of two non-executive directors and the Managing Director, advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Executive remuneration and other terms of employment are reviewed annually by the committee having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. For Australian executives, remuneration consists of a base salary package and performance-related bonuses. North American executives' remuneration consists of a base salary, retirement entitlements, performance-related bonuses and fringe benefits. Executives are also eligible to participate in the Company's option and employee share plans.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's diverse operations and achieve the Company's strategic objectives.

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time. Non-executive directors are also entitled to retirement benefits as set out in the constitution of the Company.

Bonuses are available to executives depending on the consolidated entity and executive's performance based on pre-determined criteria. Bonuses are not payable to non-executive directors.

Directors' Report for the year ended 30 June 2003

8. DIRECTORS' AND EXECUTIVES' REMUNERATION (CONTINUED)

Details of the nature and amount of each element of the remuneration for directors of Ridley Corporation Limited and the five officers of the Company and the consolidated entity receiving the highest remuneration are set out in the following tables:

Directors of Ridley Corporation Limited

Name	Base Salary Package \$	Bonus \$	Directors' Fees		Superannuation \$	Total \$
			Ridley Corporation \$	Ridley Inc \$		
J S Keniry Chairman	–	–	104,000	43,118	9,360	156,478
M P Bickford-Smith Managing Director	514,500	300,000	–	–	–	814,500
D G McGauchie	–	–	56,333	–	5,070	61,403
E B Bryan	–	–	52,000	–	4,680	56,680
R J Lee	–	–	52,000	–	4,680	56,680
R J Lotze	–	–	52,000	–	4,680	56,680
A L Vizard	–	–	52,000	–	4,680	56,680

Shares, convertible notes and options held by the directors are disclosed on page 70 of the Annual Report.

Other Executives and Officers of Ridley Corporation Limited

Name	Base Salary Package \$	Bonus \$	Other Benefits \$	Total \$
I Wilton Chief Financial Officer	392,981	100,000	999	493,980
W J Poynton CEO Cheetham Salt	373,289	90,000	999	464,288
M D MacKay Business Development Manager	210,000	63,000	–	273,000
G P Watts General Manager Finance and Accounting	201,778	60,000	999	262,777
A D Murdoch CEO Ridley AgriProducts	185,092	45,000	–	230,092

Directors' Report for the year ended 30 June 2003

8. DIRECTORS' AND EXECUTIVES' REMUNERATION (CONTINUED)

Other Executives of the Consolidated Entity

Name	Base Salary Package \$	Motor Vehicle \$	Bonus \$	Retirement Plan \$	Other Benefits \$	Total \$
R B Gallaway President and Chief Executive Officer Ridley Inc.	539,287	10,511	91,181	38,372	13,166	692,517
I Wilton Chief Financial Officer Ridley Corporation Limited	392,981	–	100,000	–	999	493,980
W J Poynton CEO Cheetham Salt	373,289	–	90,000	–	999	464,288
S VanRoekel President Ridley Feed Operations Ridley Inc.	312,619	9,332	55,577	5,923	6,716	390,167
M Mitchell Chief Financial Officer Ridley Inc.	274,409	11,922	54,882	24,419	10,945	376,577

"Other Executives" are officers who are involved in, concerned in, or who take part in, the management of the affairs of Ridley Corporation Limited and/or related bodies corporate.

Information on options issued as part of the remuneration of directors of Ridley Corporation Limited and each of the five officers of the Company and the consolidated entity receiving the highest remuneration are set out below.

Share Options Granted to Directors and Most Highly Remunerated Officers

Options over unissued shares of Ridley Corporation Limited and controlled entities granted during or since the end of the financial year to any of the directors or the five most highly remunerated officers of the Company and consolidated entity as part of their remuneration were as follows:

OPTIONS IN RIDLEY CORPORATION LIMITED

Name	Exercise Price \$	Value \$	Number	Value \$	
Directors					
M P Bickford-Smith Managing Director		1.57 (avg)	0.274 (avg)	500,000	137,100
Executives					
I Wilton Chief Financial Officer Ridley Corporation Limited		1.71 (avg)	0.264 (avg)	400,000	105,748
W J Poynton CEO Cheetham Salt		1.71 (avg)	0.264 (avg)	250,000	66,000
M D MacKay Business Development Manager		1.71 (avg)	0.264 (avg)	250,000	66,000
G P Watts General Manager Finance and Accounting		1.71 (avg)	0.264 (avg)	250,000	66,000
A D Murdoch CEO Ridley AgriProducts		1.79 (avg)	0.313 (avg)	250,000	78,250

Directors' Report for the year ended 30 June 2003

8. DIRECTORS' AND EXECUTIVES' REMUNERATION (CONTINUED)

The amounts disclosed above for remuneration relating to options are assessed values of options granted to directors and executives during the year ended 30 June 2003. Fair values have been assessed using the Black-Scholes option pricing model. The Black-Scholes option pricing model is an accepted methodology for valuing options. The calculation was performed by a third party. Factors taken into account by the Black-Scholes option pricing model include the exercise price, the term of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Further details on the options are set out in note 35 of the financial report.

9. SHARE OPTIONS

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

	Number	Expiry Date
Ridley Corporation Limited – Incentive Option Plan	7,125,000	Various
Ridley Inc. – Stock Option Plan	500,400	Various

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

Options are issued to senior executives of Ridley Corporation Limited under the Incentive Option Plan.

Offers made under the plan are subject to certain performance criteria being satisfied as set out below. If these criteria are not satisfied the options lapse. No money is paid to the Company until the option is exercised. The options have a maximum duration of five years and lapse if not exercised within five years from the date of grant, or within one month of leaving the consolidated entity. The options can only be exercised after a minimum of two years from the date of grant with certain minor exceptions.

The exercise price of options issued prior to February 2002 is the weighted average price over the five trading days on the Australian Stock Exchange (ASX) prior to the date of grant.

The performance criteria for these options requires an average return on shareholders' funds of 10% over the two-year period ending 30 June following the date of grant. In addition, the rate of growth of the Ridley Accumulation Index from the date of grant of the options to the first date of exercise must equal or exceed the Accumulation Index for the same period of the All Industrials (less Banks and Financial Institutions).

The exercise price for options issued from February 2002 onwards is the weighted average price over the five trading days on the ASX prior to the date of grant, multiplied by 5% annual compound growth at the second, third and fourth anniversary of the date of issue. The movement in the share price constitutes the performance criteria for these options to be exercised.

Details of options outstanding and shares issued during the year are set out in notes 26 and 35 of the financial report.

The names of all persons who currently hold options granted under the option plans are entered in the register kept by the Company, pursuant to section 215 of the Corporations Act 2001. The register may be inspected free of charge.

10. INFORMATION ON DIRECTORS

Particulars of shares, options and convertible notes held by directors in the Company together with a profile of the directors are set out on pages 22, 23, 69 and 70 in the Annual Report.

Directors' Report for the year ended 30 June 2003

11. MEETINGS OF DIRECTORS

Directors	Board		Audit Committee		Remuneration Committee	
	Meetings held while a director	Meetings attended	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended
J S Keniry	9	8	–	–	2	2
M P Bickford-Smith	9	9	–	–	2	2
E B Bryan	9	9	4	4	–	–
R J Lee	9	8	4	3	–	–
R J Lotze	9	9	4	4	–	–
D G McGauchie	9	8	–	–	2	2
A L Vizard	9	9	–	–	–	–

12. POST BALANCE DATE EVENTS

Other than the planned divestment of Cotswold Swine Genetics announced 16 July 2003, no matters or circumstances have arisen since 30 June 2003 that have significantly affected, or may significantly affect:

- (i) the consolidated entity's operations in future financial years; or
- (ii) the results of those operations in future financial years; or
- (iii) the consolidated entity's state of affairs in future financial years.

13. INSURANCE

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

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

The deed requires the Company maintain insurance to cover the directors in relation to liabilities incurred while acting as a director of the Company or a subsidiary and costs involved in defending proceedings.

During the year the Company paid a premium in respect of such insurance covering the following directors and secretary of Ridley Corporation Limited: J S Keniry, M P Bickford-Smith, E B Bryan, R J Lee, R J Lotze, D G McGauchie, A L Vizard and C J Priestley.

Directors' Report for the year ended 30 June 2003

14. ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars in accordance with that class order or in certain cases to the nearest dollar.

15. AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

Signed at Sydney this 25th day of August 2003 in accordance with a resolution of the directors.

J S Keniry
Director

R J Lotze
Director

Financial Report

for the year ended 30 June 2003

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Statements of Financial Performance for the year ended 30 June 2003

	Notes	Consolidated		Parent Entity	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
Revenues from sale of goods	2	1,410,888	1,408,284	–	–
Cost of sales		1,198,080	1,193,905	–	–
Gross profit		212,808	214,379	–	–
Other revenues from ordinary activities	2	7,605	14,755	31,596	28,779
Other expenses from ordinary activities					
Selling and distribution		(62,316)	(60,305)	–	–
Administration		(71,967)	(76,347)	(6,558)	(9,756)
Borrowing costs		(16,022)	(22,081)	(7,749)	(9,727)
Other		(27,835)	(15,439)	–	–
Share of net profits of associates	47	4,677	4,353	–	–
Profit from ordinary activities before income tax expense		46,950	59,315	17,289	9,296
Income tax expense	6	11,698	20,720	1,636	–
Profit from ordinary activities after income tax		35,252	38,595	15,653	9,296
Net profit attributable to outside equity interest		3,954	6,400	–	–
Net profit after income tax attributable to members of Ridley Corporation Limited		31,298	32,195	15,653	9,296
Net increase/(decrease) in asset revaluation reserve	27	4,744	(3)	(128)	–
Net exchange differences on translation of financial reports of foreign controlled entities	27	(15,559)	(13,572)	–	–
Total revenues, expenses and valuation adjustments attributable to members of Ridley Corporation Limited recognised directly in equity		(10,815)	(13,575)	(128)	–
Total changes in equity attributed to members of Ridley Corporation Limited other than those resulting from transactions with the owners as owners	30	20,483	18,620	15,525	9,296
Basic earnings per share	44	11.8c	13.1c		
Diluted earnings per share	44	11.7c	12.9c		

The above Statements of Financial Performance should be read in conjunction with the accompanying notes.

Statements of Financial Position as at 30 June 2003

	Notes	Consolidated		Parent Entity	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
Current Assets					
Cash		18,821	19,056	2,265	6
Receivables	8	119,773	135,559	1	163
Inventories	9	107,456	116,075	–	–
Other	10	3,200	4,936	90	37
Total Current Assets		249,250	275,626	2,356	206
Non-current Assets					
Receivables	11	15,254	26,848	193,434	204,345
Livestock	12	–	3,364	–	–
Investments accounted for using the equity method	47	45,625	46,541	–	–
Other financial assets	13	465	1,539	108,453	106,392
Property, plant and equipment	14	322,803	337,725	4,624	4,983
Goodwill	15	55,049	64,054	–	–
Deferred tax assets	16	10,510	4,152	742	775
Other	17	3,819	6,422	1,394	2,089
Total Non-current Assets		453,525	490,645	308,647	318,584
Total Assets		702,775	766,271	311,003	318,790
Current Liabilities					
Accounts payable	18	117,109	143,300	1,268	2,488
Interest bearing liabilities	19	17,597	63,415	–	43,016
Current tax liabilities	20	3,828	597	1,129	–
Provisions	21	8,741	16,612	444	6,958
Total Current Liabilities		147,275	223,924	2,841	52,462
Non-current Liabilities					
Accounts payable	22	394	457	394	306
Interest bearing liabilities	23	151,832	148,615	85,000	54,000
Deferred tax liabilities	24	27,988	30,616	–	–
Provisions	25	10,068	10,958	242	163
Total Non-current Liabilities		190,282	190,646	85,636	54,469
Total Liabilities		337,557	414,570	88,477	106,931
Net Assets		365,218	351,701	222,526	211,859
Shareholders' Equity					
Parent entity interest					
Contributed equity	26	194,134	192,336	194,134	192,336
Reserves	27	89,090	99,905	13,923	14,051
Retained profits	28	34,420	10,690	14,469	5,472
Total Parent Entity Interest		317,644	302,931	222,526	211,859
Outside equity interests in controlled entities	29	47,574	48,770	–	–
Total Shareholders' Equity	30	365,218	351,701	222,526	211,859

