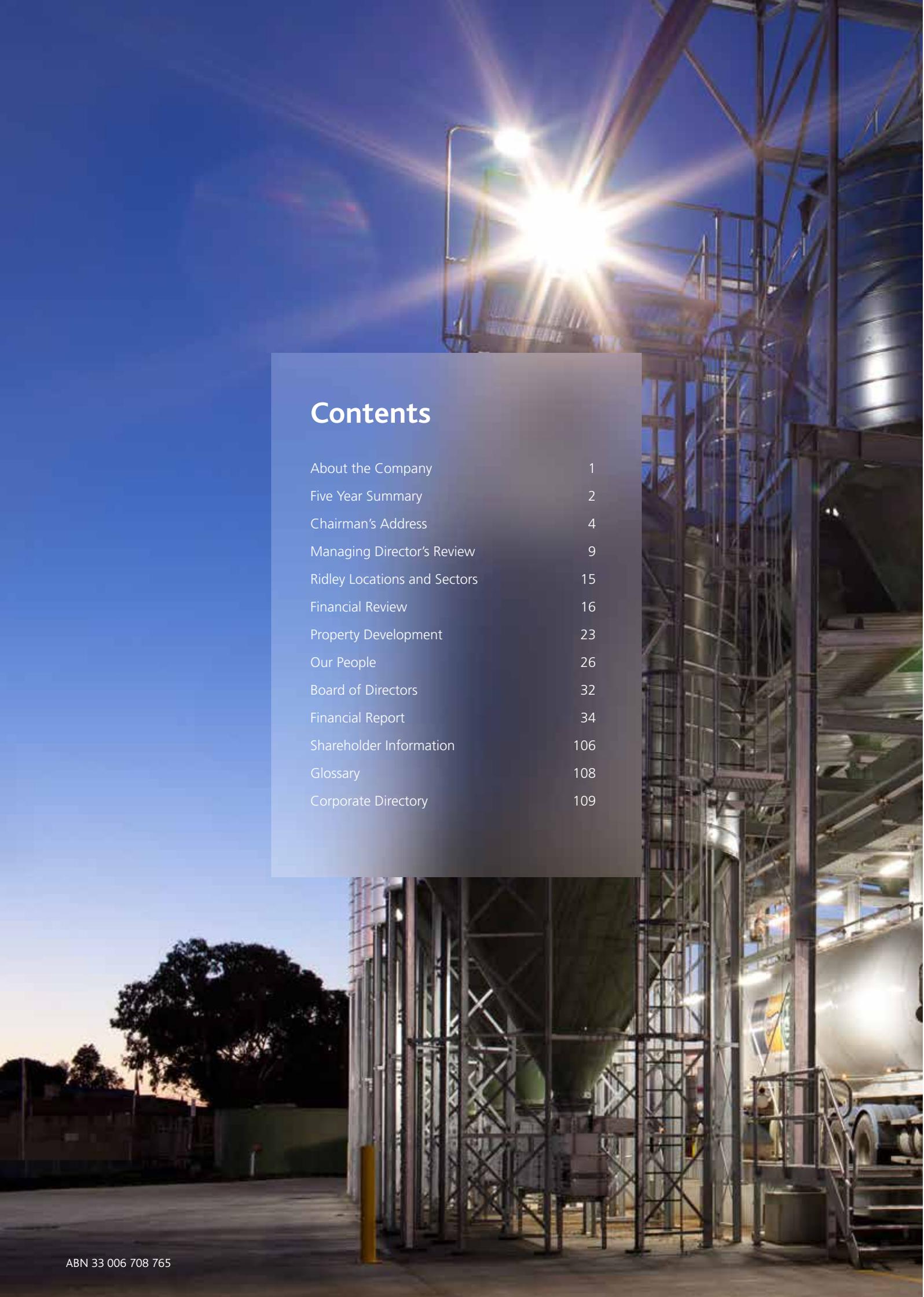
The background of the entire page is a photograph of an industrial facility, likely a feed mill. It features a complex network of metal structures, including a large vertical silo on the right, a conveyor system, and a white semi-truck with its headlights on in the lower right. The scene is lit with a bright, low-angle light source, creating a hazy, atmospheric effect.

High Performance  
Animal Nutrition  
Solutions

Annual Report  
2014



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# About the Company

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

## 2014 Features

Record operating result for Ridley's agribusiness of \$40.1 million

Positive recovery in Dairy sector and stabilisation of Aquafeed

Opportunistic land sales generating \$4.5 million of proceeds

Moolap development partner selected and engaged

Strong Balance Sheet with capacity for growth



### Ridley AgriProducts

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

Ridley's product range includes finished products, in bulk or in bags and generally in pellet form, raw materials, additives and supplements, and animal meals. The Ridley animal meals, which include meat and bone meal, poultry meal, hydrolysed feather meal, blood meal, fish meal and animal fats, are an important and valuable source of protein produced from otherwise surplus raw materials which are subjected to a process called rendering.

With major brands including Barastoc, Rumevite, Cobber and Primo, and with a product range to accommodate starter feed solutions, Ridley has developed a portfolio that provides a first-class life cycle solution.



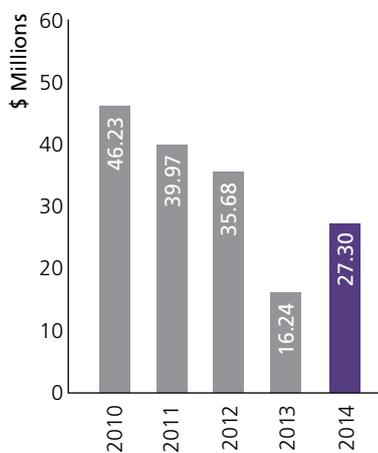
# Five Year Summary

A'000 Unless Otherwise Stated	2014 Actual	2013 Actual	2012 Actual	2011 Actual	2010 Actual
<b>Operating results</b>					
Revenue	873,625	783,226	734,695	723,702	727,968
Other income	5,972	321	1,674	1,241	1,102
Earnings before interest, tax, depreciation and amortisation (EBITDA)	41,012	1,252	50,086	54,218	58,486
Earnings before interest and tax (EBIT)	27,436	(13,272)	35,682	39,965	46,234
Net interest expense/finance charge	5,392	7,737	9,327	9,725	8,156
Operating profit before tax	22,043	(21,009)	26,355	30,240	38,078
Tax expense	4,430	(4,423)	7,102	924	8,985
Net profit before significant items	17,613	(16,586)	19,253	29,316	29,093
Significant items – net of tax and MI	-	-	-	-	-
Net profit after tax and significant items	17,613	(16,586)	19,253	29,316	29,093
Loss from discontinued operation (net of tax)	-	(5,108)	-	-	-
Profit/(loss) attributable to members	17,613	(21,694)	19,253	29,316	29,093
<b>Financial position</b>					
Ridley shareholders' funds <sup>#</sup>	219,774	207,553	278,371	282,618	285,157
Total assets <sup>#</sup>	423,091	410,626	499,561	510,640	484,300
Total liabilities <sup>#</sup>	203,317	203,073	221,190	228,022	199,143
Net debt	36,343	17,835	98,151	102,139	71,981
Market capitalisation	244,715	230,863	313,973	378,615	353,990
Enterprise value	281,058	248,698	412,124	480,754	425,971
Operating cash flow	31,349	52,583	50,896	35,472	39,426
Closing share price (cents)	79.50	75.00	102.00	123.00	115.00
Weighted average number of shares on issue – non-diluted (thousands)	307,817	307,817	307,817	307,817	307,817
Number of employees (number)	658	649	961	948	974
<b>Key profitability ratios</b>					
Return on shareholders' funds before discontinued operations and significant items (%)	7.8%	-6.8%	6.9%	10.3%	10.4%
Earnings per share (EPS) before significant items and discontinued operation (cents)	5.7	(7.0)	6.3	9.5	9.5
EPS growth (%)	181.2%	-212.7%	-34.3%	1.1%	39.7%
EBIT growth (%)	306.7%	-137.2%	-10.7%	-13.6%	22.9%
Operating cash flow/EBITDA (times)	0.76	41.99	1.02	0.65	0.67
Operating cash flow per share (cents)	0.10	0.17	0.17	0.12	0.13
Share price/operating cash flow (times)	7.8	4.4	6.2	10.7	9.0
EBIT per employee (A\$'000)	41.7	(20.5)	37.1	42.2	47.5
<b>Capital market and structure ratios</b>					
EBITx (market cap/EBIT)	8.9x	-17.4x	8.8x	9.5x	7.7x
EBITDA per share (cents)	13.3	0.4	16.3	17.6	19.0
EBITDA growth (%)	3175%	-97%	-8%	-7%	20%
EBITDAx (market cap/EBITDA)	6.0x	184.4x	6.3x	7.0x	6.0x
Enterprise value/EBITDA (multiple)	6.9	198.6	8.2	8.9	7.3
P/E ratio (no. of times)	13.9	(10.6)	16.3	12.9	12.2
Net debt/shareholders' equity (%)	16.5%	8.6%	35.3%	36.1%	25.2%
Equity/total assets (%)	51.9%	50.5%	55.7%	55.3%	58.9%
Net debt/EBITDA (times)	0.9	14.2	2.0	1.9	1.2
EBIT/net interest (times)	5.1	(1.7)	3.8	4.1	5.7
Net tangible asset backing per share (cents)	45.2	42.1	75.9	77.4	83.1
Dividends per share (cents)	1.50	- <sup>^</sup>	7.50	7.50	7.25
Dividend payout ratio (%)	26%	- <sup>^</sup>	120%	79%	77%
Percentage franked (%)	50%	- <sup>^</sup>	100%	Nil	Nil

<sup>#</sup> 2012 and 2011 restated for change in accounting policy for land and buildings.

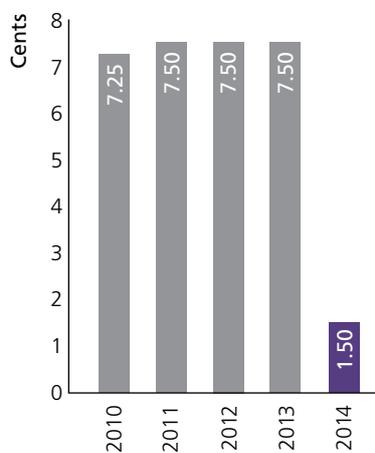
<sup>^</sup> Capital return of 7.5 cents per share brought to account in FY13 and paid on 5 July 2013.

### EBIT from continuing operations\*



\* 2013 before Business restructuring.

### Dividends and distributions per share#

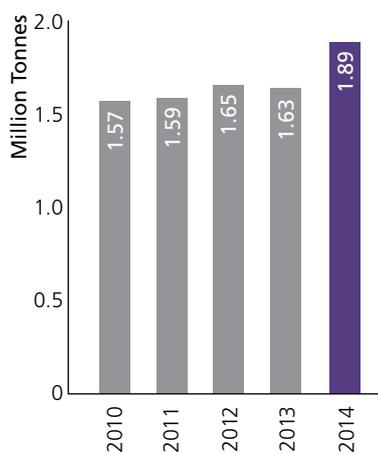


# 2013 distribution to shareholders by way of 7.50 cents capital return. 2014 final dividend yet to be determined.

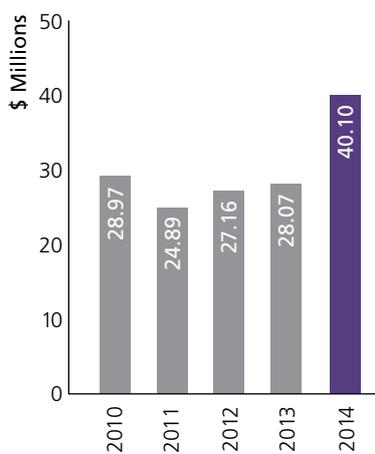
### Consolidated net profit



### Ridley AgriProducts volume



### Ridley AgriProducts operating EBIT



# Chairman's Address



John M Spark  
Chair

This year has been one of consolidation following the major acquisition, divestment and restructure of the previous year. Our activities have been concentrated on improving our existing business and establishing a path of long term sustainable growth in all of our key agribusiness markets of poultry, pig, dairy, and aquafeed. The new management team has delivered a pleasing agribusiness result of \$40.1 million of EBIT, and we believe we have the capacity for sustainable growth in all key sectors of our business.

## Sectors

Our prior year rendering acquisition at Laverton has performed reasonably since joining Ridley on 1 January 2013 in the face of domestic meal price softness caused by the closure of the overseas poultry meal markets following the outbreak of avian influenza at Young in New South Wales as reported in October 2013.