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

Statements of Cash Flows

for the year ended 30 June 2003

	Consolidated		Parent Entity	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Cash flows from operating activities				
Receipts from customers	1,500,546	1,673,446	5,702	8,206
Payments to suppliers and employees	(1,412,472)	(1,563,669)	(7,140)	(10,684)
Dividends received	5,542	5,785	11,645	9,870
Interest received	3,082	4,207	14,249	10,490
Interest and other costs of finance paid	(14,941)	(26,723)	(6,990)	(7,706)
Income taxes paid	(19,009)	(10,193)	(365)	(118)
Net cash inflow from operating activities (note 41(i))	62,748	82,853	17,101	10,058
Cash flows from investing activities				
Payments for acquisition of businesses and controlled entities net of cash acquired (note 45)	(3,602)	(1,852)	–	–
Proceeds from sale of business (note 5)	–	433	–	–
Payments for property, plant and equipment	(19,826)	(13,533)	(76)	(290)
Proceeds from sale of non-current assets	1,175	7,985	–	79
Repayment of customer loans	1,353	5,338	–	–
Loans to controlled entities	–	–	11,184	17,513
Purchase additional shares in controlled entity	(2,061)	–	(2,061)	–
Net cash inflow/(outflow) from investing activities	(22,961)	(1,629)	9,047	17,302
Cash flows from financing activities				
Proceeds from issue of shares:				
Shareholder options	–	14,987	–	14,987
Employee Share Scheme	–	49	–	49
Ridley Inc.	2,086	587	–	–
Proceeds from borrowings	70,227	–	39,000	–
Repayment of borrowings	(58,439)	(73,262)	(8,000)	(21,000)
Dividends paid – parent entity	(11,874)	(8,343)	(11,874)	(8,343)
Redemption of convertible notes	(41,798)	(14,091)	(41,798)	(14,091)
Net cash outflow from financing activities	(39,798)	(80,073)	(22,672)	(28,398)
Net increase/(decrease) in cash held	(11)	1,151	3,476	(1,038)
Cash at the beginning of the financial year	19,056	18,367	(1,211)	(173)
Effects of exchange rate variations on cash	(224)	(462)	–	–
Cash at the end of the financial year (note 41(ii))	18,821	19,056	2,265	(1,211)

Non-cash financing and investing activities (note 42)

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

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for livestock (identified as self-generating and regenerating assets) which are valued at net market value and other assets which as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Ridley Corporation Limited ("Company" or "parent entity") as at 30 June 2003 and the results of all controlled entities for the year then ended. Ridley Corporation Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively. Where control of a controlled entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of a controlled entity ceases during a financial year its results are included for that part of the year during which control existed.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of post-acquisition profits or losses of associates are recognised in the consolidated statement of financial performance and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

Depreciation

Depreciation of property, plant and equipment, excluding land, has been calculated having regard to the expected useful life of the relevant item using reducing balance or straight-line methods as appropriate. Estimates of remaining useful lives are made on a regular basis for all assets.

The expected useful lives are as follows:	Buildings	40 years
	Plant and Equipment	3 to 30 years

Where items of plant and equipment have separately identifiable components, which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

Goodwill

Goodwill is amortised using the straight-line method over periods during which future benefits are expected to arise. The period of amortisation does not exceed 20 years.

Deferred Expenditure

Costs incurred in establishing finance facilities are deferred to future periods to the extent that future benefits are expected to arise. Deferred costs are amortised on a straight-line basis over the period of the expected benefit, four years.

Inventories

Inventories, other than livestock, have been valued at the lower of cost and net realisable value. Costs are principally determined on the first in, first out and weighted average cost methods. Where appropriate the cost of finished goods includes applicable fixed and variable overheads.

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Livestock

Livestock is accounted for in accordance with AASB 1037 Self Generating and Regenerating Assets. This accounting standard requires that livestock held for resale to be valued at net market value, with changes in market value, both realised and unrealised, recognised as revenue in the Statements of Financial Performance. Costs of maintaining the livestock are recognised as expenses as they are incurred.

Livestock held as current inventory have been valued at net market value. Where a liquid and active market price was not available average sales values have been used. Breeding stock held as non-current assets have been valued at cost and amortised over the useful life of the livestock, as no reliable indicator of market value is available.

Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

Change in Accounting Policy for Providing Dividends

The revised policy was adopted with effect from 1 July 2002 to comply with AASB 1044 Provisions, Contingent Liabilities and Contingent Assets released in October 2001. In previous years, in addition to providing for the amount of any dividends declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date, provision was made for dividends to be paid out of retained profits at the end of the financial year where the dividend was proposed, recommended or declared between the end of the financial year and the completion of the financial report.

An adjustment of \$6,630,000 was made against the consolidated and parent entity retained profits at the beginning of the financial year to reverse the amount provided at 30 June 2002 for the proposed final dividend for the year that was recommended by the directors between the end of the financial year and the completion of the financial report. This reduced the consolidated and parent entity current liabilities – provisions and total liabilities at the beginning of the financial year by \$6,630,000 with corresponding increases in their net assets, retained profits, total equity and the total dividends provided for or paid during the current financial year.

Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. Income tax on net cumulative timing differences is set aside to the future tax benefit or the deferred income tax liability accounts at the rates which are expected to apply when those timing differences reverse. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation.

Foreign Currency Translation

(i) Transactions

Foreign currency transactions are translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the profit or loss for the year.

(ii) Foreign Controlled Entities

As the foreign controlled entities are self sustaining their assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while their revenues and expenses are translated at the average rates ruling during the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The exchange rates used to convert the foreign controlled entities are as follows:

Australian \$1 equals	2003	2002
Statements of Financial Position (year end rate)		
Canadian dollars	0.8989	0.8518
United States dollars	0.6674	0.5639
Statements of Financial Performance (average rate for the year)		
Canadian dollars	0.8697	0.8100
United States dollars	0.5651	0.5165

Derivatives

Derivative financial instruments that are designated as hedges and are effective as hedges of underlying exposures are accounted for on the same basis as the underlying exposure. Gains/losses relating to hedges of specific purchase/sale commitments are deferred and recognised as adjustments to the carrying amount of the hedged transactions.

Investments

(i) Listed and Unlisted

Interests in listed and unlisted securities in the consolidated financial statements are brought to account at cost, less a provision where the cost exceeds the recoverable amount. Dividend income is recognised in the Statements of Financial Performance when declared.

(ii) Controlled Entities and Associates

Investments in controlled entities and associates are accounted for in the consolidated financial statements as set out in note 1 – Statement of Significant Accounting Policies – Principles of Consolidation.

Employee Entitlements

(i) Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in accounts payable, accruals and provision for employee entitlements in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long Service Leave

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

(iii) Superannuation Funds

The consolidated entity participates in a number of superannuation funds providing either lump sum or pension benefits for employees. The employees and the participating employers make contributions as percentages of salary and in accordance with the rules of the funds.

A liability in respect of defined benefit superannuation is recognised in the provision for employee benefits, and is measured as the deficiency between the present value of employees' vested benefits at the reporting date and the net market value of the superannuation fund's assets at that date. If a surplus occurs this asset is not recognised in the financial statements. The present value of accrued benefits is based on expected future payments which arise from membership of the fund to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows. The amount charged to the statement of financial performance in respect of superannuation represents the contributions made by the consolidated entity to the superannuation fund, adjusted by the movement in the liability.

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Pension Plans

A controlled entity maintains defined benefit pension plans. The expense for the defined benefit plans is determined by actuarial valuations of pension plan assets and obligations using the projected benefit method. Current service costs are charged to earnings as they accrue, while past service amounts, experience gains and losses, and adjustments arising from plan amendments or changes in assumptions, are amortised to earnings on a straight-line basis over the expected average remaining service lives of plan members.

(v) Termination Benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations have been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as provisions.

Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash flows, discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments, where the effect of discounting is material.

(vi) Employee Benefit On-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

Cash

For the purposes of the Statements of Cash Flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to insignificant risk of changes in value, net of outstanding bank overdrafts.

Revaluations of Non-current Assets

Subsequent to initial recognition as assets, land and buildings are measured at fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each piece of land and each building does not differ materially from its fair value at the reporting date. Annual assessments will be made by the directors, supplemented by independent assessments at least every three years. The last valuation was carried out in 2003.

In respect of any one class of asset, any net revaluation increment is credited directly to the asset revaluation reserve and any net revaluation decrement is expensed to operating profit except where it reverses a previous revaluation increment.

Where revaluations of non-current assets are undertaken, the potential capital gains tax liability is assessed and only taken into account when there is a firm commitment to sell the assets concerned.

In assessing recoverable amounts the expected net cash inflows from the continued use and subsequent disposal of the non-current assets are discounted to their present values as considered necessary. This determination is based on either individual or groups of assets where appropriate.

Acquisition of Assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition.

Where settlement of any cash consideration is deferred, the amount payable in the future is discounted to its present value as at the date of the acquisition. The discount rate used is the rate at which a similar borrowing could be obtained under comparable terms and conditions.

A liability for restructuring costs and related employee termination benefits is recognised as at the date of acquisition on the basis described in the accounting policy notes for restructuring costs and employee benefits.

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leased Non-current Assets

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

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset. Lease assets held at reporting date are being amortised over periods ranging from five to 20 years.

Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid in the month following recognition.

Receivables and Revenue Recognition

Sales revenue and the resultant trade debtor are recognised when the goods have been despatched or delivered to a customer pursuant to a sales order and the associated risks have passed to the carrier or customer.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where doubt exists as to collection of the debt.

Maintenance and Repairs

Plant of the consolidated entity is required to be overhauled on a regular basis. The cost of this maintenance is charged as expenses when incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated. Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

Borrowings

Loans and convertible notes are carried at their fair value which approximates the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of creditors.

Earnings Per Share

(i) Basic Earnings Per Share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) 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.

Joint Venture Operations

The proportionate interests in the assets, liabilities and expenses of joint venture operations have been incorporated in the financial statements under the appropriate headings.

Notes to the Financial Statements for the year ended 30 June 2003

	Consolidated		Parent Entity	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
NOTE 2 – REVENUE				
Revenue from operating activities				
Sale of goods	1,391,486	1,350,226	–	–
Livestock income – increase in net market value of livestock	19,402	58,058	–	–
	1,410,888	1,408,284	–	–
Revenue from outside operating activities				
Interest received	2,976	4,334	14,249	10,624
Proceeds on sale of non-current assets	1,175	7,994	–	79
Management fees – related entities	–	–	5,702	8,206
Dividends received/receivable				
– related entities	–	–	11,645	9,870
– other	–	10	–	–
Other	3,454	2,417	–	–
	7,605	14,755	31,596	28,779
Total revenue (excluding share of equity accounted net profits of associates)	1,418,493	1,423,039	31,596	28,779

NOTE 3 – OPERATING PROFIT

Profit from ordinary activities including significant items before income tax is arrived at after charging and crediting the following items:

Charges

Depreciation and amortisation:				
Property, plant and equipment	22,421	22,023	307	174
Goodwill	5,113	5,325	–	–
Borrowing costs	1,721	1,587	758	800
Deferred expenditure	1,039	714	–	–
Livestock	675	725	–	–
Leased assets	172	98	–	–
Bad and doubtful debt expense – net	10,327	–	–	–
Foreign exchange losses – net	318	–	–	19
Interest paid	14,301	20,494	6,991	8,927
Operating lease expense	10,302	10,866	436	727
Research and development	2,800	3,251	–	–
Loss on sale of property, plant and equipment	82	293	2	2
Loss on sale and write-down of investments	876	1,244	–	–
Provision for employee entitlements	18,706	22,916	250	216
Write-down of non-current assets:				
Property, plant and equipment	931	–	–	–
Livestock	2,619	–	–	–
Goodwill	399	–	–	–
Deferred expenditure	134	–	–	–

Notes to the Financial Statements for the year ended 30 June 2003

	Consolidated		Parent Entity	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
NOTE 3 – OPERATING PROFIT (CONTINUED)				
Credits				
Interest received –				
Related entities	–	–	14,067	10,490
Other persons and corporations	2,976	4,334	182	134
Profit on sale of non-current assets	185	4,686	–	19
Foreign exchange gains – net	–	242	–	–
Bad and doubtful debt recovery – net	–	137	–	–
Claims settlement	–	3,704	–	–

NOTE 4 – SIGNIFICANT ITEMS

Write-down of Cotswold Swine Genetics assets to recoverable value:

Property, plant and equipment	931	–	–	–
Receivables	4,434	–	–	–
Inventory	2,832	–	–	–
Livestock	2,619	–	–	–
Goodwill	399	–	–	–
Deferred expenditure	134	–	–	–
Significant items before income tax	11,349	–	–	–
Applicable income tax credit	2,918	–	–	–
Significant items after income tax and before outside equity interests	8,431	–	–	–

NOTE 5 – DISCONTINUED OPERATIONS

On 16 July 2003, a controlled entity announced its intention to divest the Cotswold Swine Genetics business and thereby discontinue its swine genetics operations. All assets employed in the operation have been written down to recoverable value.