The fact that our two largest Thai customers for Maroota-rendered poultry meal were able to successfully lobby to continue receiving our product was testament to the reputation for reliability and quality developed at Maroota over a long period of time.

In 2014 our Dairy business recovered stronger than expected from the sharp lows in confidence experienced in January and February 2013. Our Aquafeed business also performed above expectation with strong volume in salmon and also recoveries in sales of prawn, barramundi and kingfish aquafeed. We are optimistic in each of these two sectors for the year ahead and believe that Dairy should see another good year with high milk prices relative to the cost of feed. Developments in Aquafeed diets are expected to maintain a commercially attractive position against the local competition and a superior value proposition to imported products.

Our poultry mills are well located to take advantage of increasing bird numbers in all the key forecast growth regions for the poultry industry, for which

the experts are continuing to forecast modest but compounding growth into the foreseeable future.

Our challenge will be to make sure that we continue to provide the most compelling customer value proposition by having the actual and back-up capacity necessary to deliver high quality and reliable product on a timely basis.

Our engineering team will be tasked with identifying capacity constraints at each site operating at or near full capacity and recommending the most efficient capital solutions to address them within a macro capital expenditure framework for the business.

## Capital return

Having been approved at the Ridley shareholders' meeting in late June 2013, the return of 7.5 cents per share of Ridley capital was effected in early July 2013. We were able to issue the final ATO Class Ruling for the capital return on 5 August 2013 which confirmed the expected tax treatment as a reduction of the cost base of Ridley shares.

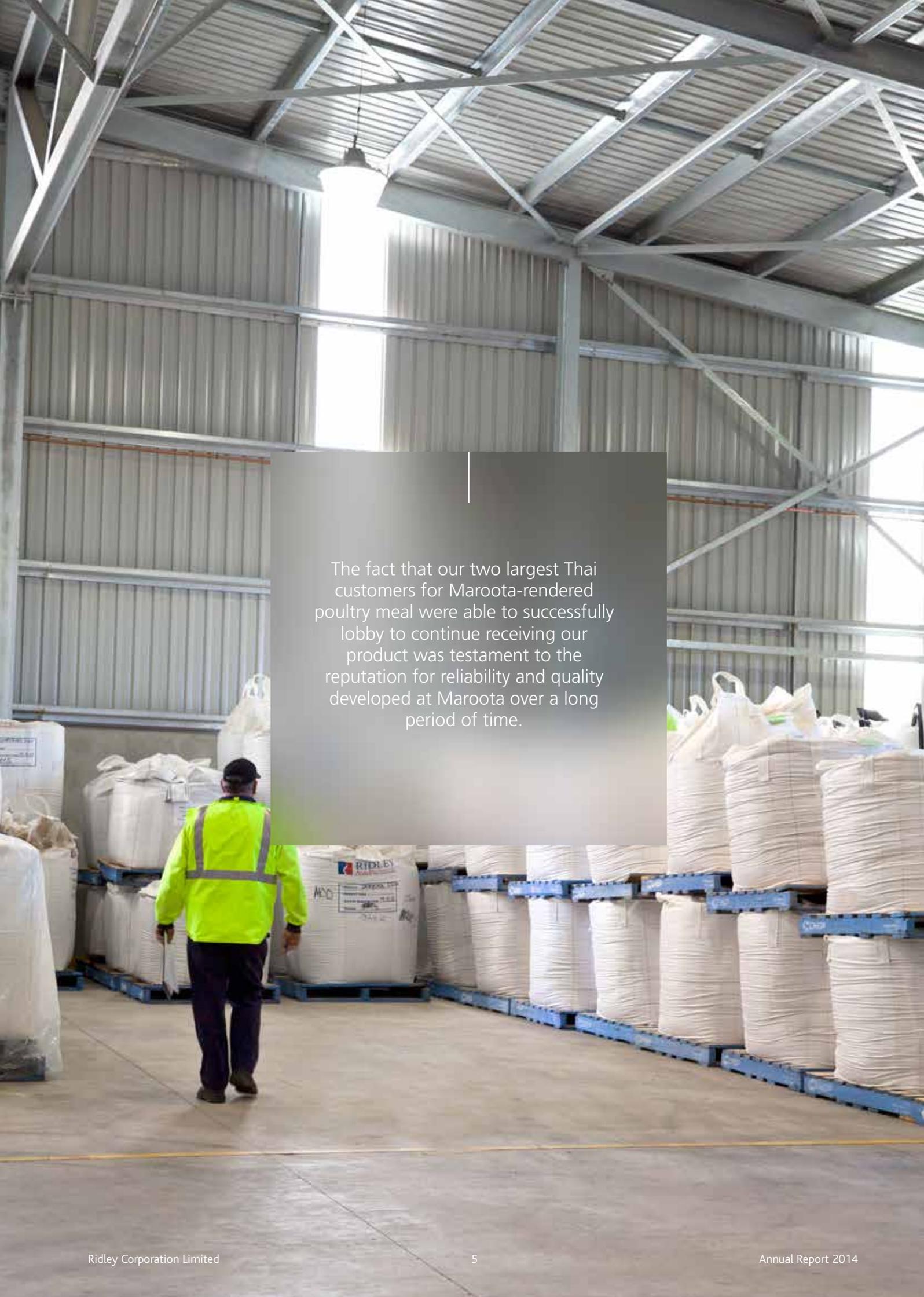
## Bank facilities

In December 2013 our banking relationships were strengthened through the rollover of the existing twin bank facility for a further five-year term. The new facility remains unsecured and operates within appropriate banking covenants which provide significant head room for expansion activities.

## Land

In February 2014 we announced the sale of the former salt field site at Bowen in Queensland. In addition to a small over-recovery of the book value of the assets in cash, we were able to relieve ourselves of the ongoing maintenance and other costs for the site.

The 11 April 2014 announcement of the appointment of a Voluntary Administrator to the Penrice group of companies effectively removed the possibility of Ridley being able to receive any compensation for the early termination by Penrice of the take or pay Supply Agreement with that entity. Having identified alternative sources for our sodium bicarbonate requirements and closely managed the situation since cessation of salt supply on 30 June 2013, we were able to restrict the ultimate debt write off to a pre-tax amount of \$1 million and activate new sources of sodium bicarbonate to ensure continuity of raw material supply to our mills.



The fact that our two largest Thai customers for Maroota-rendered poultry meal were able to successfully lobby to continue receiving our product was testament to the reputation for reliability and quality developed at Maroota over a long period of time.

In June 2014 we were delighted to announce the appointment of Sanctuary Living as our development partner for the proposed project at Moolap, just beyond Geelong in Victoria. This appointment followed an extensive selection process and a visit by the Ridley Board to the community of Sanctuary Lakes, 20 minutes' drive from the Melbourne Central Business District. Sanctuary Lakes is a master planned community developed from a former salt field by Sanctuary Living and a shining example of the vision and capacity for project delivery that the Ridley Board was looking for. We are now working with our partner towards securing the necessary approvals to redevelop the site but are being cautious with our timeframes given the modern-day complexities associated with any new development.

On 30 June 2014 we sold surplus Ridley property located north of the former Dry Creek salt field in South Australia and executed an agreement to sell the former feedmill site at Dalby in Queensland, a transaction which was completed on 11 August 2014. These transactions represent a significant move forward in our property realisation strategy, which contributed in excess of \$4.5 million proceeds and \$2 million profit for the year. In addition, Ridley no longer has any property holding costs associated with any of these sites.

## Benchmarking opportunities

In April/May of this year, the Ridley Board met with a number of representatives from US feedmillers, grain traders, veterinarians, renderers and feedlot dairy farmers during a week-long visit to Omaha, Nebraska which was arranged by AGR Partners. Having joined the share register late last year, AGR Partners and their nominated representative to the Ridley Board, Mr Ejnar Knudsen, have been very supportive of the business and have proactively introduced a number of overseas third parties to the Company who have provided valuable benchmarking opportunities and ideas.

## Outlook

At the November 2013 Annual General Meeting I noted that we are currently undertaking a review of our existing mill assets as a basis for modernisation, renewal, consolidation and expansion and that we were looking to conclude that exercise in the year. The recent announcement on 7 August 2014 of the acquisition of a strategic parcel of land on the north eastern outskirts of Geelong in Victoria is the first announcement emanating from this work.

The land parcel at north eastern Geelong comprises a total of 5.3 hectares on two titles, with frontage and easy access to the Princes Highway just outside of Geelong. The land also contains significant grain silo storage, which is in good condition and can accommodate approximately 21,000 tonnes of grain, and other infrastructure which will be of value in any foreseeable development of the site. Our long term aspiration is to build a monogastric (poultry and pig) feedmill on the site, whilst continuing to share raw material synergies on the silo infrastructure arrangement with Riordan. The decision to construct a new feedmill will be subject to planning approval, local and state government support, and customer commitment before it can be formally considered.

The land acquisition is important for us because although we already have established facilities west of Melbourne with the rendering operation at Laverton and dairy mill at Terang in western Victoria, we do not yet have a poultry or pig feed presence in that area. The area around Geelong and wider western Victoria is going to be a key growth area for broiler (chicken meat) farms. A new facility within this growth region, which also benefits from proximity to raw material grain supply, would allow us to service our customers' growth in this region much more effectively and would also represent a major new offering for pig and chicken layer farmers in the region.

This is exactly the kind of opportunity identified in the core business review and we expect to announce more initiatives during the coming year once we have secured the additional feedstock volumes and/or savings in logistics required for a number of potential projects to hurdle.

The partnership with Sanctuary Living is expected to accelerate the Moolap development process and we are separately testing the market by seeking expressions of interest for various parcels of land at both Lara and Dry Creek. Responses from these processes which the Board considers to have the capacity to deliver a favourable outcome for Ridley shareholders, will be pursued, otherwise we will continue to be patient in our endeavour to secure the development approvals that will generate an uplift in land values.

## Future

The outlook for Ridley as a dedicated agribusiness remains positive, not only with business improvement and organic growth opportunities but also with our perennial pursuit of 'bolt-on' or larger scale acquisition opportunities which meet our requirements in respect of core competencies, synergies and hurdle rates. Our stable share register, banking relationships, Board continuity and restructured management team combine to provide us with a very solid platform for growth.

I would particularly like to thank all the staff and management for what has been a progressive year in our endeavour to grow all of the Ridley businesses.



John M Spark  
Chair



Our challenge will be to make sure that we continue to provide the most compelling customer value proposition by having the actual and back-up capacity necessary to deliver high quality and reliable product on a timely basis.



Improvements in operating performance have been recorded across all major sectors.

At Ridley we are all committed to safety and to making sure that all tasks performed in the workplace by ourselves and our contractors, suppliers and customers, are conducted in a safe and respectful manner.

# Managing Director's Review



Tim Hart  
Managing Director and  
Chief Executive Officer

In my first full year review as Managing Director of Ridley, I am delighted to be able to report a record profit in the operating business. The Ridley agribusiness EBIT of \$40.1 million is the highest on record and incorporates a full year of the Laverton rendering business which was acquired on 31 December 2012.

Improvements in operating performance have been recorded across all major sectors, with the most notable being in Dairy, where last year's operating result was severely impacted by a sharp mid-year downturn in confidence. Also pleasing is the stabilisation of the Aquafeed sector following the introduction of over-capacity in the salmon industry with the 2012 commissioning of a new Tasmanian feedmill by Ridley's largest domestic competitor. Poultry growth continues in line with the long term trend in white meat consumption.

## Safety

Safety for all persons associated with Ridley will always be my number one focus, and at Ridley we are all committed to safety and to making sure that all tasks performed in the workplace by ourselves and our contractors, suppliers and customers, are conducted in a safe and respectful manner.

Our goal is always to have zero injuries in the workplace. Our lead indicators are designed to generate a process of continuous improvement whereby hazards are identified and rectified prior to them causing any harm or damage. The replication of hazard management measures from a particular site across all Ridley sites provides an effective ratchet mechanism and leverage through which our safety systems and physical safeguards can continue to improve.

Progress in respect of safety improvements is measured through a number of performance indicators which are reported at site, management and Board meetings. Near misses and incidents are reported and investigated, solutions developed, and remedial actions taken to prevent a recurrence anywhere within Ridley.

The Long Term Injury Frequency Rate, or LTIFR, measured as the number of injuries incurring lost time for every million hours worked, was 3.29 in FY14, a slight reduction from the 3.65 recorded in FY13 and a sustained decrease from the 4.46 recorded in the prior year. The Total Recordable Frequency Rate, or TRFR, represents our total injury rate, and at 8.24 for FY14 (FY13: 8.21), represents sustained improvement from the 16.8 recorded in FY12.