On 10 May 2002, a controlled entity sold the Cotswold International – Europe swine genetics business. This business is reported in this financial report as a discontinued operation. Settlement of residual assets and liabilities is expected no later than May 2008.

Financial information relating to the discontinued operations is set out below. Further information is disclosed in note 40, Industry and Geographical Data.

Notes to the Financial Statements for the year ended 30 June 2003

	Consolidated	
	2003 \$000	2002 \$000
NOTE 5 – DISCONTINUED OPERATIONS (CONTINUED)		
Revenue from ordinary activities	18,890	52,240
Revenue from the sale of discontinued operation	–	1,889
Total revenue from ordinary activities	18,890	54,129
Expenses from ordinary activities, excluding the carrying amount of assets sold	39,902	61,529
Carrying amount of net assets sold and costs incurred in sale	–	4,024
	39,902	65,553
Loss from ordinary activities before income tax including significant item set out in note 4	(21,012)	(11,424)
Income tax benefit	7,477	1,246
Net loss	(13,535)	(10,178)

Carrying Amount of Assets and Liabilities

Cash	59	365
Deferred receivable	1,287	1,199
Receivables	2,168	8,800
Inventories	2,786	5,405
Property, plant and equipment	2,259	6,400
Other	41	660
Livestock	–	3,364
Total assets	8,600	26,193
Accounts payable and accrued liabilities	1,821	7,391
Total liabilities	1,821	7,391
Net assets	6,779	18,802

Cash Flow Information

Net cash outflow from ordinary activities	(10,475)	(8,358)
Net cash inflow (outflow) from investing activities	(55)	261
Net cash inflow from financing activities	10,170	7,462
Net cash outflow	(360)	(635)

Details of the sale of Cotswold International – Europe are as follows:

Consideration receivable:		
Cash	–	433
Receivable	–	219
Present value of amount due 10 May 2005	–	1,237
	–	1,889
Carrying amount of net assets sold	–	(3,427)
Loss on sale	–	(1,538)
Cost incurred on sale	–	(597)
Gross loss on sale	–	(2,135)

Notes to the Financial Statements for the year ended 30 June 2003

	Consolidated		Parent Entity	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
NOTE 6 – INCOME TAX				
The prima facie tax payable on the operating profit is reconciled with the income tax expense as follows:				
Profit from ordinary activities before income tax	46,950	59,315	17,289	9,296
Prima facie tax payable at 30%	14,085	17,794	5,187	2,789
Tax effect of permanent differences:				
Non-deductible depreciation and amortisation	730	725	–	–
Non-deductible expenses	1,110	342	6	4
Rebateable dividends	–	–	(3,494)	(2,961)
Share of net profits of associates	(1,403)	(1,306)	–	–
Capital gains not assessable	–	(1,082)	–	–
Losses not previously tax effected	(2,387)	2,631	–	–
Other items	(209)	43	(15)	53
Income tax adjusted for permanent differences	11,926	19,147	1,684	(115)
Under/(over) provision in previous year	(1,061)	842	(48)	115
Effect of higher tax rates on overseas income	833	731	–	–
Income tax expense attributable to operating profit	11,698	20,720	1,636	–

Tax Consolidation Legislation

Ridley Corporation Limited and its wholly owned Australian subsidiaries intend to consolidate for income tax purposes as of 1 July 2003. The Australian Taxation Office has not yet been notified of this decision. The entities also intend to enter into a tax sharing agreement, but details of this agreement are yet to be finalised.

As a consequence, Ridley Corporation Limited, as the head entity in the tax consolidated group, will recognise current and deferred tax amounts relating to transactions, events and balances of the wholly owned Australian controlled entities in this group in future financial statements as if those transactions, events and balances were its own, in addition to the current and deferred tax balances arising in relation to its own transactions, events and balances. Amounts receivable or payable under the tax sharing agreement will be recognised separately by Ridley Corporation Limited as tax-related amounts receivable or payable. The impact on the income tax expense and results of Ridley Corporation Limited is unlikely to be material because of the tax sharing agreement. This is not expected to have a material impact on the consolidated assets and liabilities and results.

The financial effect of the implementation of the legislation has not been recognised in the financial statements for the year ended 30 June 2003.

Notes to the Financial Statements for the year ended 30 June 2003

	Consolidated		Parent Entity	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
NOTE 7 – DIVIDENDS				
Ordinary				
Final dividend paid on 29 October 2002 (30 October 2001)				
Fully franked – 2.5 (2002: 2.5) cents per share (a)	6,630	6,630	6,630	6,630
Interim dividend paid on 8 April 2003 (9 April 2002)				
Fully franked – 2.5 (2002: 2.0) cents per share	6,656	4,831	6,656	4,831
Total dividends provided for or paid	13,286	11,461	13,286	11,461

- (a) Final dividend paid of 2.5 cents per fully paid share recognised as a liability at 30 June 2002 but adjusted against retained profits at the beginning of the financial year on the change in accounting policy for providing for dividends (note 1).

Dividends Not Recognised at Year-end

In addition to the above dividends, since year-end the directors have approved payment of a final dividend of 3.25 cents per fully paid share payable on 29 October 2003, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid out of retained profits at 30 June 2003, but not recognised as a liability at year-end as a result of the change in accounting policy for providing for dividends is:

	8,670	–	8,670	–
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The proposed dividends will be franked out of existing franking credits calculated at 30% and out of franking credits arising from the payment of income tax in the year ending 30 June 2004 and from fully franked dividends receivable.

The estimated amount that could be distributed as dividends and be franked at 30% out of existing franking credits and out of franking credits arising from the payment of income tax provided for in the financial statements and from dividends receivable after deducting franking credits applicable to proposed dividends at balance date:

	–	–	–	–
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NOTE 8 – CURRENT ASSETS – RECEIVABLES

Trade debtors	103,853	121,823	–	–
Less: Provision for doubtful debts	(5,883)	(1,316)	–	–
	97,970	120,507	–	–
Customer loans and advances (a)	8,706	9,763	–	–
Less: Provision for doubtful debts	(313)	(5,817)	–	–
	8,393	3,946	–	–
Other debtors	13,410	11,106	1	163
	119,773	135,559	1	163

- (a) Refer note 11 for additional information.

Notes to the Financial Statements for the year ended 30 June 2003

	Consolidated		Parent Entity	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
NOTE 9 – CURRENT ASSETS – INVENTORIES				
Raw materials and stores	62,394	66,103	–	–
Work in progress	7,276	6,021	–	–
Finished goods	35,334	38,546	–	–
Livestock	2,452	5,405	–	–
	107,456	116,075	–	–

	Number	Number		
Livestock – swine	46,126	51,740		

NOTE 10 – CURRENT ASSETS – OTHER

Prepayments	2,818	2,518	90	37
Other	382	2,418	–	–
	3,200	4,936	90	37

NOTE 11 – NON-CURRENT ASSETS – RECEIVABLES

Customer loans and advances (a)	20,817	24,807	–	–
Less: Provision for doubtful debts	(8,350)	(639)	–	–
	12,467	24,168	–	–
Other debtors	2,173	2,339	–	–
Employee share loans	614	341	614	341
Amounts owing by related entities	–	–	192,820	204,004
	15,254	26,848	193,434	204,345

- a) In line with US and Canadian feed industry practice, controlled entities have entered into certain loans and collateral agreements with third parties to facilitate growth and strengthen long-term relationships with key customers. The loans generally bear interest at rates between 4.75% and 9.75% with average terms of four years.

Loans are established within strict Company policy, which typically require secured collateral from the customer and appropriate signed contractual documentation, including a feed supply contract, which is reviewed by legal counsel. Generally, the acquired security is subordinate to a primary commercial lender. Current policy generally restricts the granting of loans in excess of US\$0.5 million to any one customer.

A provision for doubtful debts of \$7.0 million (US\$4.0 million) was made during the year ended 30 June 2003 due to the deterioration in the financial position of some US customers. The top five loans by value comprised 54% (2002: 65%) of the total loans receivable and advances balance at 30 June 2003 net of provisions.

Notes to the Financial Statements for the year ended 30 June 2003

	Consolidated		Parent Entity	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
NOTE 12 – NON-CURRENT ASSETS – LIVESTOCK				
Livestock	5,579	8,562	–	–
Less: Provision for amortisation	(5,579)	(5,198)	–	–
	–	3,364	–	–
	Number	Number		
Livestock – swine	2,649	2,685		

NOTE 13 – NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

Shares in controlled entities – at cost	–	–	7,274	5,213
Shares in controlled entities – at valuation (a)	–	–	101,179	101,179
Shares in other corporations – at cost	1,311	1,539	–	–
Less: Provision for write-down to recoverable value (b)	(846)	–	–	–
	465	1,539	108,453	106,392

- (a) Shares in controlled entities were revalued by the directors as at 30 June 1999.
- (b) Non-traded shares in other corporations have been written down to their assessed recoverable value being the present value of net cash inflows from expected future dividends and subsequent disposal of the shares.

NOTE 14 – NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Land and Buildings

At cost	423	7,528	–	–
Less: Accumulated depreciation	(6)	(1,026)	–	–
At independent valuation 2003	189,624	195,987	4,000	4,165
Less: Accumulated depreciation	–	(10,651)	–	–
Total land and buildings	190,041	191,838	4,000	4,165

Plant and Equipment

At cost	234,527	241,918	3,847	3,771
Less: Accumulated depreciation	(111,539)	(103,686)	(3,223)	(2,953)
Plant and equipment under construction	7,908	6,880	–	–
Under finance lease	2,476	868	–	–
Less: Accumulated amortisation	(610)	(93)	–	–
Total plant and equipment	132,762	145,887	624	818

Notes to the Financial Statements for the year ended 30 June 2003

	Consolidated		Parent Entity	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
NOTE 14 – NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)				
Summary				
Property, plant and equipment:				
At cost	234,950	249,446	3,847	3,771
Under finance lease	2,476	868	–	–
At independent valuation 2003	198,956	195,987	4,000	4,165
Under construction	7,908	6,880	–	–
Less: Accumulated depreciation	(121,487)	(115,456)	(3,223)	(2,953)
	322,803	337,725	4,624	4,983

Valuation of Land and Buildings

The basis of valuation of land and buildings is fair market value based on existing use.

The 2003 valuations were carried out by:

Australia: G R Longden, APPI, certified practising valuer of Jones Lang LaSalle Advisory Services Pty Limited.

R Westphel, a Director of Ernst & Young Corporate Finance Pty Limited.

Canada: R R Thompson, PAg MSc AACI PApp of AFC Agra Services Ltd.

United States: A W Speiker, Iowa certified general real property appraiser, of Appraisal Alliance, Inc.

Reconciliations

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	Land and Buildings \$000	Plant and Equipment \$000	Total \$000
Consolidated			
Carrying amount at 1 July 2002	191,838	145,887	337,725
Additions	3,188	18,441	21,629
Disposals	(905)	(526)	(1,431)
Revaluation increments	5,989	–	5,989
Write-downs and transfers	1,494	(2,811)	(1,317)
Foreign currency exchange differences	(8,631)	(10,568)	(19,199)
Depreciation (note 3)	(2,932)	(17,661)	(20,593)
Carrying amount at 30 June 2003	190,041	132,762	322,803
Parent Entity			
Carrying amount at 1 July 2002	4,165	818	4,983
Additions	–	76	76
Revaluation decrement	(128)	–	(128)
Depreciation (note 3)	(37)	(270)	(307)
Carrying amount at 30 June 2003	4,000	624	4,624

Notes to the Financial Statements for the year ended 30 June 2003

	Consolidated		Parent Entity	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
NOTE 15 – NON-CURRENT ASSETS – GOODWILL				
At cost less amounts written off	82,472	88,964	–	–
Less: Accumulated amortisation	(27,423)	(24,910)	–	–
	55,049	64,054	–	–

NOTE 16 – NON-CURRENT ASSETS – DEFERRED TAX ASSETS

Future income tax benefit	10,510	4,152	742	775
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Future income tax benefits include the benefit of tax losses in controlled entities of \$3,798,000 (2002: \$Nil). The future income tax benefit at 30 June 2003 in respect of tax losses not brought to account is \$413,000 (2002: \$3,313,000).