We are continuing our journey on safety and to develop a culture where safety considerations are paramount and override all other behaviour.

## Core business operating performance for 2014 financial year (FY14)

The core business record performance of \$40.1 million of EBIT for FY14 includes a full year for the Laverton rendering operation and the new dairy mill at Pakenham, which were acquired and commissioned respectively mid-way through the prior year. Agribusiness sales revenue for FY14 of \$873.6 million was up \$167.3 million (23.7%) on last

year's \$706.3 million, and reflects 1.89 million tonnes of stockfeed sold, 260,000 tonnes (15.8%) up on last year.

During the year, most of the achievements were focused on internal growth, with the notable exception being the execution of a long term poultry supply contract in the first half year which has generated additional volumes from an existing customer who was then able to close their urban-located mill and offer the site for redevelopment. The costs to acquire the contract have been capitalised as an intangible asset and are being amortised over the six year initial contractual term.

The milk replacer business acquired late last year was successfully integrated during FY14 and made a positive contribution to earnings disrupted by the interruption to raw material supply caused by the Fonterra product recall.

Many of Ridley's major customers participated in a customer feedback survey and provided valuable feedback on Ridley performance which is being utilised to develop personalised customer value propositions within each Ridley business sector.

The breadth and diversity of the major operating sectors for Ridley's agribusiness continue to provide some diversification and counterbalancing of risk that underpins a stability of operating result and eliminates the extreme highs and lows that would arise if every sector was at the same point in an economic cycle.

The underlying determinants of the operating result are explained in the following sector by sector summary.

## (i) Dairy, beef and sheep

The Dairy sector started the year at a low point of a traditional three to five year economic cycle. A number of positive signals were received early in the year which helped restore confidence and accelerate the anticipated positive recovery. Dairy farmers benefited financially from successive rises in milk price, including certain retrospective payments back to the start of the financial year, whilst overseas demand for Australian dairy products benefited from a softening of raw material prices and from the retreat of the Australian dollar from the highs of recent years.

The above factors significantly improved the milk price:feed cost ratio which has a strong influence on the disposition of farmers with regard to supplementary feeding, and led to a sharp turnaround of Ridley's Dairy sector earnings from the prior year. Another two years of positive sentiment to support the economic cycle is required to return Ridley to the earnings peaks of the last five years.

Aggregate Australian milk production has stagnated at c.9 billion litres per annum despite increased demand from the region. Average annual production per cow is approximately 5,500 litres, well short of the realistic potential to produce between 7,500 and 8,000 litres. This potential will be realised by a combination of better pasture management and more consistent feeding, and will benefit not only the farmers themselves, but also the milk processors and all other participants in the supply chain. Ridley is investing in industry education to help drive this increased production and associated profitability so that returns from this sector become higher and more consistent over time.

New initiatives and technologies were developed during the year to assist with replenishment of feedstocks at customer sites, sales and operational planning, and with transport load management and efficiency. Feedmeter technology, which can manage the reorder process through a silo reading which triggers

an automated and remote feedstock order request, is being rolled out to key customer sites over the coming years.

Sales of supplementary feed for the beef and sheep component of the Dairy sector is somewhat opportunistic for Ridley and not a primary focus. That said, in drought conditions supplementary feeding is essential for the wellbeing of the livestock, and unbudgeted sales were made during the year in the drought stricken regions of Queensland and northern New South Wales which provided an additional boost to the bottom line result for the sector.

The new dairy mill at Pakenham continues to operate efficiently in tandem with the Maffra mill in Victoria's east, and provides a competitive service offering to facilitate expansion of the customer base throughout the Gippsland dairy region.

## (ii) Poultry and pig

After allowing for the new volumes associated with the new supply contract, poultry sales volumes were above and margins slightly below the prior year, acknowledging that first half margins last year were positively impacted from Ridley improving its returns by taking pricing risk on long raw material positions in sharply rising raw material markets.

Ridley continues to work closely with the major poultry producers in Australia and to grow its business in line with the compounding 2% to 3% increase in domestic demand for white meat products. Ridley's poultry mills are well positioned to support the targeted increases in bird numbers in the growth corridors of South Australia and Queensland. Through an active engagement in the long term strategic planning of the major poultry suppliers, Ridley can implement the capital expenditure projects necessary to increase production capacity to accommodate our customers' expansion plans.

Whilst a strategic review of the Pig sector is currently being finalised, the healthy state of the industry and prospects for the Pig sector have already been concluded as favourable. With the plan still in development mode, the rebuilding of this sector which

has languished since the prior year vertical integration of its largest customer has already been identified as a priority for the coming year.

## (iii) Aquafeed

The Aquafeed performance for the year was encouraging, with improvements in volume and margin recorded despite higher manufacturing costs associated with shorter runs and a higher variety of products. Prior year Tassal salmon volumes were largely replaced by increased patronage from the other Tasmanian salmon farmers whilst new salmon customers were secured in New Zealand following the completion of successful diet trials.

Sales in the prawn, barramundi and kingfish sectors all rose from last year and have a positive outlook for the year ahead. Export sales of kingfish to Japan for sushimi have benefited from the damage to the local industry caused by the recent natural disasters in Japan, and sales of Australian grown prawns are attracting a premium for the strictly controlled marine environment from which they have been harvested.

## (iv) Proteins

Both rendering operations continue to provide a reliable contribution to the operating result, with improved intake levels recorded for the year at Laverton and a record annual intake recorded at Maroota in New South Wales. The increased intake volumes partially offset the weaker selling prices driven by the overseas market restrictions caused by the outbreak of avian influenza in Australia.

When overseas markets close following an outbreak, poultry meal which would ordinarily be exported is introduced into the domestic market, causing price weakness and the potential for product switching based on protein pricing relativities. The financial impact of the market closures was mitigated by the strength of the relationships with two pet food manufacturer customers in Thailand who successfully lobbied their government to continue to receive product throughout the period of market closure.

The result from the Laverton site for the year was impacted by a number of plant breakdowns and higher than budgeted repairs and maintenance. The installation of a new drier and gearboxes and implementation of a comprehensive program of preventive maintenance, are expected to improve plant reliability and returns in the coming year.

#### (v) Packaged Products

Packaged Products volumes and margins have been maintained in a market where competitors have fought aggressively to maintain market share. A program of price increases across the product range in the second half year improved margins whilst maintaining volume, and demonstrated the brand loyalty developed through the reliable delivery of a quality product over many years.

Initiatives in social media have been introduced during the year to engage the younger generation, such as the Microsteed interactive horse rationing program launched on the website and for application through smart phones. A new program for community engagement, promotional offers and distribution of flyers and catalogues throughout the regional store networks has been introduced during the year to be more targeted towards specific areas of interest and seasonal requirements.

#### (vi) Supplements

For the second successive year, the Supplements business generated positive earnings. The first half year earnings were hampered by plant failures which interrupted the stock build and led to there being insufficient inventory relative to demand during the peak season. Management has developed a proactive program of plant maintenance and is actively working to ensure that the infrastructure at the Townsville plant in northern Queensland, where operations are now centralised following the prior year restructure, is adequate to meet peak demands and provide sustainable improvements in returns from these assets.

### Property realisation

Our internal property development team was bolstered during the year by the appointment of a dedicated and highly knowledgeable Land Management Consultant, and the part-time appointment of a qualified lawyer, who has been instrumental in successfully working through the legal issues associated with site closures and the land sales which concluded on 30 June 2014.

It was pleasing to be able to achieve a number of land sales which are described in detail in the Property section of this Annual Report, and which generated aggregate cash proceeds in the vicinity of \$4.5 million and profits on sale slightly in excess of \$2.0 million.

A number of initiatives have commenced to test the market and alternative uses for the South Australian asset at Dry Creek and Victorian asset at Lara. We will examine the responses received from the respective expression of interest processes during the coming months.

As part of the expression of interest process, each site has been disaggregated in order to provide greater flexibility in alternative uses and to increase the likelihood of a competitive process. Opportunities which the Ridley Board believes can deliver an appropriate value uplift for Ridley shareholders will be actively pursued in the coming year.

Work has continued throughout the year on the closure of the Dry Creek salt field, which by its very nature will continue to make salt whilst seawater flows through the various condensing ponds. A significant amount of soil and discharge testing has been undertaken during the year as part of the process to achieve sign off from the South Australian Government on a formal closure plan.

Site redevelopment activities have been running concurrently with the closure process, and the Dry Creek site and adjacent Ridley landholdings to the north continue to present a unique opportunity to secure the growth capacity for Adelaide for the next 50 years.

We were delighted during the year to be able to secure a development partner for the Moolap site of the calibre of Sanctuary Living, whose track record for transformation of Victorian land banks into state of the art master planned communities is second to none. We have pooled our collective resources and are working together to expedite the development approvals.

### Dry Creek compensation

After all the work conducted in the prior year to realise value for Ridley shareholders, it is disappointing that the inability of Penrice to secure financier approval and its subsequent demise in FY14 removes the opportunity to recover any part of the compensation payable to Ridley in consideration for the early termination by Penrice of its long term take or pay contract.

### Corporate governance

In accordance with the latest ASX Corporate Governance Principles and Recommendations, for the first time this year, Ridley is publishing its Corporate Governance Statement in the Investor section of the Ridley website rather than in this Annual Report.

### External relations

During the year Ridley recruited a resource to assist in advocating a number of initiatives with governments and with key industry associations, with the aim of not only improving sustainable returns for Ridley shareholders but of also establishing and supporting a robust Australian AgriFood supply chain which is the envy of Asia and its rapidly expanding population.

During the year Ridley made a submission to Minister Joyce for the *Agricultural Competitiveness White Paper*. Key areas addressed in the submission reinforced the need for integrated national infrastructure pipelines from the farm gate, across processing and manufacturing supply chains, to the customer end user. Farmer education and capability building were also noted as being an important catalyst to successfully implement the changes required and to generate more innovation.

The benefits of fostering a vibrant domestic AgriFood processing and manufacturing supply chain through accelerated capital depreciation, more sophisticated innovation and government investment support criteria were included in the submission, together with improved government resourcing to address non-tariff barriers to trade and enforce industry bio-security standards.

Some key other areas of focus during the year included:

- improving market access to key agricultural export markets, including Indonesia and China. This year Ridley has invested in strengthening the commercial, government and industry relationships in Indonesia, which was our largest export market for poultry meal before the avian influenza outbreak in October 2013. We are continuing to assist key government departments in lifting the embargo as quickly as possible and minimising the non-tariff barriers, while forging strategic commercial relationships that we can leverage once access is reopened;
- raising the standards in the animal feed industry and the supply chain, including collaboration with farmers, customers, suppliers and other key supply chain influencers to raise the collective bar;
- enhancing competitiveness of Australian manufacturing, including improving the price of domestic energy supply, the effectiveness of transport infrastructure and telecommunications infrastructure in rural and regional areas, and cutting green and red tape, as well as ensuring the application of consistent and effective environmental standards across all states; and
- supporting the development of a strong 'brand Australia' to generate sustainable demand and premiums for high quality.

From a purely Ridley perspective, Ridley has been working closely with local, state and federal governments, as well as other key stakeholders, to optimise the potential returns for our mill expansion and modernisation plans, through which we will increase our

capacity, operating efficiency and product offering, in areas with the greatest opportunity and benefit for our shareholders and for the local communities.

## Our people

I am encouraged by the honesty of our employees and their ideas for improvement as reflected in the responses to the Employee Opinion Survey conducted during the year. The management team is developing a series of initiatives to address common themes and generally improve the level of communication throughout the geographically diverse business.

The completion of the scheduled training program for the year is encouraging, and staff throughout the organisation have embraced the opportunity to enhance their skill set, improve their knowledge of safety processes and procedures, and take advantage of the dedicated desktop training facility now existing at every site.

The emerging leader and leadership programs introduced two years ago, together with the mentoring and networking training, continue to be successful and to provide a pathway for succession planning and opportunities for career progression within Ridley.

More details of each of these initiatives are provided in the Our People section of this 2014 Annual Report.

## Our communities

During the second year of our three year partnership commitment to the Garvan Institute and Aussie Helpers, the Ridley Board visited the world-class Garvan facility in Sydney and was encouraged by the progress being made at the cutting edge of oncology research and treatment. Ongoing support to farmers in need in many of the rural communities where Ridley has operations continued to be provided in the form of both monetary and physical assistance.

Ridley also continues to provide support to local community groups in the rural areas where our manufacturing plants are located.

## Research and development innovation

In order to maintain our reputation for quality products with optimum conversion of feed to output, we need to leverage our support services and convert the expertise into bottom line results for our customers and shareholders. We are always looking for advancement of our scientifically formulated diets to improve the wellbeing and performance of our customers' livestock. This duty of care extends to an appropriate segregation of mill activities to minimise the risk of contamination.

At Ridley, we have a technical support team which manages a program of Research and Development and adopts a stage gate process and project ranking system designed to appropriately prioritise the scarce resources allocated to innovation projects. The critical technical aspects of a project are challenged as early as possible within a project to minimise the costs associated with project failure.

We are continually looking for research programs which can contribute to Ridley maintaining and improving its position as a critical supplier in the world's increasingly challenging quest for protein.

## Outlook

The explosion in dried milk product demand from Asia over the last decade shows no sign of abatement. The Horizon 2020 predictions reflect strong growth in Asian demand for all dairy products for the foreseeable future and China's increasing demand for imported product, coupled with population growth and increasing affluence. Australia is well placed to participate in this growth and has the ability to lift the average milk yield per cow, which has stagnated in recent years. Dairy farmers relying upon pasture and silage have an opportunity to elevate milk yields from their existing footprint simply through the adoption of systematic programs of supplementary feeding, and this represents a significant long term growth avenue for Ridley. In the short term, continuation of the favourable milk price:feed cost ratio is expected to support another good year in Dairy.



We are always looking for advancement of our scientifically formulated diets to improve the wellbeing and performance of our customers' livestock. This duty of care extends to an appropriate segregation of mill activities to minimise the risk of contamination.

# Managing Director's Review continued

The successful construction and operation of the new Pakenham mill provides an excellent platform not only to target new volumes in the Gippsland dairy heartland and in Tasmania, but also for the mill modernisation program currently under review. Straightforward replacement of an ageing mill with a new facility does not meet the Ridley hurdle rate required for a project to proceed. A combination of incremental volume, and proximity to markets and raw materials to generate freight savings, is required before a new mill project will be approved. We are continuing to look for and negotiate opportunities to lift project returns from the cost of capital to the internal hurdle rate.

During the year, a new facility was leased and some second-hand plant was purchased at Cherry Lane, near to the Laverton rendering site. This facility affords the Victorian Rendering operation the ability to store product which to date would have had to be sold within a short period of time given the absence of onsite storage. In addition, the new Cherry Lane operation facilitates the blending of rendered animal meals, whereby product specification can be upgraded to generate significant uplifts in selling prices and margins.

With a comprehensive maintenance program in place and given the investment in plant made during the year, an improvement in plant operating efficiency is expected in FY15 for the Laverton site. Absent any further outbreaks of avian influenza in the coming year, it is likely that the overseas market restrictions for Australian poultry meal will be lifted, and this should have a positive effect on selling prices in accordance with the rudimentary forces of supply and demand.

Consolidation of the FY14 recovery in Ridley Aquafeed is anticipated for the coming year, and Packaged Products' margin management and new marketing initiatives are expected to deliver an improved result.

The Supplements business will benefit from an uninterrupted stockbuild which commenced in June 2014 and will continue through the first quarter of the coming year.

It is expected that the higher FY14 costs of advancing the property development approvals will continue in FY15, with the potential for offset by piecemeal sales of surplus properties and with the Moolap development approval costs being shared on a 50:50 basis with our development partner.

The closure of the Dry Creek operation will take more than a single year to conclude and a development approval process will run in parallel. The outcomes of the expression of interest processes for the Lara and Dry Creek site will be known by the end of the first half of FY15 and any realistic opportunities to deliver value to Ridley shareholders will be contemplated and actioned by the Ridley Board accordingly.

In addition to organic growth opportunities, we will continue to actively pursue acquisition opportunities consistent with our long term strategy for Ridley to be Australia's leading producer of premium quality, high performance animal nutrition solutions.



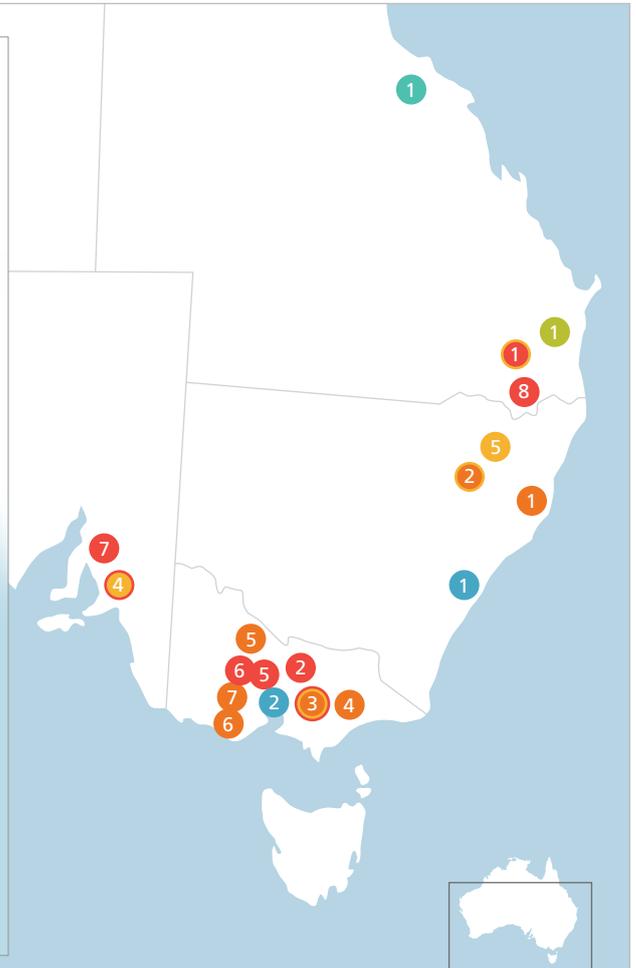
Tim Hart  
Managing Director and  
Chief Executive Officer

# Ridley Locations and Sectors

## From field to food

Ridley is a proud partner of Australian agriculture, driving productivity and performance in response to the needs of an ever-growing population and the welfare of our agricultural community.

Business Unit	Structure
<b>Monogastric</b>	Pellet, meals, concentrates and premixes for poultry and pigs
<b>Ruminant</b>	Pellets, meals, concentrates and premixes for dairy cattle, beef cattle, lambs, ewes and rams
<b>Packaged Products</b>	Bagged poultry, dairy, dog, horse and lifestyle animal feed
<b>Aquafeeds</b>	Extruded and steam pelleted products and advice for all major fin-fish and prawns
<b>Supplements</b>	Block and loose lick ruminant supplements
<b>Rendering</b>	Rendered poultry, red meat and fish products for the pet food and aquaculture sectors



		Business Unit											
		Monogastric		Ruminant		Packaged		Aquafeeds		Supplements		Rendering	
Ridley Assets	1	Toowoomba	1	Taree	1	Toowoomba	1	Narangba	1	Townsville	1	Maroota	
	2	Mooroopna	2	Tamworth	2	Tamworth					2	Laverton	
	3	Pakenham	3	Pakenham	3	Pakenham							
	4	Murray Bridge	4	Maffra	4	Murray Bridge							
	5	Bendigo	5	Gunbower	5	Inverell							
	6	St Arnaud	6	Terang									
	7	Wasleys	7	Noorat									
	8	Clifton											

# Financial Review



Alan Boyd  
Chief Financial Officer and  
Company Secretary

Ridley has reported EBIT from continuing operations and before non-recurring costs for the year of \$28.9 million, an increase of \$5.0 million on the \$23.9 million prior year equivalent.

## Operating result

A consolidated profit after tax of \$17.6 million has been recorded for the 2014 financial year, a significant turnaround from the prior year result which was affected by a number of impairments and the sale of Cheetham Salt.

Within the consolidated result, the Ridley agribusiness recorded an EBIT of \$40.1 million, \$12.0 million up on the prior year and including a full year of the Laverton rendering operation.

The full year consolidated EBIT of \$28.9 million before non-recurring items comprises the Ridley agribusiness result, Corporate costs of \$8.6 million, Non-Dry Creek Property costs of \$2.2 million, and Dry Creek net operating costs of \$0.4 million.

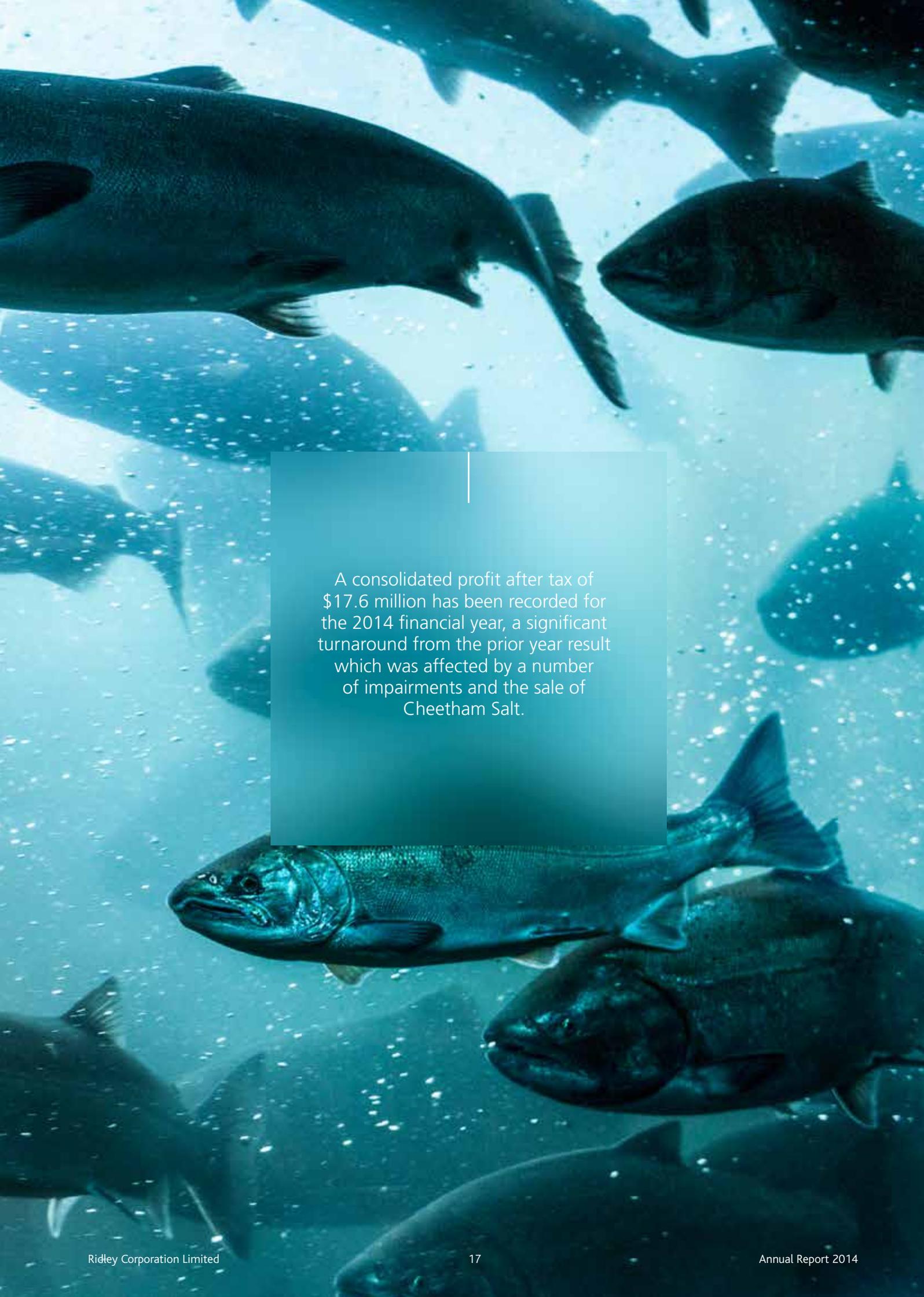
Net finance costs for the year of \$5.4 million reflect a full year at the lower level of gearing following the prior year application of Cheetham Salt sale proceeds to debt retirement, whilst the tax expense for the current year of \$4.4 million has been positively impacted by a prior year over-provision of \$1.0 million.

## Sales revenue and gross profit

Agribusiness sales revenue for FY14 of \$873.6 million was up \$167.3 million (23.7%) on last year's \$706.3 million (excludes \$10.0 million of 2013 salt sales), and reflects 1.89 million tonnes of stockfeed sold. This is 260,000 tonnes (15.8%) up on last year and includes a full year's contribution from the Laverton rendering site. Consolidated gross profit from continuing operations was \$65.9 million, \$9.5 million above last year's \$56.4 million equivalent.