This benefit for tax losses will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; or
- (ii) the losses are transferred to an eligible entity in the consolidated entity; and
- (iii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iv) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

NOTE 17 – NON-CURRENT ASSETS – OTHER

Deferred expenditure	8,231	10,750	2,424	4,097
Less: Accumulated amortisation	(4,412)	(4,328)	(1,030)	(2,008)
	3,819	6,422	1,394	2,089

NOTE 18 – CURRENT LIABILITIES – ACCOUNTS PAYABLE

Trade creditors and accruals	117,109	143,300	1,268	2,488
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NOTE 19 – CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

Secured

Bank overdraft and loans (a)	16,976	21,352	–	1,218
Lease liabilities	344	177	–	–

Unsecured

Loan	277	88	–	–
Convertible notes (b)	–	41,798	–	41,798
	17,597	63,415	–	43,016

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 19 – CURRENT LIABILITIES – INTEREST BEARING LIABILITIES (CONTINUED)

- (a) Cash and bank overdrafts are netted where the bank accounts are with the same financial institution and where right of set off exists. Bank overdrafts and loans are secured by a fixed and floating charge over certain assets of the consolidated entity.
- (b) 20,899,172 7.5% unsecured subordinated convertible notes matured on 15 December 2002 and were repaid in cash to the holder. The Company had arranged long-term finance facilities to enable repayment of the convertible notes, refer note 43.

	Consolidated		Parent Entity	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000

NOTE 20 – CURRENT LIABILITIES – CURRENT TAX LIABILITIES

Income tax	3,828	597	1,129	–
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NOTE 21 – CURRENT LIABILITIES – PROVISIONS

Dividends	3	6,633	3	6,633
Employee entitlements (note 35)	8,738	9,979	441	325
	8,741	16,612	444	6,958

Movement in Provision

Dividends
\$000

Consolidated – 2003

Carrying amount at start of year				6,633
Adjustment from change in accounting policy				(6,630)
Carrying amount at end of year				3

Parent Entity – 2003

Carrying amount at start of year				6,633
Adjustment from change in accounting policy				(6,630)
Carrying amount at end of year				3

	Consolidated		Parent Entity	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000

NOTE 22 – NON-CURRENT LIABILITIES – ACCOUNTS PAYABLE

Creditors	394	457	394	306
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Notes to the Financial Statements for the year ended 30 June 2003

	Consolidated		Parent Entity	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
NOTE 23 – NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES				
Secured				
Loans (a)	151,190	148,078	85,000	54,000
Lease liabilities	642	537	–	–
	151,832	148,615	85,000	54,000

(a) Bank loans are secured by fixed and floating charges over certain assets of the consolidated entity.

NOTE 24 – NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

Deferred income tax	27,988	30,616	–	–
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NOTE 25 – NON-CURRENT LIABILITIES – PROVISIONS

Employee entitlements (note 35)	10,068	10,958	242	163
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	Parent Entity	
	2003 \$000	2002 \$000

NOTE 26 – CONTRIBUTED EQUITY

Paid up capital – 266,761,326 (2002: 265,207,411) ordinary shares	194,134	192,336
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(a) Movements in issued and paid up ordinary share capital of the Company during the past two years were as follows:

Date	Details	Number of Shares	Issue Price	
			\$	\$000
01/07/01	Opening balance	240,482,363		175,816
30/10/01	Dividend Reinvestment Plan	765,930	0.8265	633
29/01/02	Employee Share Scheme	266,500	0.8250	220
09/04/02	Dividend Reinvestment Plan	557,456	1.2200	680
01/05/02	Shareholder Options exercised	23,135,162	0.6500	14,987
30/06/02	Balance c/fwd	265,207,411		192,336
29/10/02	Dividend Reinvestment Plan	522,394	1.3533	706
19/02/03	Employee Share Scheme	519,750	0.7400	385
08/04/03	Dividend Reinvestment Plan	511,771	1.3806	707
30/06/03	Balance	266,761,326		194,134

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 26 – CONTRIBUTED EQUITY (CONTINUED)

(b) At 30 June 2003, 7,125,000 (2002: 4,050,000) options were on issue (refer note 35). The options are exercisable at various dates up to 31 January 2008, as follows:

Options	Exercise Price	Exercise Date		
500,000	\$0.59	1 November 2002 to 1 November 2005		
250,000	\$0.66	8 January 2004 to 8 January 2006		
275,000	\$0.74	29 January 2004 to 29 January 2006		
200,000	\$0.79	12 February 2004 to 12 February 2006		
675,000	\$0.72	9 July 2004 to 9 July 2006		
250,000	\$0.89	26 September 2004 to 26 September 2006		
500,000	\$0.96	29 October 2004 to 29 October 2006		
466,667	\$1.33	26 February 2004 to 26 February 2007		
466,667	\$1.40	26 February 2005 to 26 February 2007		
466,666	\$1.47	26 February 2006 to 26 February 2007		
166,667	\$1.50	28 November 2004 to 28 November 2007		
166,667	\$1.57	28 November 2005 to 28 November 2007		
166,666	\$1.65	28 November 2006 to 28 November 2007		
83,333	\$1.70	6 January 2005 to 6 January 2008		
83,333	\$1.79	6 January 2006 to 6 January 2008		
83,334	\$1.87	6 January 2007 to 6 January 2008		
775,006	\$1.63	31 January 2005 to 31 January 2008		
774,997	\$1.71	31 January 2006 to 31 January 2008		
774,997	\$1.80	31 January 2007 to 31 January 2008		
			Consolidated	
			2003	2002
			\$000	\$000
			Parent Entity	
			2003	2002
			\$000	\$000

NOTE 27 – RESERVES

Asset revaluation	61,147	56,403	13,923	14,051
Foreign currency translation	(544)	15,015	–	–
Capital	28,487	28,487	–	–
	89,090	99,905	13,923	14,051

Asset Revaluation Reserve

Balance at 1 July	56,403	56,406	14,051	14,051
Increment/(decrement) arising from revaluation of land and buildings in 2003	4,783	–	(128)	–
Transfer to outside equity interests due to the issue of shares by a controlled entity	(39)	(3)	–	–
Balance at 30 June	61,147	56,403	13,923	14,051

Foreign Currency Translation Reserve

Balance at 1 July	15,015	28,587	–	–
Add: Movement arising from translation of foreign controlled entities	(15,532)	(13,479)	–	–
Transfer to outside equity interests due to the issue of shares by a controlled entity	(27)	(93)	–	–
Balance at 30 June	(544)	15,015	–	–

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 27 – RESERVES (CONTINUED)

Nature and purpose of reserves

(a) Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in the accounting policies. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

(b) Foreign Currency Translation Reserve

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in the accounting policies.

(c) Capital Reserve

The capital reserve arose on the issue of shares in a controlled entity to outside equity interests.

	Consolidated		Parent Entity	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000

NOTE 28 – RETAINED PROFITS/ (ACCUMULATED LOSSES)

Retained profits/(accumulated losses) at the beginning of the financial year	10,690	(9,842)	5,472	7,637
Adjustment resulting from a change in accounting policy for providing for dividends	6,630	–	6,630	–
Net profit attributable to members of Ridley Corporation Limited	31,298	32,195	15,653	9,296
Dividends provided for or paid (note 7)	(13,286)	(11,461)	(13,286)	(11,461)
Transfer to outside equity interests due to the issue of shares by a controlled entity	(912)	(202)	–	–
Retained profits at the end of the financial year	34,420	10,690	14,469	5,472

NOTE 29 – OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES

Interest in:				
Share capital	25,220	24,399	–	–
Reserves	1,519	7,680	–	–
Retained earnings	20,835	16,691	–	–
	47,574	48,770	–	–

Notes to the Financial Statements for the year ended 30 June 2003

	Consolidated		Parent Entity	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
NOTE 30 – EQUITY				
Total equity at the beginning of the financial year	351,701	326,421	211,859	197,504
Adjustment to retained earnings at beginning of the financial year resulting from change in accounting policy for providing for dividends	6,630	–	6,630	–
Total changes in equity recognised in the statement of financial performance	20,483	18,620	15,525	9,296
Transfer to outside equity interests due to the issue of shares by a controlled entity	(912)	(202)	–	–
Transactions with owners as owners				
Contributions of equity	1,798	16,520	1,798	16,520
Dividends provided or paid	(13,286)	(11,461)	(13,286)	(11,461)
Total changes in outside equity interest	(1,196)	1,803	–	–
Total equity at the end of the financial year	365,218	351,701	222,526	211,859

NOTE 31 – FINANCIAL INSTRUMENTS

(a) Off-balance Sheet Derivative Instruments

Ridley Corporation Limited and its controlled entities are parties to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates, foreign exchange rates and commodity prices.

Interest Rate Swap Contracts

At balance date bank loans of the consolidated entity incur an average variable interest rate of 4.32% (2002: 5.17%). It is Company policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the consolidated entity has entered into interest rate swap contracts under which it has fixed the interest rate payable. The contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in other debtors or creditors and accruals.

The contracts require settlement of net interest receivable or payable. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Swaps in place cover approximately 90% (2002: 96%) of the loan principal outstanding. The average fixed rate on the swaps, including margins, is 6.54% (2002: 6.64%).

At 30 June 2003, the notional principal amounts and periods of expiry of the contracts are as follows:

	2003 \$000	2002 \$000
0–1 year	34,975	17,664
1–2 years	67,223	37,664
2–3 years	34,975	87,633
3–4 years	15,000	10,000
4–5 years	–	10,000
	152,173	162,961

Foreign Exchange Contracts

At balance date, controlled entities have external contracts to hedge future sales denominated in foreign currencies and to hedge intercompany loans denominated in foreign currencies. The terms of the contracts are for less than one year. At 30 June 2003, the controlled entities have contracted to sell US\$12,000 for A\$23,000, US\$13,000,000 for Canadian \$17,706,000 and NZ\$3,170,000 for A\$2,808,000 (2002: US\$69,000 for A\$124,000 and US\$12,000,000 for Canadian \$18,352,000).

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 31 – FINANCIAL INSTRUMENTS (CONTINUED)

As these contracts are hedging anticipated future purchases and sales, any realised gains and losses on the contracts, together with the cost of contracts, are deferred and will be recognised in the measurement of the underlying transaction. Included in the amounts deferred are any gains and losses on hedging contracts terminated prior to maturity where the related transaction is still expected to occur.

The following gains, losses and costs have been deferred at 30 June 2003:

	2003 \$000	2002 \$000
Unrealised gains/(losses)	23	(351)

(b) Credit Risk Exposures

The credit risk on financial assets of the consolidated entity, which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

The recognised financial assets of the consolidated entity include amounts receivable arising from unrealised gains on derivative financial instruments. For off-balance sheet financial instruments, including derivatives, which are deliverable, credit risk also arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity.

(c) Interest Rate Risk Exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

	Notes	Floating Interest Rate \$000	2003 Fixed Interest Maturing in:			Non- Interest Bearing \$000	Total \$000
			1 Year or Less \$000	Over 1 to 5 Years \$000	More than 5 Years \$000		
Financial Assets							
Cash and deposits		18,799	–	–	–	22	18,821
Receivables	8, 11	–	8,706	5,392	8,704	112,225	135,027
		18,799	8,706	5,392	8,704	112,247	153,848
Weighted average interest rate		4.02%	4.8%	4.04%	5.18%		
Financial Liabilities							
Loans and bank overdrafts	19, 23	168,443	–	–	–	–	168,443
Trade and other creditors	18, 22	–	–	–	–	117,503	117,503
Lease liabilities	19, 23	–	344	642	–	–	986
Interest rate swaps*		(152,173)	34,975	117,198	–	–	–
		16,270	35,319	117,840	–	117,503	286,932
Weighted average interest rate		5.13%	6.6%	7.0%	–		
Net financial assets (liabilities)		2,529	(26,613)	(112,448)	8,704	(5,256)	(133,084)

*Notional principal amounts

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 31 – FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest Rate Risk Exposures (continued)

Notes	Floating Interest Rate \$000	2002 Fixed Interest Maturing in:			Non- Interest Bearing \$000	Total \$000
		1 Year or Less \$000	Over 1 to 5 Years \$000	More than 5 Years \$000		
Financial Assets						
Cash and deposits	16,741	–	–	–	2,315	19,056
Receivables	8, 11	–	9,763	19,833	3,336	129,475
	16,741	9,763	19,833	3,336	131,790	181,463
Weighted average interest rate	4.25%	7.12%	8.04%	7.09%		
Financial Liabilities						
Loans and bank overdrafts	19, 23	169,518	–	–	–	169,518
Trade and other creditors	18, 22	–	–	–	143,757	143,757
Convertible notes	19	–	41,798	–	–	41,798
Lease liabilities	19, 23	–	177	537	–	714
Interest rate swaps*		(162,961)	17,664	145,297	–	–
		6,557	59,639	145,834	–	143,757
Weighted average interest rate	5.17%	6.46%	7.14%	–		
Net financial assets (liabilities)	10,184	(49,876)	(126,001)	3,336	(11,967)	(174,324)

*Notional principal amounts

Reconciliation of Net Financial Assets to Net Assets

	Notes	2003 \$000	2002 \$000
Net financial liabilities as above		(133,084)	(174,324)
Non-financial assets and liabilities			
Inventories	9	107,456	116,075
Livestock	12	–	3,364
Investments and other financial assets	13, 47	46,090	48,080
Property, plant and equipment	14	322,803	337,725
Goodwill	15	55,049	64,054
Other assets	10, 16, 17	17,529	15,510
Provisions	20, 21, 24, 25	(50,625)	(58,783)
Net assets per Statement of Financial Position		365,218	351,701

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 31 – FINANCIAL INSTRUMENTS (CONTINUED)

(d) Net Fair Value of Financial Assets and Liabilities

(i) On-balance sheet

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

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

For forward exchange contracts, the net fair value is taken to be the unrealised gain or loss at balance date calculated by reference to the current spot rate.

(ii) Off-balance sheet

For interest rate swaps, the net fair value has been determined as the carrying amount, which represents the amount currently receivable or payable at 30 June 2003 and the present value of estimated future cash flows which have not been recognised as an asset or liability.

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

	2003		2002	
	Carrying Amount \$000	Net Fair Value \$000	Carrying Amount \$000	Net Fair Value \$000
ON-BALANCE SHEET FINANCIAL INSTRUMENTS				
Financial assets				
Trade debtors	97,970	97,970	120,507	120,507
Cash and deposits	18,821	18,821	19,056	19,056
Other debtors	37,034	37,034	41,900	41,900
Forward exchange contract	23	23	–	–
	153,848	153,848	181,463	181,463
Financial liabilities				
Loans and bank overdrafts	168,443	168,443	169,518	169,518
Trade and other creditors	117,503	117,503	143,757	143,757
Convertible notes	–	–	41,798	41,798
Lease liabilities	986	986	714	714
	286,932	286,932	355,787	355,787
OFF-BALANCE SHEET FINANCIAL INSTRUMENTS				
Financial liabilities				
Forward exchange contracts	–	–	351	351
Interest rate swaps	5,253	5,253	5,718	5,718

Other than convertible notes, none of the classes of financial assets and liabilities are readily traded on organised markets in standard form.

Notes to the Financial Statements for the year ended 30 June 2003

	Consolidated		Parent Entity	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
NOTE 32 – COMMITMENTS FOR EXPENDITURE				
Capital expenditure contracted for and payable not later than one year	9,105	5,787	–	–
Operating leases contracted but not provided for in the accounts:				
Due within 1 year	7,096	7,283	418	807
Due within 1–2 years	5,077	5,104	406	810
Due within 2–5 years	5,327	6,438	304	1,159
Due after 5 years	4,662	2,731	–	–
	22,162	21,556	1,128	2,776
Finance leases contracted for as follows:				
Due within 1 year	389	225	–	–
Due within 1–2 years	210	284	–	–
Due within 2–5 years	473	291	–	–
Minimum lease payments	1,072	800	–	–
Deduct: Future finance charges	86	86	–	–
Lease liabilities	986	714	–	–
Management fees and livestock purchase commitments contracted but not provided for in the accounts:				
Due within 1 year	10,519	9,341	–	–
Due within 1–2 years	1,548	7,321	–	–
Due within 2–5 years	1,769	15,421	–	–
Due after 5 years	–	962	–	–
	13,836	33,045	–	–

The consolidated entity contracts with third party producers pursuant to various swine management, grow-out and feeding agreements. Under the terms of the agreements, livestock owned by the consolidated entity is managed and maintained in the producers' facilities for which the consolidated entity pays the producer a management fee.

The consolidated entity contracts with third party producers pursuant to various weanling supply agreements. Under the terms of the agreement, all livestock raised by the producer must be delivered to the consolidated entity at a price specified in the agreement.

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 33 – CONTINGENT LIABILITIES

The consolidated entity has guaranteed certain debts and obligations of various customers totalling \$4,770,000 (2002: \$8,283,000).

Secured guarantees by the parent entity in respect of borrowings and other obligations of controlled entities were \$80,392,000 (2002: \$122,459,000). The guarantees are secured by a fixed and floating charge over certain assets of the consolidated entity.

In 2002, a controlled entity divested a subsidiary. The purchaser of the subsidiary has notified that controlled entity of certain potential warranty and indemnity claims following the sale. The relevant parties are in the early stages of negotiation in respect of those claims and it is not practical to assess the financial exposure related to them. Any ultimate settlement of these claims is not expected to have a material financial impact.

Under the terms of the sale agreement for a subsidiary, a controlled entity is obligated to fund the deficit in its UK Pension Plan. At 30 June 2003, this deficit was \$478,000 (2002: \$615,000), which has been provided for. The controlled entity can choose to fund the deficit at any time until 10 May 2008. The relevant plan is now closed. Plan assets may fluctuate due to market conditions.

There were no other material contingent liabilities in existence at balance date.

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$

NOTE 34 – REMUNERATION OF AUDITORS

Amounts received or due and receivable by the auditors for:

(a) Auditing of the accounts and consolidated accounts				
PricewaterhouseCoopers – Australia	243,000	229,500	109,600	109,700
PricewaterhouseCoopers – International	366,709	395,080	–	–
(b) Taxation				
PricewaterhouseCoopers – Australia	357,200	285,000	305,200	212,000
PricewaterhouseCoopers – International	320,231	353,671	–	–
(c) Extended audit services				
PricewaterhouseCoopers – Australia	–	135,000	–	135,000
(d) Other services				
PricewaterhouseCoopers – Australia	41,718	100,000	41,718	100,000
PricewaterhouseCoopers – International	6,943	138,782	–	–
	1,335,801	1,637,033	456,518	556,700

NOTE 35 – EMPLOYEE ENTITLEMENTS

Aggregate employee entitlements including on-costs

	\$000	\$000	\$000	\$000
– Current (note 21)	8,738	9,979	441	325
– Non-current (note 25)	10,068	10,958	242	163
	18,806	20,937	683	488

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 35 – EMPLOYEE ENTITLEMENTS (CONTINUED)

Share Option Plans

(i) Incentive Option Plan

Under the Incentive Option Plan certain employees and executive directors of the consolidated entity may be offered a number of options, each of which will represent a right to acquire one fully paid ordinary share in the capital of the Company. The purpose of the Incentive Option Plan is to provide a method whereby senior officers and executive directors of the Company and its related bodies corporate share in the future growth and prosperity of the Company.

Details of options outstanding under the plan at balance date are as follows:

Options	Exercise Price	Exercise Date
500,000	\$0.59	1 November 2002 to 1 November 2005
250,000	\$0.66	8 January 2004 to 8 January 2006
275,000	\$0.74	29 January 2004 to 29 January 2006
200,000	\$0.79	12 February 2004 to 12 February 2006
675,000	\$0.72	9 July 2004 to 9 July 2006
250,000	\$0.89	26 September 2004 to 26 September 2006
500,000	\$0.96	29 October 2004 to 29 October 2006
466,667	\$1.33	26 February 2004 to 26 February 2007
466,667	\$1.40	26 February 2005 to 26 February 2007
466,666	\$1.47	26 February 2006 to 26 February 2007
166,667	\$1.50	28 November 2004 to 28 November 2007
166,667	\$1.57	28 November 2005 to 28 November 2007
166,666	\$1.65	28 November 2006 to 28 November 2007
83,333	\$1.70	6 January 2005 to 6 January 2008
83,333	\$1.79	6 January 2006 to 6 January 2008
83,334	\$1.87	6 January 2007 to 6 January 2008
775,006	\$1.63	31 January 2005 to 31 January 2008
774,997	\$1.71	31 January 2006 to 31 January 2008
774,997	\$1.80	31 January 2007 to 31 January 2008

3,075,000 (2002: 2,825,000) options were granted under the plan during the year as follows:

Options	Exercise Price	Exercise Date
166,667	\$1.50	28 November 2004 to 28 November 2007
166,667	\$1.57	28 November 2005 to 28 November 2007
166,666	\$1.65	28 November 2006 to 28 November 2007
83,333	\$1.70	6 January 2005 to 6 January 2008
83,333	\$1.79	6 January 2006 to 6 January 2008
83,334	\$1.87	6 January 2007 to 6 January 2008
775,006	\$1.63	31 January 2005 to 31 January 2008
774,997	\$1.71	31 January 2006 to 31 January 2008
774,997	\$1.80	31 January 2007 to 31 January 2008

No (2002: Nil) ordinary shares were issued during the year ended 30 June 2003 on the exercise of options granted under the plan.

The Incentive Option Plan was approved by shareholders at the 1993 Annual General Meeting and subsequently amended at the 1996 Annual General Meeting. The Plan was further amended by the Board in January 2002.

(ii) Ridley Employee Share Plan

At the 1999 Annual General Meeting shareholders approved the introduction of the Ridley Employee Share Plan. 519,750 (2002: 266,500) shares were issued under this plan during the year for \$385,000 (2002: \$220,000). The market value of the shares issued was \$774,000 (2002: \$293,000). The total loan amount outstanding at 30 June 2003 was \$614,000 (2002: \$341,000).

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 35 – EMPLOYEE ENTITLEMENTS (CONTINUED)

(iii) Ridley Inc. – Stock Option Plan

Under the Ridley Inc. Stock Option Plan, options to purchase common shares of Ridley Inc. may be granted to employees, directors and service providers of Ridley Inc. and its controlled entities and affiliates. The purpose of the Stock Option Plan is to advance the interests of Ridley Inc. by affording such persons the opportunity of benefiting from increases in shareholder value, thereby more closely aligning their interests with those of the shareholders of Ridley Inc.

Options granted under the plan will have an exercise price of not less than the market price of the common shares of Ridley Inc. at the time of grant based on the closing sale price of common shares on the business day immediately prior and are exercisable over a maximum of 10 years. During the year 250,500 shares (2002: 72,100) were issued under the plan for \$2,035,040 (2002: \$557,000). The market value of the shares issued was \$3,823,000 (2002: \$887,000).

No options were granted under the plan during the year (2002: Nil). Options outstanding under the plan at balance date are as follows:

Options	Exercise Price	Exercise Date
146,000	C\$10.65	3 September 2000 to 3 September 2004
142,400	C\$6.50	1 December 2001 to 1 December 2005
212,000	C\$5.38	6 November 2002 to 6 November 2006

Superannuation

Ridley Corporation Limited and its controlled entities participate in a number of superannuation funds in Australia and North America. The funds provide benefits either on a defined benefit or defined contribution basis for employees or their dependants on retirement, resignation, total and permanent disability, death and in some cases, on temporary disablement.

The members and the consolidated entity make contributions as specified in the rules of the respective funds.

The assets of all funds were sufficient to satisfy all benefits, which would have been vested in the event of termination of the funds, or in the event of the voluntary or compulsory termination of the employment of each employee.

Company contributions in terms of awards and agreements are legally enforceable and, in addition, contributions for all employees have to be made at minimum levels for the consolidated entity to comply with its obligations in terms of the Superannuation Guarantee Act.

Other contributions are in the main not legally enforceable, with the right to terminate, reduce or suspend these contributions upon giving written notice to the trustees. The level of contributions to the defined benefit funds in the future will be reviewed on the advice of each fund's actuary from time to time and at the time of the triennial or annual valuations. The basis of contributions to the various plans is determined as a percentage of members' salaries or as required by the actuarial valuation.