## Results Summary

	2014	2013
Table 1	\$'000	\$'000
Profit/(loss) from continuing operations before income tax	22,043	(21,009)
Income tax (expense)/benefit	(4,430)	4,423
Profit/(loss) from continuing operations after income tax expense	17,613	(16,586)
Profit/(loss) from discontinued operation after tax	-	(5,108)
Net profit/(loss) attributable to members of Ridley Corporation Limited	17,613	(21,694)



A consolidated profit after tax of \$17.6 million has been recorded for the 2014 financial year, a significant turnaround from the prior year result which was affected by a number of impairments and the sale of Cheetham Salt.

## Profit and loss account

Table 2

Profit and loss account in \$ million	2014	2013	Movement
<b>Earnings from operations before finance income and expense and tax expense (EBIT):</b>			
Ridley AgriProducts	40.1	28.1	12.0
Corporate	(8.6)	(5.7)	(2.9)
Property – Dry Creek	(0.4)	3.4	(3.8)
– other	(2.2)	(1.9)	(0.3)
<b>EBIT from operations before non-recurring costs and discontinued operation</b>	<b>28.9</b>	<b>23.9</b>	<b>5.0</b>
Net finance costs	(5.4)	(7.7)	2.3
Income tax expense (2013: excluding non-recurring transactions and discontinued operation)	(4.4)	(4.3)	(0.1)
<b>Net profit from continuing operations after tax before non-recurring costs</b>	<b>19.1</b>	<b>11.9</b>	<b>7.2</b>
<b>Other, non-recurring costs incurred:</b>			
Write off of Penrice debt#	(1.0)	-	(1.0)
Write off of Dry Creek goodwill	-	(5.0)	5.0
Impairment and write off of Dry Creek salt fields and assets	-	(29.0)	29.0
Transaction costs	(0.5)	(3.2)	2.7
Tax effect of non-recurring transactions	-	8.7	(8.7)
<b>Reported net profit/(loss) from continuing operations</b>	<b>17.6</b>	<b>(16.6)</b>	<b>34.2</b>
Discontinued operation	-	(5.1)	5.1
<b>Reported net profit/(loss)</b>	<b>17.6</b>	<b>(21.7)</b>	<b>39.3</b>
<b>Earnings per share (cents):</b>			
(i) continuing	5.7	(5.4)	11.1
(ii) reported	5.7	(7.0)	12.7

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

# \$0.3 million tax benefit included as an offset of current year tax expense.

### Corporate and Property costs

Corporate costs of \$8.6 million have increased by \$2.9 million from the prior year. The prior year comparative was reduced by the allocation of \$1.1 million of share-based payments to the discontinued operation.

Property costs of \$2.2 million are \$0.3 million higher than the prior period due to an increase in consulting and advisory activity for the Moolap and Lara sites, and for the Dalby and Dandenong sites which are currently held for sale.

A net loss of \$0.4 million has been recorded in respect of the wind up of the Dry Creek operation. This figure includes the benefit of \$2.5 million of profits from sales of land. It is anticipated that agreement can be reached in the near future with the South Australian authorities on the closure plan for the former salt field,

the implementation of which will facilitate the cessation of certain maintenance activities which have incurred significant costs in the period.

### Net finance costs

The net finance costs of \$5.4 million are \$2.3 million lower than the prior period (2013: \$7.7 million). The reduction reflects a combination of continuing low interest rates throughout the year and a full year of lower debt levels following the prior year retirement of debt from the Cheetham Salt sale proceeds.

### Income tax expense

The tax expense of \$4.4 million incorporates a positive \$1.0 million over provision in the prior year relating to the finalisation of the tax calculations associated with the Cheetham Salt divestment on 28 February 2013.

### Non-recurring costs and discontinued operations

Other than a \$0.5 million flow over of transaction costs from the prior year and the \$1.0 million write off of debt owing from Penrice following the appointment by that entity of a Voluntary Administrator, there have been no other discontinued operations or significant, non-recurring items during the 2014 financial year that warrant separate mention for the purposes of presenting the underlying result for continuing operations.

### Cash flow and working capital

The operating cash inflow for the year, as shown in Table 3, after working capital movements and maintenance capital expenditure was \$24.1 million, a decrease of \$30.2 million from the \$54.3 million recorded in the prior year. Prior year cash flows included eight months of Cheetham Salt's operating cash flows.

The reduction in Development capital expenditure figure to \$2.3 million from \$10.9 million reflects the completion of the new Pakenham mill in FY13. With Maintenance capital expenditure of \$11.4 million, the total outlay for the year of \$13.7 million closely approximates the aggregate depreciation and amortisation figure of \$13.6 million (note 3).

Payments for Intangible assets of \$5.2 million for the year include \$4.5 million related to the acquisition of a long term poultry supply contract.

Net proceeds of \$1.4 million from sales of assets comprise sale of the Bowen site and various parcels of land north of the former Dry Creek salt operation. A further \$2.7 million of Dry Creek land sales has been recognised as income in FY14 with the cash received on 1 July 2014.

The total outlay on acquisitions for the period of \$1.4 million includes an investment of \$1.0 million in Bluewave Management Inc., a company producing high protein concentrates from fish offal, as well as the payment of contingent consideration in relation to the 2013 acquisition of the Bartlett Grain tuna meal business.

The Company has paid \$1.2 million in tax instalments during the year and received a refund of prior year tax paid of \$2.8 million for a net refund of \$1.6 million.

Dividends paid during the year comprise the interim dividend of 1.5 cents per share paid on 30 April 2014.

## Cash flows for the year

Table 3 Cash flows for the year in \$ million	Year Ended	
	30 June 2014	30 June 2013
EBIT from operations after transaction costs and before discontinued operation and non-recurring costs	28.9	23.9
Net cash inflow from discontinued operation and non-recurring transaction costs	(1.5)	0.8
Depreciation and amortisation	13.6	14.5
<b>EBITDA</b>	<b>41.0</b>	<b>39.2</b>
Movement in working capital	(5.5)	26.4
Maintenance capital expenditure	(11.4)	(11.3)
<b>Operating cash flow</b>	<b>24.1</b>	<b>54.3</b>
Development capital expenditure	(2.3)	(10.9)
Payment for intangibles	(5.2)	-
Dividends paid	(4.6)	(11.4)
Capital return	(23.1)	-
Share-based payments	(3.3)	(2.1)
Net proceeds from sale of property assets	1.4	-
Investment in Bluewave and contingent consideration (2013: Laverton rendering business and Bartlett Grain)	(1.4)	(80.7)
Net proceeds from sale of Cheetham Salt	-	144.6
Cash assets divested with Cheetham Salt	-	(5.1)
Net finance cost payments	(4.8)	(8.0)
Net tax refund/(payments)	1.6	(0.3)
Movement in other balance sheet items	(0.9)	-
<b>Cash flow for the period</b>	<b>(18.5)</b>	<b>80.4</b>
Opening net debt balance at 1 July	(17.8)	(98.2)
<b>Closing net debt balance at 30 June</b>	<b>(36.3)</b>	<b>(17.8)</b>

The cash flow summary with a prior period comparison provided in Table 3 above, has been sourced from the audited accounts but has not been subject to separate review or audit. The Directors believe that the presentation of the unaudited non-IFRS cash flow summary in table 3 is useful for users as it reflects the underlying cash flows of the business.

## Balance Sheet

The primary movement in the Balance Sheet is the settlement of the capital return, which was recorded last year as a \$23.1 million year end current payable, was paid in July 2013 from the borrowing facility, and is effectively reflected at 30 June 2014 within non-current borrowings.

The modest increases in receivables and inventory reflect the higher level of sales activity compared to the prior year.

Other movements include:

- (i) the termination and settlement of the Defined Benefit Superannuation Scheme and associated liability, previously disclosed under the heading of 'Retirement benefit obligations';
- (ii) a net \$2.5 million increase in intangible assets comprising the acquisition of the poultry supply contract of \$4.5 million, goodwill arising on the \$0.35 million payment in 2014 of Bartlett Grain contingent consideration from the 2013 acquisition, and software additions, offset by the period charge for amortisation;
- (iii) the prior period Balance Sheet recorded a net income tax refund receivable whereas the closing tax position at 30 June 2014 reflects a net tax liability of \$2.4 million; and
- (iv) reclassification of the former Dalby feedmill from property, plant and equipment to asset held for sale. The Dalby mill was closed during FY14 with the majority of the stockfeed volume transferred to the neighbouring Ridley feedmill at Toowoomba. An agreement to sell the site was reached in early June 2014 subject to the purchaser receiving financier approval. The sale concluded as scheduled on 11 August 2014.

## Segments

The ongoing reportable segments are as follows:

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

**Property:** Realisation of opportunities in respect of surplus property assets and sales of residual property site assets.

The prior year Salt segment ceased operations on 30 June 2013 with the termination of salt supply to Penrice, and therefore does not appear as a segment in the 2014 financial year.

## Risks

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

- **Cyclical fluctuations** – by operating in several business sectors within the domestic economy, (namely Poultry and Pig, Dairy, Aquafeed, Beef and Sheep, Packaged Products and Rendering) some of which have a positive or negative correlation with each other, Ridley is not dependent upon a single business sector and is able to spread the sector and adverse event risk across a diversified portfolio.
- **Influence of domestic harvest** – through properly managed procurement practices and many of our customers retaining responsibility for the supply of raw materials, the impact of fluctuations in raw material prices associated with domestic and world harvest cycles is mitigated.
- **Influence of natural pasture on supplementary feed decision making** – whilst not being able to control the availability of natural pasture, Ridley believes there is a compelling commercial justification for supplementary feeding in each of its sectors of operation, whether that be measured in terms of Dairy milk yield and herd wellbeing or feed conversion ratios in Poultry and Aquafeed.
- **Impact on domestic and export markets in the event of disease outbreak** – Ridley has a strategy of mill segregation in place to effectively manage its own risk of product contamination across the various species sectors. Ridley also has an extensive footprint of mills dispersed across the eastern states of Australia that provides a geographical segregation of activities. The risk to Ridley is therefore more of a market risk such as what happened with the outbreaks of avian influenza in the last two years which effectively closed most of the export markets for poultry meal products.
- **Customer concentration and risk of regional consolidation** – Ridley endeavours to enter into long term sales and supply contracts with its customers and suppliers respectively. Such contracts provide the surety of volumes required to plan appropriate shift structures, procurement and supply chain activities, and capital expenditure programs and to actively manage the risk of stranded assets and backward integration into feed production by significant customers.
- **Property holdings** – Ridley has a dedicated property team whose role it is to manage the maintenance of non-operating sites, to secure appropriate redevelopment approvals, and to optimise the realisation of shareholder value from surplus property.
- **Corporate risks** – customary risks such as: safety, recruitment and retention of high-calibre employees, inadequate innovation and new product development such that product or customer value proposition becomes redundant, customer credit risk, and inappropriate raw material purchases. These risks are actively managed through the Company's risk management framework which includes review and monitoring by the executive lead team.

## Earnings per share

The underlying earnings per share of 5.7 cents reflects the result on a stable equity platform following the FY13 financial impact of sale of Cheetham Salt and the non-recurring pre-tax write downs, impairments and transaction costs of \$37.2 million.

<b>Earnings per share (cents)</b>	<b>2014</b>	<b>2013</b>
Basic earnings per share	5.7	(7.0)

## Gearing

Gearing is reported as debt to equity in accordance with the covenants of the Group banking facility.

<b>Gearing</b>	<b>2014 \$'000</b>	<b>2013 \$'000</b>
Gross debt	55,584	34,771
Less: cash	(19,241)	(16,936)
Net debt	36,343	17,835
Total equity	219,774	207,553
Gearing ratio	16.5%	8.6%

## Capital movements and return

The capital return of 7.5 cents per share as approved by Ridley shareholders on 24 June 2013 and was paid on 5 July 2013. A tax ruling was received from the ATO advising that for all shareholders, no part of the capital return would be treated as a dividend for income tax purposes. A copy of the ATO ruling is provided on the Ridley website at [www.ridley.com.au](http://www.ridley.com.au)

During FY14, a total of 3,822,834 (FY13: 2,244,183) shares were acquired by the Company on-market for an outlay of \$3.3 million (FY13: \$2.1 million) in satisfaction of: (i) the issue of 2,889,054 (FY13: 1,403,057) shares allocated to Ridley employees under the Ridley Long Term Incentive Plan and Special Retention Plan; and (ii) 933,780 (FY13: 841,126) shares allocated under the Ridley Employee Share Scheme.