The superannuation funds, which were in operation during the year, are as follows:

A. Defined Benefit Funds

Ridley Superannuation Plan

Last actuarial assessment as at 1 July 2002 by, John Hancock FIAA

Based on calculations made as part of this assessment the directors are of the view that the assets of the fund are sufficient to satisfy all benefits that would have been vested under the fund in the event of the termination of the fund or voluntary or compulsory termination of employment of each employee as at the reporting date.

Notes to the Financial Statements for the year ended 30 June 2003

	2003 \$000	2002 \$000
NOTE 35 – EMPLOYEE ENTITLEMENTS (CONTINUED)		
Present value of employees' accrued benefits (a)	7,332	8,980
Net market value of assets held by the fund to meet future benefit payments (a)	7,146	9,130
Excess/(deficit) of asset held to meet future benefit payments over the present value of employees' accrued benefits	(186)	150
Vested benefits (a)	7,022	8,916
Employer contributions to the fund year-end 30 June 2003	408	406

(a) As at 1 July 2002 for 2003 and 1 July 2000 for 2002.

Contributing Companies: Ridley Corporation Limited
Cheetham Salt Limited
Ridley AgriProducts Pty Ltd
Farmstock Pty Ltd

Contributions have been increased from July 2003 to cover the deficit.

B. Defined Contribution Funds

Actuarial assessments are not applicable to these types of funds as benefits are based on an accumulation of defined contributions.

Name of Fund	Country
Ridley Superannuation Plan	Australia
Staff Pension Plan for all Employees of Ridley Inc. and Associated Companies	Canada

Pension Plans

A controlled entity has non-contributory defined benefit pension plans covering substantially all of its US employees. The benefits for salaried employees are based on years of service and the employees' level of compensation during specified periods of employment. The plan covering hourly employees generally provides benefits of stated amounts for each year of service. The controlled entity's funding policy is consistent with US statutory regulations and equals the amount deducted for income tax purposes. Prior service costs are amortised over the average future service period of active plan participants.

Plan assets include equity and fixed-income securities.

A. Hubbard Feeds Inc. Salaried Employees Retirement Plan

Last Actuarial Assessment as at 30 April 2003 by D A Anderson, ASA MAA EA.

	2003 \$000	2002 \$000
Present value of employees' accrued benefits	14,686	12,761
Net market value of assets held by the fund to meet future benefit payments	8,051	9,113
Deficiency of assets held to meet future benefit payments	(6,635)	(3,648)
Vested benefits	9,921	8,737
Employer contributions to the fund year-end 30 June 2003	1,468	953

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 35 – EMPLOYEE ENTITLEMENTS (CONTINUED)

B. Hubbard Feeds Inc. Pension Plan for Hourly Wage Employees

Last Actuarial Assessment as at 30 April 2003 by D A Anderson, ASA MAA EA.

	2003 \$000	2002 \$000
Present value of employees' accrued benefits	7,069	6,645
Net market value of assets held by the fund to meet future benefit payments	4,354	4,973
Deficiency of assets held to meet future benefit payments	(2,715)	(1,672)
Vested benefits	6,522	6,121
Employer contributions to the fund year-end 30 June 2003	915	716

The 2003 information is as at 30 April 2003 and 2002 is as at 30 April 2002.

\$1,490,000 (2002: \$2,837,000) of the deficiencies in the Hubbard Feeds Inc. pension plans are provided for in the financial statements.

NOTE 36 – RELATED PARTY DISCLOSURES

Directors

The names of persons who were directors of Ridley Corporation Limited at any time during the financial year are set out in the Directors' Report.

Remuneration, Retirement Benefits and Service Agreements

Information on remuneration of directors is disclosed in notes 37, 38 and 39.

Transactions of Directors and Director-related Entities Concerning Shares, Options and Convertible Notes

Aggregate numbers of ordinary shares, options and convertible notes acquired during the year by directors or their director-related entities were as follows: –

	Parent Entity		Controlled Entity	
	2003	2002	2003	2002
Acquired/Issued				
Ordinary shares	72,537	124,620	–	–
Options	500,000	500,000	–	–
Disposed				
Ordinary shares	–	100,000	–	–
Convertible notes*	14,918	–	–	–
Options	–	147,999	–	–

* Redeemed at maturity

All transactions relating to shares, convertible notes and options, other than employee options, were on the same basis as similar transactions with other shareholders.

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 36 – RELATED PARTY DISCLOSURES (CONTINUED)

Aggregate numbers of ordinary shares, options and convertible notes held directly, indirectly or beneficially by directors or their director-related entities at balance date:

	Parent Entity		Controlled Entity	
	2003	2002	2003	2002
Ordinary shares	970,505	897,968	800	800
Options	1,500,000	1,000,000	42,000	42,000
Convertible notes	–	14,918	–	–

Other Transactions of Directors and Director-related Entities

Mr D G McGauchie, a director, purchased stockfeed on terms and conditions no more favourable than other comparable customers. Purchases totalled \$556,000 (2002: \$380,000) during the year and \$122,000 (2002: \$82,000) was outstanding at 30 June 2003.

Other Related Parties

Salpak Pty Ltd, Western Salt Refinery Pty Ltd, Dominion Salt Limited, Dominion Salt (N.I.) Limited and Cerebos-Skellerup Limited are associated entities due to the shareholding and representation by Ridley Corporation Limited on the board of directors. Information relating to material interests in associated entities is set out in note 47.

Transactions relating to dividends were on the same terms and conditions that applied to other shareholders. The other transactions were made on normal commercial terms and conditions.

Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with each class of other related parties were as follows:

	Consolidated		Parent Entity	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Management and directors' fees – Associated entities	374	333	–	–
Aggregate amounts brought to account in relation to other transactions with each class of other related parties:				
Supply of products to associated entities	8,961	7,799	–	–
Supply of products by associated entities	1,768	1,671	–	–
Aggregated amounts receivable from, and payable to, each class of other related parties at balance date were as follows:				
Current receivables – associated entities	688	665	–	–
Current payables – associated entities	–	–	–	–

Wholly Owned Group

Information relating to controlled entities is set out in note 46.

Transactions between Ridley Corporation Limited and controlled entities consisted of:

- Interest charged on outstanding balances.
- Payment of dividends to Ridley Corporation Limited.
- Management charges.
- Rent for use of assets.
- Sale of non-current assets.

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 36 – RELATED PARTY DISCLOSURES (CONTINUED)

Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with controlled entities were as follows:

	Parent Entity	
	2003 \$000	2002 \$000
Interest revenue	14,067	10,490
Dividend revenue	11,645	9,870
Management charges	5,702	8,206
Aggregate amounts receivable from controlled entities at balance date were as follows:		
Non-current receivable	192,820	204,004

NOTE 37 – REMUNERATION OF DIRECTORS

Consolidated

Amounts paid or payable or otherwise made available to directors of the Company or related entities were \$1,493,837 (2002: \$1,538,869).

Parent Entity

Amounts paid or payable or otherwise made available to directors of Ridley Corporation Limited including the fees paid to directors of Ridley Inc. who are also directors of the parent entity, were \$1,396,101 (2002: \$1,428,067) and were within the following bands:

\$	2003	2002
40,000 – 49,999	–	2
50,000 – 59,999	4	3
60,000 – 69,999	1	–
150,000 – 159,999	1	–
160,000 – 169,999*	–	2
840,000 – 849,999 [#]	–	1
950,000 – 959,999 [#]	1	–

* Includes termination benefits

[#] Includes the value of options issued during the year

Directors' remuneration excludes insurance premiums paid by the Company in respect of directors' and officers' liability insurance contracts, as the contracts do not specify premiums paid in respect of individual directors or officers. Information relating to the insurance contracts is set out in the Directors' Report.

NOTE 38 – RETIREMENT BENEFITS OF DIRECTORS

Amounts received or due and receivable by non-executive directors in connection with their retirement as directors of Ridley Corporation Limited during the year was Nil (2002: \$110,980).

The amount above was paid within the provisions of the Corporations Act 2001.

Notes to the Financial Statements for the year ended 30 June 2003

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
NOTE 39 – EXECUTIVE REMUNERATION (INCLUDING EXECUTIVE DIRECTORS)				
Amounts received, or due and receivable by executives of Ridley Corporation Limited and of the consolidated entity whose remuneration equals or exceeds \$100,000	11,364,929	6,760,306	4,134,924	2,927,065

The number of executive officers (including executive directors) whose income (including termination benefits) from entities in the consolidated entity and related entities was within the specified bands are as follows:

\$	2003	2002	2003	2002
100,000 – 109,999* #	12	3	–	–
110,000 – 119,999*	7	6	1	–
120,000 – 129,999*	9	2	1	–
130,000 – 139,999	5	1	–	–
140,000 – 149,999*	2	1	1	–
150,000 – 159,999*	–	2	–	–
160,000 – 169,999*	1	3	1	–
170,000 – 179,999* #	5	1	–	–
180,000 – 189,999* #	–	3	–	1
190,000 – 199,999	2	–	–	–
200,000 – 209,999	–	1	–	1
210,000 – 219,999	–	1	–	–
220,000 – 229,999	–	1	–	1
230,000 – 239,999 #	2	–	–	–
240,000 – 249,999 #	1	2	–	–
250,000 – 259,999 #	1	2	–	1
260,000 – 269,999	2	–	2	–
290,000 – 299,999 #	1	1	–	1
300,000 – 309,999 #	3	–	1	–
320,000 – 329,999 #	1	–	1	–
330,000 – 339,999 #	1	–	1	–
340,000 – 349,999 #	1	–	–	–
440,000 – 449,999 #	–	1	–	1
470,000 – 479,999 #	–	1	–	1
530,000 – 539,999 #	1	–	1	–
590,000 – 599,999 #	1	–	1	–
840,000 – 849,999 #	–	1	–	1
950,000 – 959,999 #	1	–	1	–

*Includes termination benefits

Includes the value of options issued during the year

A summary of the numbers of options granted to and exercised by executive officers (with income of at least \$100,000) during the year ended 30 June 2003 is set out below. The terms and conditions relating to the options are set out in note 35.

Parent Entity Options	Granted	Exercised	Outstanding
Executive officers of the parent entity	1,900,000	–	4,700,000
Executive officers of controlled entities	1,175,000	–	2,425,000
	3,075,000	–	7,125,000

Executive officers exclude employees of overseas entities.

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 40 – INDUSTRY AND GEOGRAPHICAL DATA

Industry Segment Data – 2003

Industry Segments	Stockfeed and Rural Products						Discontinued Operations Cotswold \$000	Unallocated \$000	Eliminations \$000	Total \$000
	Salt \$000	AgriProducts \$000	Canada Feeds \$000	US Feeds \$000						
Sales – External	72,508	556,235	212,673	550,604	18,868	–	–	–	1,410,888	
Sales – Internal	2,313	–	5,530	3,707	–	–	(11,550)	–	–	
Total sales revenue	74,821	556,235	218,203	554,311	18,868	–	(11,550)	–	1,410,888	
Share of profit of associates	4,677	–	–	–	–	–	–	–	4,677	
Interest on customer loans	–	–	85	872	22	–	–	–	979	
Other revenue	2,146	426	95	1,749	–	213	–	–	4,629	
Total revenue	81,644	556,661	218,383	556,932	18,890	213	(11,550)	–	1,421,173	
Result from operations	21,951	20,201	11,124	39,440	(9,686)	(11,686)	–	–	71,344	
Asset impairment on discontinued operations	–	–	–	–	(11,348)	–	–	–	(11,348)	
Interest on customer loans	–	–	85	872	22	–	–	–	979	
Segment result including interest on customer loans	21,951	20,201	11,209	40,312	(21,012)	(11,686)	–	–	60,975	
Net finance costs	–	–	–	–	–	–	–	–	(14,025)	
Profit from ordinary activities before income tax	–	–	–	–	–	–	–	–	46,950	
Income tax expense	–	–	–	–	–	–	–	–	(11,698)	
Net profit	–	–	–	–	–	–	–	–	35,252	
Segment assets	187,666	173,485	103,004	195,911	8,600	34,109	–	–	702,775	
Investments in associates	45,625	–	–	–	–	–	–	–	45,625	
Acquisitions of fixed assets, intangibles and other non-current segment assets.	2,976	5,019	7,385	7,965	54	76	–	–	23,475	
Segment liabilities	7,331	70,320	20,116	34,650	1,821	203,319	–	–	337,557	
Depreciation and amortisation expense	2,627	7,007	3,654	11,852	2,033	1,968	–	–	29,141	
Other non-cash expenses	–	–	–	–	11,348	–	–	–	11,348	

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 40 – INDUSTRY AND GEOGRAPHICAL DATA (CONTINUED)

Industry Segment Data – 2002

Industry Segments	Stockfeed and Rural Products					Discontinued Operations Cotswold \$000	Unallocated \$000	Eliminations \$000	Total \$000
	Salt \$000	AgriProducts \$000	Canada Feeds \$000	US Feeds \$000					
Sales – External	65,767	482,262	224,467	583,935	51,853	–	–	–	1,408,284
Sales – Internal	1,817	–	7,010	4,621	–	–	(13,448)	–	–
Total sales revenue	67,584	482,262	231,477	588,556	51,853	–	(13,448)	1,408,284	1,408,284
Share of profit of associates	4,353	–	–	–	–	–	–	–	4,353
Interest on customer loans	–	–	130	1,593	38	–	–	–	1,761
Other revenue	543	1,082	794	3,328	349	4,325	–	–	10,421
Total revenue	72,480	483,344	232,401	593,477	52,240	4,325	(13,448)	1,424,819	1,424,819
Result from operations	20,354	15,995	12,130	46,833	(9,327)	(10,492)	–	–	75,493
Claim settlement	–	–	3,704	–	–	–	–	–	3,704
Loss on sale of discontinued operations	–	–	–	–	(2,135)	–	–	–	(2,135)
Interest on customer loans	–	–	130	1,593	38	–	–	–	1,761
Segment result including interest on customer loans	20,354	15,995	15,964	48,426	(11,424)	(10,492)	–	–	78,823
Net finance costs	–	–	–	–	–	–	–	–	(19,508)
Profit from ordinary activities before income tax	–	–	–	–	–	–	–	–	59,315
Income tax expense	–	–	–	–	–	–	–	–	(20,720)
Net profit	–	–	–	–	–	–	–	–	38,595
Segment assets	185,513	180,127	108,848	239,917	26,193	25,673	–	–	766,271
Investments in associates	46,541	–	–	–	–	–	–	–	46,541
Acquisitions of fixed assets, intangibles and other non-current segment assets.	1,661	2,402	2,938	7,761	156	290	–	–	15,208
Segment liabilities	7,014	76,336	22,714	48,858	7,391	252,257	–	–	414,570
Depreciation and amortisation expense	2,301	7,210	3,122	12,010	3,204	2,625	–	–	30,472
Other non-cash expenses	–	–	–	–	–	–	–	–	–

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 40 – INDUSTRY AND GEOGRAPHICAL DATA (CONTINUED)

Geographic Segments

The consolidated entity operates in Australasia, North America and the European Union.

Geographic Segments	Australasia		North America		European Union		Elimination		Consolidated	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000
External Sales	628,743	548,029	782,145	840,425	–	19,830	–	–	1,410,888	1,408,284
Acquisitions of fixed assets, intangibles and other non-current assets	8,071	4,353	15,404	10,855	–	–	–	–	23,475	15,208
Segment Assets	418,315	419,661	317,309	374,962	1,941	2,700	(34,790)	(31,052)	702,775	766,271

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 40 – INDUSTRY AND GEOGRAPHICAL DATA (CONTINUED)

Industry Segments

The consolidated entity is organised into the following divisions by product type:

Stockfeed and Rural Products	Produces and markets stock and poultry feeds, aquafeeds, vitamin and mineral supplements, and rural merchandise.
Salt	Produces, refines and markets salt and has investments in associated companies.
Cotswold discontinued operations	Develops and sells swine genetics.

The basis of intersegmental pricing is market pricing.

Results are calculated on a before net interest borrowing costs, significant items and tax expense basis. Segment assets exclude deferred tax assets and cash, which have been included as an unallocated asset.

Notes to the Financial Statements for the year ended 30 June 2003

	Consolidated		Parent Entity	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
NOTE 41(i) – RECONCILIATION OF NET CASH INFLOW FROM OPERATING ACTIVITIES TO OPERATING PROFIT AFTER INCOME TAX				
Net cash inflow from operating activities	62,748	82,853	17,101	10,058
Depreciation and amortisation	(29,141)	(30,472)	(1,065)	(974)
Net profit (loss) on sale of non-current assets	(773)	3,149	–	17
Other	476	1,123	(50)	660
Significant items	(11,348)	–	–	–
Dividends in excess of equity profits	(865)	(915)	–	–
Change in operating assets and liabilities, net of effects from purchase of controlled entities:				
Increase/(decrease) in trade debtors and doubtful debt provision	(17,839)	(4,942)	–	–
Increase/(decrease) in inventories	1,028	(1,597)	–	–
Increase/(decrease) in deferred tax assets	4,473	(859)	(33)	101
Increase/(decrease) in other debtors	(160)	(3,470)	(161)	(175)
Increase/(decrease) in prepayments	(88)	(1,994)	53	(673)
Increase/(decrease) in deferred expenditure	–	4,192	–	1,530
Decrease/(increase) in trade creditors	26,661	(5,482)	1,219	(1,161)
Decrease/(increase) in employee provisions	(1,448)	(617)	(193)	(87)
Decrease/(increase) in other provisions	–	346	(88)	–
Decrease/(increase) in provision for income tax payable	(1,676)	(432)	(1,129)	–
Decrease/(increase) in provision for deferred income tax	3,204	(2,288)	–	–
Operating profit after income tax but before outside equity interest	35,252	38,595	15,654	9,296

NOTE 41 (ii) – RECONCILIATION OF CASH

For the purpose of the Statements of Cash Flows, cash includes cash on hand and at bank and short-term deposits at call net of outstanding bank overdrafts.

Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the Statements of Financial Position as follows:

Cash	18,314	18,794	2,265	6
Short-term deposits	507	262	–	–
	18,821	19,056	2,265	6
Bank overdraft	–	–	–	(1,217)
Total cash	18,821	19,056	2,265	(1,211)

NOTE 42 – NON-CASH FINANCING AND INVESTING ACTIVITIES

During the year 1,034,165 (2002: 1,323,386) shares were issued under the Dividend Reinvestment Plan.

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 43 – FINANCE FACILITIES

Term Loan Facilities

Global Finance Facility

In October 2001, the consolidated entity entered into a four-year global facility agreement with a consortium of Australian and international banks.

The facility consists of revolving and non-revolving cash advances:

	2003					
	Revolving Limit	Utilised	Non- Revolving Limit	Utilised	Limit	Total Utilised
Australian Dollars	A\$70m	A\$35m	A\$50m	A\$50m	A\$120m	A\$85m
United States Dollars	US\$38m	US\$19.7m	US\$18m (a)	US\$18m	US\$56m	US\$37.7m
Canadian Dollars	C\$36m	C\$10m	C\$10m (a)	C\$10m	C\$46m	C\$20m

	2002					
	Revolving Limit	Utilised	Non- Revolving Limit	Utilised	Limit	Total Utilised
Australian Dollars	A\$70m	A\$38m	A\$50m	A\$16m	A\$120m	A\$54m
United States Dollars	US\$38m	US\$22.7m	US\$28m (a)	US\$28m	US\$66m	US\$50.7m
Canadian Dollars	C\$36m	C\$5m	C\$14m (a)	C\$14m	C\$50m	C\$19m

Repayments

Currency	Revolving	Non-Revolving
Australian Dollars	October 2005	October 2005
United States Dollars	October 2005	October 2005 (a)
Canadian Dollars	October 2005	October 2005 (a)

(a) The US and Canadian non-revolving facilities are repayable in equal quarterly instalments of US\$2 million and C\$1 million respectively.

Short-term Credit Facilities

Australian Dollar Facility

The consolidated entity has a \$6.5 million (2002: \$6.5 million) net overdraft facility, subject to annual review. At 30 June 2003 and 2002, this facility was unutilised.

United States Dollar Facilities

The consolidated entity has a US\$1.1 million (2002: US\$1.1 million) loan facility subject to annual review. At 30 June 2003, this facility was unutilised (2002: US\$0.4 million utilised).

The consolidated entity has a US\$1.5 million (2002: US\$1.5 million) open line of credit subject to annual review. At 30 June 2003, US\$0.5 million (2002: US\$0.4 million) was utilised.

Canadian Dollar Facility

The consolidated entity has a C\$5.0 million (2002: C\$2.0 million) overdraft facility, subject to annual review. At 30 June 2003, C\$2.0 million was utilised (2002: C\$1.3 million).

Notes to the Financial Statements for the year ended 30 June 2003

	Consolidated	
	2003	2002
NOTE 44 – EARNINGS PER SHARE		
Before significant items (net of tax credit)		
Basic earnings per share	14.0c	13.1c
Diluted earnings per share	13.9c	12.9c
After significant items		
Basic earnings per share	11.8c	13.1c
Diluted earnings per share	11.7c	12.9c
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	265,922,683	245,119,725
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	267,202,797	266,802,664

	2003 Earnings Per Share		2002 Earnings Per Share	
	Basic \$000	Diluted \$000	Basic \$000	Diluted \$000
Profit from ordinary activities before income tax	35,252	35,252	38,595	38,595
Net profit attributable to outside equity interest	(3,954)	(3,954)	(6,400)	(6,400)
Profit attributable to members	31,298	31,298	32,195	32,195
Interest saving on convertible notes	–	–	–	2,194
Earnings used in calculating earnings per share	31,298	31,298	32,195	34,389

Weighted average number of shares used as the denominator:

	Basic	Diluted	Basic	Diluted
Weighted average number of shares on issue	265,922,683	265,922,683	245,119,725	245,119,725
Plus dilutive options below share price	–	1,280,114	–	783,767
Plus dilutive convertible notes	–	–	–	20,899,172
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	265,922,683	267,202,797	245,119,725	266,802,664

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 44 – EARNINGS PER SHARE (CONTINUED)

Options

Options granted to employees under the Incentive Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options listed below have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 35.

2003			2002		
Number	Price	Expire	Number	Price	Expire
466,666	\$1.47	26 February 2007	466,667	\$1.33	26 February 2007
166,667	\$1.50	28 November 2007	466,667	\$1.40	26 February 2007
166,667	\$1.57	28 November 2007	466,666	\$1.47	26 February 2007
166,666	\$1.65	28 November 2007			
83,333	\$1.70	6 January 2008			
83,333	\$1.79	6 January 2008			
83,334	\$1.87	6 January 2008			
775,006	\$1.63	31 January 2008			
774,997	\$1.71	31 January 2008			
774,997	\$1.80	31 January 2008			

NOTE 45 – BUSINESSES AND CONTROLLED ENTITIES ACQUIRED

The consolidated entity acquired Shamrock Feeds Ltd, a stockfeed manufacturer, on 1 August 2002. In the previous year, the consolidated entity acquired 51% of McCauley Bros., Inc. an equine feed manufacturer, and 100% of Mastersalt Pty Ltd.