There were no movements in issued capital during either financial year.

## Dividend

The Board declared and paid an interim dividend of 1.5 cents per share at the end of April 2014, franked to 50%. Ridley does not have a formal dividend policy but its intention is to adopt a consistent dividend profile in the future which reflects the earnings and cash flow conversion of the business and the growth opportunities prevalent and foreseeable at the time of dividend declaration.

In accordance with Company policy to pay any dividends at the end of April and October, the consolidated entity will consider the payment of a 2014 final dividend at its September 2014 Board meeting and will announce its 2014 final dividend decision to the market at the appropriate time.

## Outlook

All of the economic forecasts for Asia for the next 20 or more years point to an ever-increasing requirement for protein, including protein derived directly or indirectly from livestock products. As a land and resource rich nation in close proximity to this Asian food requirement, Australia is a critical component of the supply chain.

In addition to organic growth through a program of mill modernisation, Ridley intends to continue to actively pursue acquisition opportunities consistent with its long term strategy to be Australia's leading producer of premium quality, high performance animal nutrition solutions.



Alan Boyd  
Chief Financial Officer and  
Company Secretary



There are significant opportunities for Ridley and the state of South Australia when considering that for the first time in nearly a century, a 30 kilometre corridor of coastal land with very close proximity to the Adelaide Central Business District (CBD) has become available for other land uses.

# Property Development



Stephen Butler  
Property Development Manager

2014 has been an exciting year for Ridley in respect of its property realisation strategy, with some considerable progress being made towards unlocking the value from the significant surplus property portfolio across Australia.

Ridley has been active in the divestment of those properties with more immediate sale potential, and has been pleased to announce the sale of several sites including the former salt field site at Bowen, and the Dalby feedmill in Queensland. There have also been sales of significant parcels of land in South Australia north of the former Dry Creek salt field and a small parcel of surplus land – part of the former Dry Creek salt field. In total, these sales have generated more than \$4.5 million in cash for the business and an overall profit slightly in excess of \$2 million. Ongoing site maintenance costs and ultimate remediation obligations have also been removed through the sale of this surplus land.

As beneficial as the above sales are from a cash and resourcing perspective, the core focus for Ridley remains on generating long term value from the more complex sites such as Dry Creek, Moolap and Lara. Ridley has been implementing its strategy aimed at adding value to these larger property holdings through the pursuit of commercial transactions and development approvals that will facilitate redevelopment for higher end uses such as residential, commercial or industrial.

Whilst the opportunities to increase the value of these sites are significant, the planning and development approval processes are complex, and are likely to take several years to complete. Ridley has therefore taken a longer term view towards realisation of these properties, whilst also pursuing a shorter

term strategy for incidental parcels of surplus land within these sites which exhibit more immediate sale potential. We have seen significant advances with these major sites over the course of the financial year, which has given us further confidence in creating shareholder value over the medium term.

## Dry Creek

Closure of a salt field of the scale and operating history of Dry Creek is a complex, costly and time-consuming process, and requires approval from a large number of regulatory bodies whose interests and objectives are not always fully aligned. A significant program of testing and monitoring of the site was commenced during FY14 and will continue in FY15 towards the establishment of a comprehensive closure plan which is required before the process for closure of the site can be actioned.

The closure of the Dry Creek salt fields near Adelaide in South Australia was a significant occurrence for Ridley in FY14. During the previous year, Ridley concluded the sale of its Cheetham Salt business and through this process retained ownership of the Dry Creek operating asset, mining leases and over 5,200 hectares of freehold land.

Shortly after the conclusion of the Cheetham Salt sale, Penrice announced that it would cease the production of soda ash from its Osborne plant from 30 June 2013 and advised Ridley that it would no longer require an ongoing supply of salt from Dry Creek.

The Supply Agreement between Ridley and Penrice was subsequently terminated by Penrice, and shortly thereafter, Penrice was placed into administration which ultimately led to the closure of its Osborne Plant in June 2014.

Having determined that there was no commercially feasible option for continuing production of new salt from the fields, Ridley was compelled to permanently close the site and in early FY14 commenced working on a strategy to cease salt production and develop a plan for permanent closure, rehabilitation and divestment of the fields.

The scale, location and make-up of the Dry Creek site combine to create a highly complex process for closure, and one that is expected to take several years to complete. In addition to the challenges, there are also significant opportunities for Ridley and the state of South Australia when considering that for the first time in nearly a century, a 30 kilometre corridor of coastal land with very close proximity to the Adelaide Central Business District (CBD) has become available for other land uses.

Given the scale and complexity of the closure and the scale of the overall opportunities, Ridley is working closely with the South Australian Government in the development of the closure plan and Program for Environmental Protection and Rehabilitation (PEPR) as required under the *Mining Act 1971*, as well as in identifying potential future land uses for parts of the site.

Ridley has, in parallel to the closure process, begun the process for divestment of some of its considerable landholdings, and was pleased to recently announce the 30 June 2014 sale and settlement of surplus land within and to the north of the former salt fields. The sales were made possible by the earlier surrender of mining leases that existed over the land, and removed considerable land and operational holding costs from the business.

Further, Ridley is preparing to launch an Expression of Interest (Eoi) process to seek proposals from various groups that have shown initial interest in parts of the site for alternative uses. With approximately 2,300 hectares of Ridley freehold land within the former salt field site, there is strong potential for a range of new land uses to develop within this corridor. For the purposes of the Eoi process, the land has been segregated into four individual sections and Ridley will work closely with the South Australian Government and interested groups to establish the various alternative uses and potential economic values for the various parts of the site. Ridley hopes that this process will contribute to achieving both an improved commercial outcome on the closure of the site, as well as optimising value for shareholders from any consequential commercial transactions.

The potential redevelopment of the southern end of the salt fields at Dry Creek, being the former salt crystallisation and harvest section, for a master planned community remains a significant opportunity for Ridley. With the cessation of salt production and concurrent with the process for closure of the salt fields, we are now well positioned to recommence work on this project. The site has close proximity to the heart of Adelaide and has been included within the South Australian State Government's 30-year plan for the Greater Adelaide region as a future urban development site. Ridley believes that redevelopment of the site, which has the potential to accommodate up to 10,000 dwellings, will deliver considerable uplift in the value of the site if it proves feasible.

Between the 2008 and 2010 financial years, Ridley investigated redevelopment of the salt crystallisation part of the

Dry Creek salt field in partnership with Delfin Lend Lease and the South Australian Government. At that time, however, Ridley determined not to proceed into the next stage of the investigations because of the complexities and costs associated with the relocation of the existing salt fields further north up the coast in order to maintain Ridley's ability to meet its ongoing obligations under the Penrice Supply Agreement. The termination of that agreement and cessation of salt production at that site removes any impediment from pursuing the previously contemplated redevelopment and preliminary feasibility work is now underway.

## Geelong Salt Fields Urban Renewal Project

Ridley has been investigating redevelopment opportunities for the former Cheetham Salt salt field site at Moolap, Victoria. Preliminary investigations and feasibility analyses for redevelopment of the site have been completed, showed some positive results, and subsequently led to Ridley seeking determination from the Victorian State Planning Minister on the need for an Environmental Effects Statement (EES) for the project. The EES requirement was subsequently confirmed.

Having successfully completed a number of the tasks required to establish the initial feasibility of the project, Ridley conducted a confidential Eoi to identify a preferred development partner for the project. A number of proposals were received from proponents and after a thorough evaluation process, in June 2014 Ridley appointed the Sanctuary Living consortium as its preferred partner to commence this exciting project.

Throughout the extensive selection process, Sanctuary Living demonstrated its credentials as a leading Australian developer of master planned communities, showcased by the highly successful, multi-award winning Sanctuary Lakes Resort (a former salt field) and Sandhurst Club projects in Melbourne. Ridley is confident that Sanctuary Living has a complementary vision for the site, and the capability and resources to achieve the required

development approvals and to progress the project through to the construction phase, and beyond.

Ridley and Sanctuary Living are now working together to undertake some final investigations and feasibility work, and to finalise discussions with the Victorian state government with regard to the future of Crown Land forming part of the site. We expect that we will soon be in a position to commence the development approvals process.

Positive discussions with all levels of government remain ongoing, and the government has shown a high level of interest and support for the project. Whilst experiencing rapid growth in population, Geelong is currently attracting new investment and businesses to the area to replace the employment previously provided by the Ford motor vehicle plant and Alcoa Point Henry aluminium smelter. Geelong is actively looking to diversify its economy, and Ridley believes that the project has the potential to revitalise Geelong and provide considerable economic, social and environmental opportunities for Geelong and the broader region.

Ridley has developed a preliminary Master Plan and project feasibility, an extract from which has been included in this report. The plan forms part of a package of intellectual property now being shared and reviewed with development partner Sanctuary Living. The prior year work undertaken by Ridley indicates that development of the site is commercially feasible and Sanctuary Living has already committed significant resources to the project, which indicates that it has a similar belief. The Master Plan is based around redevelopment of the site for approximately 155 hectares of residential, 80 hectares of employment, and 10 hectares of mixed use development. Significant areas of land have also been put aside for conservation, recreation and public use purposes.

An independent assessment of the project by Ridley's advisors Ernst & Young, indicates that a significant up-lift in land value should be achieved once planning and environmental approvals have been received for the project.



Concept design for Nelson Cove marina.

## Lara

Ridley's 912 hectare property is located within a future employment corridor nominated by the Victorian State Government, and as such, is set to directly benefit from proposed expansion within the area surrounding the adjacent Avalon Airport, which is expected to become Victoria's second international airport.

Preliminary planning investigations were completed during the year for the Lara site, and indicated that a large portion of the land has redevelopment potential for employment and airport-related uses. Whilst future redevelopment of the site is likely to be some years away, Ridley considers that the site has the potential to create significant value for shareholders, and Ridley is currently exploring commercial opportunities for the site in the short term, including potential sale(s) of part of the site.

To establish the extent and value of short term opportunities for the Lara site, Ridley is currently conducting an EoI process over approximately 650 hectares of the site, and to date has received some encouraging responses from several parties. Ridley will assess any offers made for the land, and will pursue those it considers to offer an appropriate value uplift for shareholders.

The southern end of the Lara site, located towards Corio Bay, is being held as an environmental offset site to provide for any Crown Land or environmental offsets that may be required as part of redevelopment of Ridley's Moolap site. This land may be an important strategic asset in relation to achieving planning approval at Moolap, and once rehabilitated, could also result in the creation of a significant environmental asset for the Geelong region.

## Bowen

Ridley was pleased to announce in February 2014 the execution of a Share Sale Agreement to divest the former salt field site located at Bowen, in Queensland's Whitsunday region. Completion of the sale was achieved on 9 May 2014 for a total consideration of \$1.25 million.

Production activity at the former salt field adjacent to the township of Bowen ceased several years ago following a number of failed harvests due to cyclone activity and severe rain events. The Bowen assets were consequently removed from the prior year divestment of Cheetham Salt, retained by Ridley, and transferred into a special purpose landholding entity wholly owned by Ridley.

As well as generating cash proceeds, the sale relieves Ridley from the ongoing maintenance of the site, lease arrangements with the Queensland authorities, and the ultimate rehabilitation of the site.

## Dandenong

During the prior year, the feedmill site at Dandenong, Victoria was closed and the volumes transferred to the neighbouring Pakenham site following the commissioning of the new dairy mill adjacent to the existing poultry mill. Since closing the Dandenong site, Ridley has been pursuing the sale of the 1.3 hectare site which was recently rezoned from 'Industrial' to 'Comprehensive Development Zone (High Density Residential)'. The change of zoning is part of local government's broader strategic plan to regenerate Dandenong's commercial hub and transform the city centre into a thriving activities district.

During FY14, Ridley completed demolition of all buildings at the site to prepare the site for sale, and is hopeful of achieving sale of the land in FY15. In the meantime, Ridley has entered into a short term lease of the site, which not only allows Ridley to generate a moderate income to cover all holding costs, but also makes the site more attractive to a potential purchaser by providing an income while it secures its requisite development approvals.

## Dalby

Ridley was pleased to announce the execution of a contract for the sale of the former feedmill site at Dalby in Queensland.

The feedmill at Dalby in Queensland was closed during FY14 and the majority of the stockfeed volume transferred to the neighbouring Ridley feedmill at Toowoomba, together with the barley steam flake plant which provides an important service offering to the regional equine market. Agreement to sell the site was reached in early June 2014 subject to the purchaser receiving financier approval. Completion occurred as scheduled on 11 August 2014.

# Our People



Maria Robbins  
General Manager, Safety, People and Sustainability

In a restructure of the executive lead team, former Group General Manager, Commercial Anne-Marie Mooney moved into an operational role as General Manager Commercial Feed and Maria Robbins was recruited as General Manager Safety, People and Sustainability effective from 2 January 2014.

## Safety

Safety is fundamental to how we work and operate at Ridley. Beginning with a strong commitment at Board level, safety is embedded in all of our decision making, both as a fundamental value and set of behaviours, and as one of the six platforms driving the Ridley Strategic Plan.

All the work we do is underpinned by a robust safety management system which ensures that we comply with all relevant safety and environmental legislation in all jurisdictions. We strive for safety excellence through good operational and business practice and process, and we extensively manage, measure and report against plan.

At Ridley, we use both lag and lead indicators to measure progress against plan. The key lag measures we use to

assess safety performance are rolling Lost Time Injury Frequency Rate (LTIFR), which measures the number of lost time injuries per million hours worked, and rolling Total Recordable Frequency Rate (TRFR), which is the sum of the number of medical treatment injuries that did not result in lost time plus the number of lost time injuries, per million hours worked.

For FY14, Ridley maintained the downward annual trend of the last few years in both LTIFR and TRFR measures as outlined in the graph below.

Our lead indicators, designed to reduce safety hazards and injuries through preventative measures, are:

- completion of mandatory Safety Training by all staff. For FY14, we have achieved a measure of 93.75%;

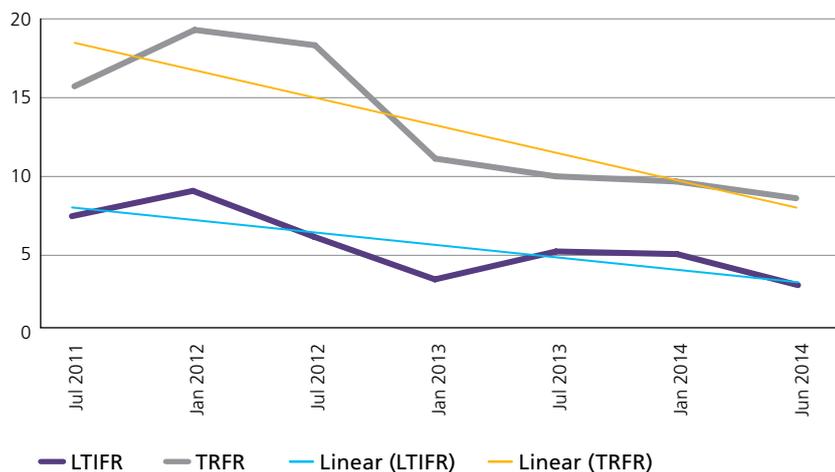
- completion of Good Manufacturing Practice audits on a monthly basis on each site. The FY14 measure is 98.73%; and
- closure of Priority Actions identified during audits or as a result of incident in investigations. For FY14 we achieved a 97.17% closure rate.

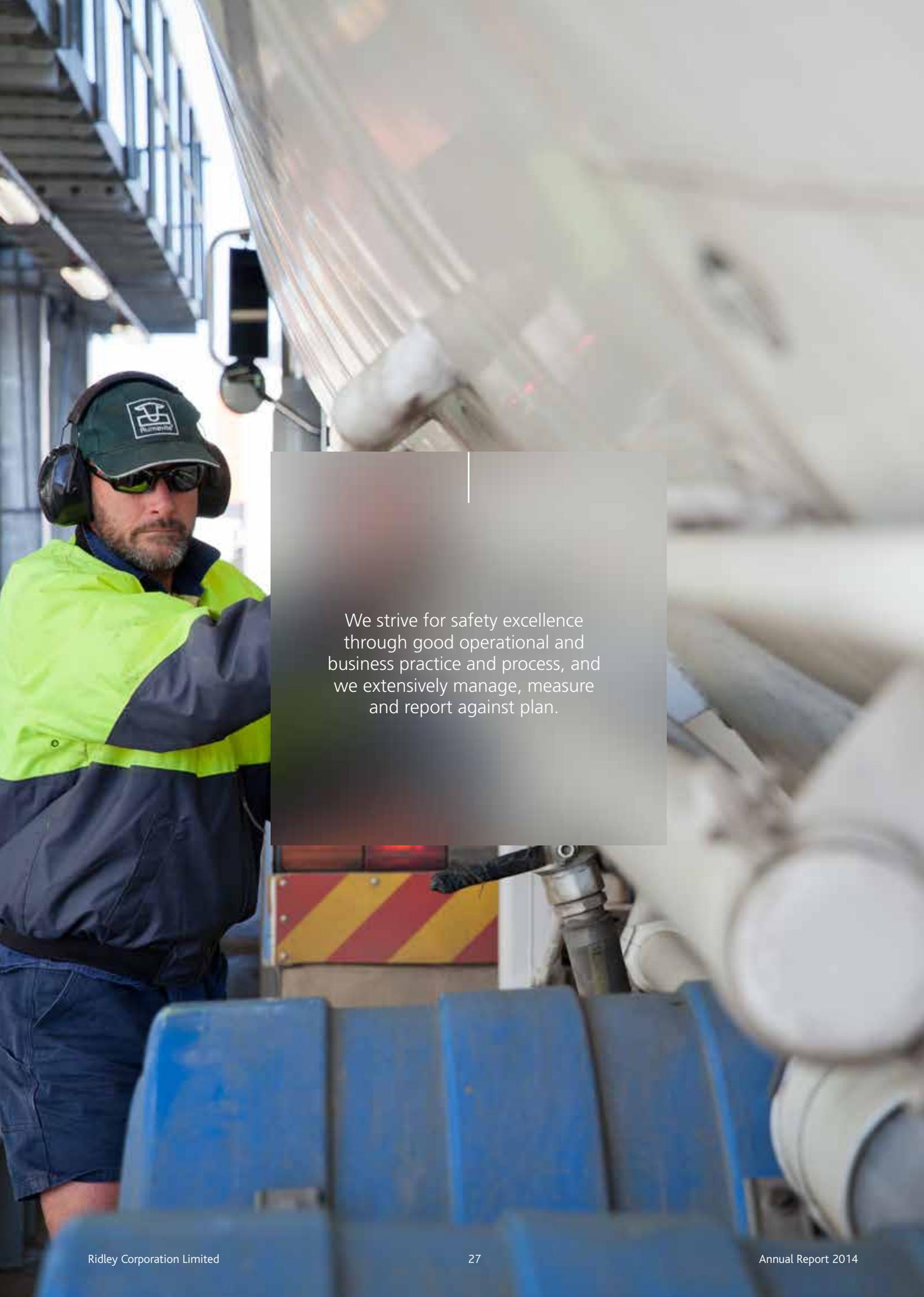
Investment in people, systems and capital has been a core safety activity through FY14. We have increased the resources and upskilled the Ridley national safety team, enabling the team to work hands on with managers and staff to increase safety capability, embed systems on the ground, and importantly, assist with investing in capital improvements to engineer out safety risks over time.

All staff at Ridley are assigned safety key performance indicators (KPIs) and delivery against those KPIs is measured in the annual performance review process.

Whilst the progressive reduction in injury frequency rates is a positive result, the business will continue to put further focus on lead (positive) indicators during FY15 as part of a process of continuous improvement and to entrench a safety culture throughout Ridley.

### 3 year LTIFR and TRFR history and trend





We strive for safety excellence through good operational and business practice and process, and we extensively manage, measure and report against plan.

## People

FY14 has been a busy year for all of our people. The prior year sale of Cheetham Salt on 28 February 2013 required a structural realignment of Ridley's senior management team, in line with Ridley's new strategic direction. Business Units are supported by the Operations, Merchandising, Finance, Corporate Development, Business Systems and Safety, People, and Sustainability services.

Ridley staff have adapted well and are systematically working through systems and process improvements to align everyone within Ridley to the delivery of the Strategic Plan.

## Learning and development

Throughout FY14, we have been building on our people capability across Ridley. In addition to safety capabilities, we have been developing systems and processes that enable us to attract, motivate and retain high quality people.

Our activities to pursue this goal can be summarised as follows:

- a focus on recruitment processes to select the right candidates for Ridley;
- the development of a Market Based Position Classification System;
- implementation of a Learning and Development program that focuses on both Emerging Leaders and on developing core capabilities identified as necessary to deliver the Strategic Plan;
- creation of Talent Management plans to identify, motivate, develop and retain high potential high performers;
- enhancement of our performance management systems and skills for year round performance delivery by embedding a desire and drive for excellence; and
- improvement and upgrade of staff communications across Ridley.

## Employee feedback

In March 2014, Ridley completed a biennial Employee Opinion Survey (EOS). Ridley staff showed their commitment to their company with an 82% response rate, which is very high for surveys of this type. Much of the feedback we

received reflects the need to continue to refine and upgrade the work we are doing to get the best out of our staff.

## Workplace diversity

This year the Workplace Gender Equality Agency (WGEA) required an upgraded reporting process and foreshadowed a more detailed requirement for reporting for FY15.

The WGEA Report requires companies to report both on employment by gender and on initiatives to encourage gender diversity. For FY14, Ridley was able to report:

- the employment of Women as Board Members at 14%, Women as Senior Executives at 30%, and Women as Senior Managers at 16%; and
- that gender equality is actively pursued in the following policy initiatives:
  - Recruitment,
  - Remuneration,
  - Parental Leave,
  - Flexible Working Arrangements, and
  - Gender-based discrimination and harassment.

## Sustainability

In FY14, Ridley launched its Sustainability Strategy. Designed over time to integrate all of the work that we undertake in the business to support environment, community and sustainability, it will initially focus on Water, Waste and Energy.

This year, Ridley achieved some excellent outcomes with the following initiatives:

- **Water:** Anaerobic Water Management System at Maroota.
- **Waste:** Recycling of multiple waste streams across a number of sites including St Arnaud, Pakenham, Townsville and Tamworth.
- **Energy:** Recipient of a Clean Technology Investment Grant to upgrade and implement energy efficient operational solutions such as tank insulation, boiler upgrades, and installation of LED lighting and solar PV panels.

The Sustainability Strategy in FY15 seeks to collate, record and establish base-lines across water, waste and energy and wherever possible, replicate these initiatives across Ridley.

The Sustainability Strategy will be overseen by a group of Ridley staff who are very passionate about long term sustainability. Reporting on Sustainability Measures is part of the long term strategy.

## Waste – Pakenham Recycling Scheme

Practical examples of effective recycling have been utilised during the year at the Pakenham feedmill site, where a new, fully sealed car park was constructed with safety bars made from recycled Ridley plastic waste, including damaged and used PEP Packaged Products bags. Exterior benches also made from recycled Ridley plastic waste were erected during the year in the exterior staff recreation amenity.



Bench at Pakenham staff recreation amenity made from Ridley's plastic waste.



Wheel stops at new Pakenham car park made from Ridley's plastic waste.

### Energy: Clean Technology Investment Grant

A four stage energy efficiency project commenced during the year with funding support received by way of a Government Clean Technology Investment Grant. The first stage of the project involved replacement of all halogen lights throughout the Pakenham site with LED lights. A total of 1,082 lights, including over 1,000 fluorescent strip lights, were replaced, with energy savings estimated at \$37,000 per annum.

Stage 2 of the project involved the purchase and installation of a twin inverter, 400 panel solar energy system, designed to produce 100kW of electricity to supply into the grid.

Stage 3 of the project involved lagging of the onsite tallow tanks at Pakenham to facilitate improved temperature control of the tank contents, which in turn preserves the consistency and dietary formulation characteristics of the stored product.

The final stage of the project is the purchase and installation of a steam economiser for the main plant boiler, which will improve overall boiler efficiency and reduce gas consumption.

A monitor has been installed at the Pakenham site reception for all staff and visitors to view the real time performance of the solar panelling.

The following photos provide an insight into each stage of the project.

Stage 1: LED lit packing area



Stage 2: Solar panelling



Stage 3: Insulation of tallow tanks



Stage 4: Boiler upgrade



## Community

Ridley continues its relationships with Aussie Helpers and the Garvan Institute.

Our support for the Garvan Institute involves supporting an education program called Healthy Families, Healthy Communities. Through our established network into many regional communities we can help Garvan educate and build awareness of important health messages. These free local community forums give privileged access to leading experts, to learn about important health messages and the latest research.