	Fair Value of Assets Acquired	
	2003 \$000	2002 \$000
Current Assets		
Receivables	712	1,265
Inventories	319	567
Other	14	70
Non-current Assets		
Property, plant and equipment	1,810	1,734
Current Liabilities		
Borrowings	–	(1,120)
Accounts payable	(726)	(870)
Provisions	(136)	–
Other	(34)	(104)
Non-current Liabilities		
Borrowings	–	(1,134)
Provisions	(261)	–
Other	–	(226)
Net assets acquired	1,698	182
Consideration		
Cash	3,602	1,852
Deferred	501	–
Goodwill acquired	2,405	1,670
Outflow of cash to acquire businesses and controlled entities net of cash acquired	3,602	1,852

Notes to the Financial Statements for the year ended 30 June 2003

	Country of Incorporation	Class of Shares	Equity of Parent Entity	
			2003	2002
NOTE 46 – INVESTMENT IN CONTROLLED ENTITIES				
Name of Entity				
Ridley Inc. and its controlled entities	Canada	Ordinary	70%	70%
Ridley Manitoba Limited	Canada	Ordinary	70%	70%
Shamrock Feeds Pty Ltd (amalgamated with Ridley Inc. on 30 June 2003)	Canada	Ordinary	–	–
Feed-Rite, Inc.	USA	Ordinary	70%	70%
Cotswold Canada Ltd (amalgamated with Ridley Inc. on 30 June 2003)	Canada	Ordinary	–	70%
Wishbone Turkey Farm Ltd (amalgamated with Ridley Inc. on 3 December 2002)	Canada	Ordinary	–	70%
Ridley Limited Partnership and its controlled entity	USA	Ordinary	70%	70%
Ridley Nova Scotia LLC and its controlled entity	Canada	Ordinary	70%	70%
HFI Finance LLC	USA	Ordinary	70%	70%
Cotswold Holdings ULC and its controlled entity	USA	Ordinary	70%	70%
Ridley UK Holdings Limited	UK	Ordinary	70%	70%
Ridley US Holding Inc. and its controlled entities	USA	Ordinary	70%	70%
Hubbard Feeds Inc. and its controlled entities	USA	Ordinary	70%	70%
Hubbard Feeds Management Company	USA	Ordinary	70%	70%
PBH Transportation Company	USA	Ordinary	70%	70%
Ridley Block Operations Inc	USA	Ordinary	70%	70%
McCauley Bros., Inc.	USA	Ordinary	36%	36%
Ridley AgriProducts Pty Ltd and its controlled entities	Australia	Ordinary	100%	100%
AgriProducts Pty Ltd	Australia	Ordinary	100%	100%
Farmstock Pty Limited and its controlled entity	Australia	Ordinary	100%	100%
Farmstock Milling Pty Ltd	Australia	Ordinary	100%	100%
Noske Flour Mills Pty Ltd	Australia	Ordinary	100%	100%
Ridley Australia Pty Ltd	Australia	Ordinary	100%	100%
Ridley AgriProducts (Aust.) Pty Ltd (formerly Ridley AgriProducts (Aust.) Limited)	Australia	Ordinary	100%	100%
Ridley Liquids JV Pty Limited	Australia	Ordinary	100%	100%
Ridley AgriProducts (NZ) Pty Ltd	New Zealand	Ordinary	100%	100%
Barastoc Stockfeeds Pty Ltd and its controlled entities	Australia	Ordinary	100%	100%
Fosforlic Feed Supplements Pty Ltd	Australia	Ordinary	100%	100%
Rumevite Pty Ltd	Australia	Ordinary	100%	100%
Cheetham Salt Limited and its controlled entities	Australia	Ordinary	100%	100%
CSL (No. 3) Pty Limited	Australia	Ordinary	100%	100%
Salt Australia Pty Ltd (formerly Salt Australia Limited)	Australia	Ordinary	100%	100%
Ocsalt Pty Ltd	Australia	Ordinary	100%	100%
Queensland Salt Pty Ltd	Australia	Ordinary	100%	100%
PT Cheetham Garam and its controlled entity	Indonesia	Ordinary	100%	100%
PT Cheetham International Trading	Indonesia	Ordinary	100%	–
Sea Lake Salt Pty Ltd	Australia	Ordinary	100%	100%
Mastersalt Pty Ltd	Australia	Ordinary	100%	100%

Notes to the Financial Statements for the year ended 30 June 2003

	Country of Incorporation	Class of Shares	Equity of Parent Entity	
			2003	2002
NOTE 46 – INVESTMENT IN CONTROLLED ENTITIES (CONTINUED)				
Name of Entity				
Diamond Salt Pty Limited	Australia	Ordinary	100%	100%
RCL Investments Pty Limited	Australia	Ordinary	100%	100%
RCL Retirement Pty Limited	Australia	Ordinary	100%	100%
Ridley Research & Development Corporation Pty Limited	Australia	Ordinary	100%	100%
RCL Nominees Pty Ltd (formerly RCL Nominees Limited)	Australia	Ordinary	100%	100%
Feed-Rite Inc.	Canada	Ordinary	100%	100%
Ridley M I Pty Limited	Australia	Ordinary	100%	100%
Ridley Argentina S.A.	Argentina	Ordinary	100%	100%

NOTE 47 – INVESTMENTS IN ASSOCIATES

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest		Carrying Amount	
			2003	2002	2003 \$000	2002 \$000
Salpak Pty Ltd	Salt Marketing	Australia	49%	49%	14,561	15,059
Western Salt Refinery Pty Ltd	Salt Production and Distribution	Australia	50%	50%	1,345	1,407
Dominion Salt Limited and Dominion Salt (N.I.) Limited	Salt Production and Distribution	New Zealand	50%	50%	27,274	27,512
Cerebos-Skellerup Limited	Salt Marketing	New Zealand	49%	49%	2,445	2,563
Total					45,625	46,541

The above comprise interests in the ordinary share capital of the associates. The balance date of Salpak Pty Ltd and Cerebos-Skellerup Limited is 30 September, and 30 June for Western Salt Refinery Pty Ltd, Dominion Salt Limited and Dominion Salt (N.I.) Limited.

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 47 – INVESTMENTS IN ASSOCIATES (CONTINUED)

Movements in Carrying Amounts of Investments in Associates

Summary of the performance and financial position of the associates is as follows:

	2003 \$000	2002 \$000
Carrying amount at the beginning of the financial year	46,541	47,456
Share of operating profits after income tax	4,677	4,353
Dividends received/receivable	(5,593)	(5,268)
Carrying amount at the end of the financial year	45,625	46,541
Operating profits before income tax	7,286	6,875
Income tax expense	2,609	2,522
Operating profits after income tax	4,677	4,353
Less: Dividends received/receivable	5,593	5,268
	(916)	(915)
Accumulated losses attributable to associates at the beginning of the financial year	(7,573)	(6,658)
Accumulated losses attributable to associates at the end of the financial year	(8,489)	(7,573)
Consolidated entity's share:		
Assets	43,414	44,688
Liabilities	4,625	4,941
Contingent liabilities	41	33
Operating lease commitments	60	65
Capital expenditure commitment	45	123

There are no material reserves of the associated companies.

Notes to the Financial Statements for the year ended 30 June 2003

NOTE 48 – INTERESTS IN JOINT VENTURES

Joint venture operation

A controlled entity has a 50% participating interest in a joint venture operation called "Champion Liquid Feeds Joint Venture". This joint venture produces and markets specialised stockfeed. The controlled entity is entitled to 50% of the output of "Champion Liquid Feeds Joint Venture". The controlled entity's interests in the assets employed in this joint venture are included in the consolidated Statements of Financial Position, in accordance with the accounting policy described in note 1, under the following classifications:

	Consolidated		Parent Entity	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Current Assets				
Cash	345	190	–	–
Receivables	971	1,054	–	–
Inventories	63	69	–	–
Total current assets	1,379	1,313	–	–
Non-current Assets				
Plant and equipment – at cost	125	112	–	–
Less: Accumulated depreciation	62	48	–	–
Total non-current assets	63	64	–	–
Share of assets employed in joint venture	1,442	1,377	–	–

NOTE 49 – POST BALANCE DATE EVENTS

Other than the divestment of Cotswold Swine Genetics announced 16 July 2003, no matters or circumstances have arisen since 30 June 2003 that have significantly affected, or may significantly affect:

- (i) the consolidated entity's operations in future financial years; or
- (ii) the results of those operations in future financial years; or
- (iii) the consolidated entity's state of affairs in future financial years.

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 38 to 84.

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

J S Keniry
Director

Sydney
25 August 2003

R J Lotze
Director

Independent Audit Report to the Members of Ridley Corporation Limited

AUDIT OPINION

In our opinion, the financial report of Ridley Corporation Limited:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Ridley Corporation Limited and the consolidated entity as at 30 June 2003, and of their performance for the year ended on that date; and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

SCOPE

The financial report and directors' responsibility

The financial report comprises the Statements of Financial Position, Statements of Financial Performance, Statements of Cash Flows, accompanying notes to the financial statements, and the directors' declaration for both Ridley Corporation Limited (the Company) and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the Company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

We read the other information in the Annual Report to determine whether it contained any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

PricewaterhouseCoopers

W H B Seaton
Partner

Sydney
25 August 2003

Shareholder Information as at 26 August 2003

Holdings of Securities – Ordinary Shares

	No. of Holders	No. of Securities	% held by 20 Largest Holders
Each fully paid	11,859	266,761,326	57.36

Distribution of Holdings – Ordinary Shares

	No. of Ordinary Shareholders	No. of Ordinary Shares
1 to 1,000*	1,959	951,045
1,001 to 5,000	4,974	14,276,485
5,001 to 10,000	2,399	17,336,432
10,001 to 100,000	2,411	53,824,464
100,001 and over	116	180,372,900

*There are 304 holders of less than a marketable parcel of shares

Twenty Largest Fully Paid Shareholders

Name of Shareholder	No. of Fully Paid Ordinary Shares	% of Fully Paid Ordinary Shares
JP Morgan Nominees Australia Limited	34,850,696	13.06
National Nominees Limited	32,265,244	12.10
Westpac Custodian Nominees Limited	11,841,638	4.44
RBC Global Services Australia Nominees Pty Limited (PIPOOLED A/C)	11,290,755	4.23
Commonwealth Custodial Services Limited	9,124,439	3.42
AMP Life Limited	8,756,855	3.28
RBC Global Services Australia Nominees Pty Limited (BKCUST A/C)	6,997,864	2.62
Cogent Nominees Pty Limited	4,551,393	1.71
RBC Global Services Australia Nominees Pty Limited (PIIC A/C)	4,198,558	1.57
ANZ Nominees Limited	3,797,622	1.42
Queensland Investment Corporation	3,721,317	1.39
Citicorp Nominees Pty Limited	3,664,688	1.37
IOOF Investment Management Limited	3,466,522	1.30
Cogent Nominees Pty Ltd (SMP Accounts)	2,736,942	1.03
Permanent Trustee Australia Limited (PAR0002 A/C)	2,667,494	1.00
ARGO Investments Limited	2,469,884	0.93
Guardian Trust Australia Limited (TASWP A/C)	1,991,757	0.75
Guardian Trust Australia Ltd (TACSVP)	1,795,279	0.67
PSS Board	1,429,972	0.54
CSS Board	1,417,473	0.53
	153,036,392	57.36

Substantial Shareholders

The following shareholders are registered by the Company as a substantial shareholder, having declared a relevant interest in accordance with the Corporations Law in the percentage of voting shares shown below:

Perpetual Trustees Australia Limited	6.33%
Perennial Value Management Limited	5.06%
AMP Limited	6.03%
Paradice Cooper Investors Pty Ltd	5.24%
GMO Australia	6.23%
Barclays Global Investors Australia Limited (GDIAL)	6.45%

Shareholder Information as at 26 August 2003

DIRECTORS' HOLDINGS

On 26 August 2003 the directors of Ridley Corporation Limited had an interest in the following shares and employee share options.

	Fully Paid Ordinary Shares	Ridley Employee Options	Ridley Inc. Shares	Ridley Inc. Employee Options
J S Keniry	567,123	–	800	42,000
E B Bryan	14,246	–	–	–
R J Lee	50,000	–	–	–
R J Lotze	100,365	–	–	–
D G McGauchie	170,000	–	–	–
M P Bickford-Smith	63,776	1,500,000	–	–
A L Vizard	6,569	–	–	–

VOTING RIGHTS

As at 26 August 2003 the number of holders of fully paid ordinary shares with full voting rights was 11,859. On a show of hands, every person present who is a member or a representative of a member has one vote. On a poll, each shareholder is entitled to one vote for each fully paid share held. A shareholder may appoint a maximum of two proxies to represent them at general meetings.

AUSTRALIAN STOCK EXCHANGE

The ordinary shares of the Company are listed on the Australian Stock Exchange and trade under **RIC**.

TORONTO STOCK EXCHANGE

Ridley Inc. (70% owned by Ridley Corporation Limited) is listed on the Toronto Stock Exchange and trades under **RCL**.

RIDLEY WEBSITE – www.ridley.com.au

The website provides access to all announcements issued to the Stock Exchange, copies of Annual Reports and shareholder information.

SHARE REGISTRY

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corporate directory

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Facsimile: 02 8227 6002

Email: secretary@ridley.com.au

Chairman

J S Keniry

Managing Director and CEO

M P Bickford-Smith

Chief Financial Officer

I Wilton

Company Secretary

C J Priestley

Auditors

PricewaterhouseCoopers

Solicitors

Allens Arthur Robinson

RIDLEY AGRIPRODUCTS PTY LIMITED – Head Office

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Facsimile: 03 5941 3459

Chief Executive Officer

A D (Sandy) Murdoch

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Chief Executive Officer

W J Poynton

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President and CEO

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