The Healthy Families, Healthy Communities project gives our employees an affiliation that they can be proud of – a partnership with a leading organisation committed to improving the diagnosis, treatments and prevention of many of the diseases that currently have the biggest impact on our community.

Awareness and education are the keys to improved health outcomes. We think we can play a role in community health education through these forums.

Ridley's relationship with Aussie Helpers is consistent with our strategy of working closely with the communities where our staff, suppliers and customers live. During the course of FY14, Ridley:

- donated over 2,500 bags of animal feed to Queensland farmers affected by drought;
- donated surplus computer equipment to farming families; and
- held a Christmas collection drive in Bourke Street Head Office to donate presents to struggling farming families.

## Innovation

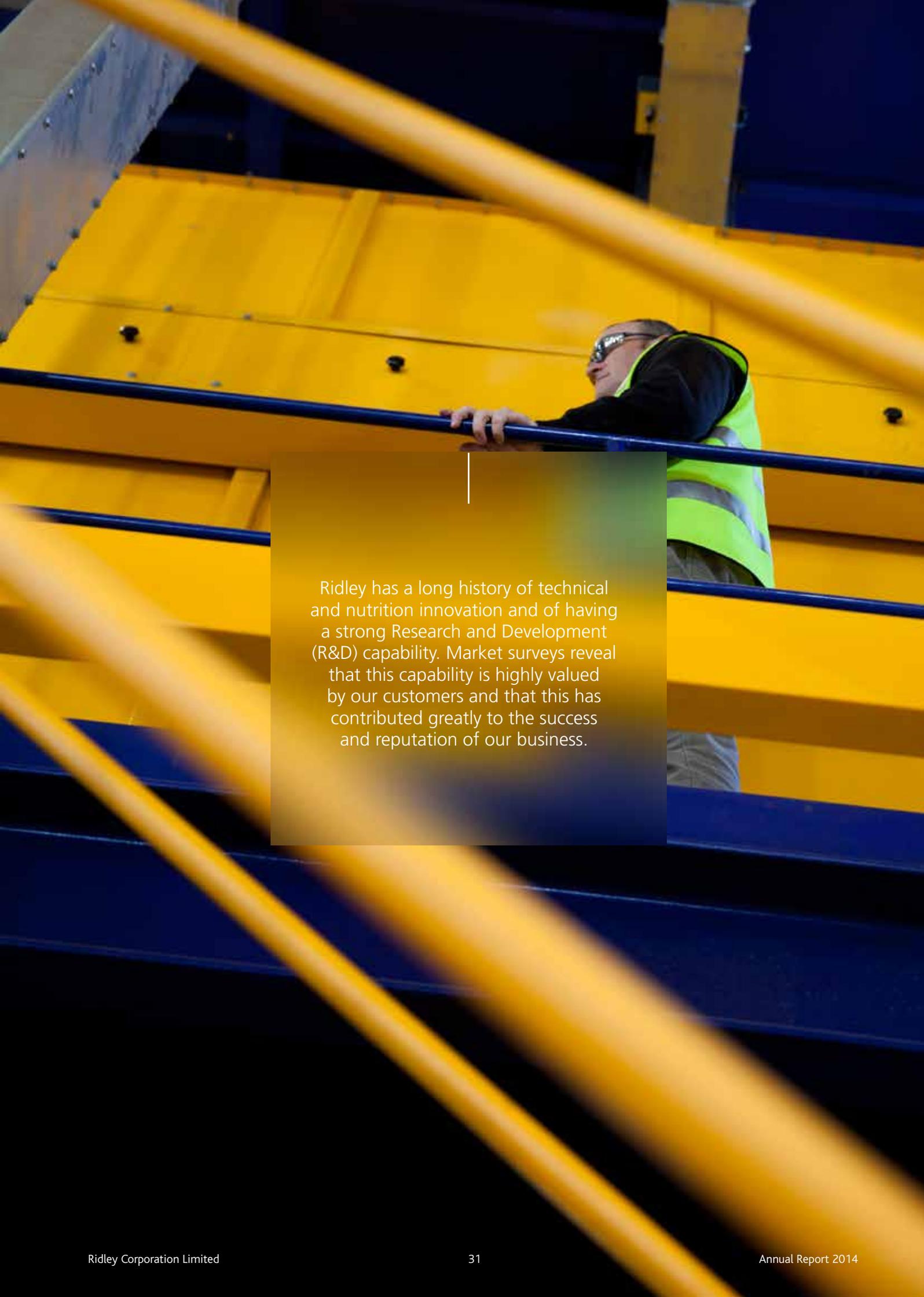
Ridley has a long history of technical and nutrition innovation and of having a strong Research and Development (R&D) capability. Market surveys reveal that this capability is highly valued by our customers and that this has contributed greatly to the success and reputation of our business.

During the year, Ridley launched a New Product, Process and Technical Development (NPPTD) Strategy which seeks to leverage our technical, nutritional, R&D and also our commercial capability throughout the Ridley business. NPPTD Projects will be managed under a common stage gate process with rigorous standards for assessment applied to every stage. A virtual team has been assembled comprising personnel representing all sectors of the Ridley business, and convenes regularly to progress the portfolio approach adopted for all our NPPTD projects.

One of the most exciting projects that provides an example of the value of leveraging our expertise in this field is the progress of our work with Novacq™, a bio-active product that has great potential in the development of aquafeed applications. Whilst the current focus is for prawn, the potential for a broader fin fish application exists at a later date. Ridley has been working with CSIRO on this project for some time and the results from pond trials during the year are very encouraging, with significant increases in prawn growth rates and general prawn health being observed under formal trial protocols. Ridley holds an exclusive licence for the product in the territories of Australia, Philippines, Indonesia and Malaysia.

The challenge now being addressed within the Novacq™ project is the scale up from pond trials to commercial production and selection of an appropriate location with climatic conditions conducive to growth optimisation. The ultimate returns for the project are considered by Ridley and its partner CSIRO to be significant, however, the traditional pathway to commercialise a project of this scale suggests a three to five-year timeframe before commencement of shareholder returns.

Implementation of the NPPTD Strategy will actively manage a portfolio of future projects with strong commercial prospects and ensure that the appropriate resources are made available and partnerships formed to expedite project advancement through the gate stage process and to securitise the investment in intellectual property for the benefit of Ridley shareholders.



Ridley has a long history of technical and nutrition innovation and of having a strong Research and Development (R&D) capability. Market surveys reveal that this capability is highly valued by our customers and that this has contributed greatly to the success and reputation of our business.

# Board of Directors



## John M Spark

BComm FCA

### Chair and Independent Non-Executive Director

Appointed a director in January 2008 and Ridley Chair on 22 November 2010, John is a Director of Newcrest Mining Limited. John was the Managing Partner of Ferrier Hodgson Melbourne and a global partner of Arthur Andersen Melbourne. He was a Director and Chair of the Audit Committee of ANL Limited and Baxter Group Limited. He has an extensive background in accounting, company reconstruction and financial analysis.

#### *Other current listed company directorships*

Newcrest Mining Limited from 2007.

#### *Former listed company directorships in the last three years*

None.



## Tim Hart

BSc, MM(T), MMktng, MEd (Melb), PGDIPSI (Oxon), GAICD, FAIM

### Chief Executive Officer and Managing Director

Mr Hart commenced employment with Ridley on 2 April 2013 as CEO Designate and was appointed a Director on 24 June 2013. Mr Hart was formally appointed as Chief Executive Officer and Managing Director on 1 July 2013. Mr Hart was previously CEO of Sugar Australia and Sugar New Zealand, being joint ventures between Wilmar/CSR and Mackay Sugar Limited. Prior to that, Mr Hart held management positions with SCA Hygiene Australasia, Carter Holt Harvey, ACI Plastics Packaging, Amcor Limited and Pasminco Limited.

#### *Other current listed company directorships*

None.

#### *Former listed company directorships in the last three years*

None.



## Professor Andrew L Vizard

BVSc (Hons) MPVM FAICD

### Independent Non-Executive Director

A director since 2001, Andrew is a Principal Fellow and former Director of the Mackinnon Project at the University of Melbourne. Andrew is an experienced Company Director and has served on the boards of numerous companies, statutory bodies and scientific organisations. He is currently a board member of Parks Victoria, a trustee of the Australian Wool Education Trust and Chair of The Vizard Foundation.

#### *Other current listed company directorships*

None.

#### *Former listed company directorships in the last three years*

None.



## Patria M Mann

BEC CA FAICD

### Independent Non-Executive Director

Appointed in March 2008, Patria is currently a Non-Executive Director of Amalgamated Holdings Limited, Allianz Australia Limited, First State Superannuation Trustee Corporation and Perpetual Superannuation Limited. Formerly a partner at KPMG and an experienced Director, Patria brings strong audit, investigation, risk management and governance experience to the Board. Patria is a member of the Institute of Chartered Accountants and a Fellow of the Institute of Company Directors.

#### *Other current listed company directorships*

Amalgamated Holdings Limited from 2013.

#### *Former listed company directorships in the last three years*

None.



**Professor Robert J van Barneveld**

B.Agr.Sc. (Hon), PhD, R.An. Nutr., FAICD

**Independent Non-Executive Director**

Professor van Barneveld is a registered animal nutritionist, has a Bachelor of Agricultural Science with a major in Animal Production and a PhD from University of Queensland. Appointed in June 2010, Professor van Barneveld brings to the Board a wealth of experience in the agricultural sector, and currently serves on the Boards of Pork CRC Ltd, Sunpork Fresh Foods Pty Ltd and Roseworthy Piggery Pty Ltd. He is also Chair of Sunpork Pty Ltd and Deputy Chair of Autism CRC Ltd. Professor van Barneveld is an adjunct Professor in the School of Environmental and Rural Science at the University of New England.

*Other current listed company directorships*

None.

*Former listed company directorships in the last three years*

None.



**Dr Gary H Weiss**

LLB (Hons) LL.M (NZ) JSD (Cornell, NY)

**Independent Non-Executive Director**

Appointed in June 2010, Dr Weiss is an Executive Director of Ariadne Australia Ltd and a former executive director with the Guinness Peat Group. Dr Weiss has LL.B (Hons) and LL.M (Dist.) degrees from Victoria University of Wellington, New Zealand and a JSD from Cornell University, New York. Dr Weiss has extensive experience in international capital markets and is a director of a number of public and private companies.

*Other current listed company directorships*

Ariadne Australia Limited from 1989. Premier Investments Limited from 1994. Tag Pacific Limited from 1988. Mercantile Investment Company Limited from 2012. Pro-Pac Packaging Limited from 2012. Clearview Wealth Limited from October 2012. Thorney Opportunities Limited from 2013. The Straits Trading Company Limited from 2014

*Former listed company directorships in the last three years*

None.



**Ejnar Knudsen**

CFA

**Non-Executive Director**  
Mr Knudsen represents the interests of 19.73% shareholder Insitor Holdings LLC and AGR Partners LLC.

Appointed on 24 June 2013, Ejnar is the managing member of AGR Partners, an associated entity of Ridley's largest shareholder, Insitor Holdings. Ejnar has more than 20 years of experience investing in and operating food and agriculture companies. Ejnar was Executive Vice President of Western Milling, a startup California grain and feed milling company that grew to over \$1 billion in sales. He spent 10 years as Vice President for Rabobank in New York where he managed a loan portfolio, equity investments, and corporate advisory services. Prior to founding AGR Partners, Ejnar was Co-Portfolio Manager of Passport Capital's Agriculture Fund.

*Other current listed company directorships*

None.

*Former listed company directorships in the last three years*

None.



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# Directors' Report

## For the year ended 30 June 2014

The Directors of Ridley Corporation Limited (Ridley or the Company) present their report for the Group (the Group), being the Company and its subsidiaries, and the Group's interest in equity accounted investments at the end of, or during, the financial year ended 30 June 2014.

### 1. Directors

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

JM Spark  
TJ Hart  
J Murray (resigned 1 July 2013)  
AL Vizard  
PM Mann  
RJ van Barneveld  
GH Weiss  
E Knudsen

### 2. Principal activities

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

### 3. Results

Table 1

	2014 \$'000	2013 \$'000
Profit/(loss) from continuing operations before income tax	22,043	(21,009)
Income tax (expense)/ benefit	(4,430)	4,423
<b>Profit/(loss) from continuing operations after income tax expense</b>	<b>17,613</b>	<b>(16,586)</b>
Profit/(loss) from discontinued operation after tax	-	(5,108)
<b>Net profit/(loss) attributable to members of Ridley Corporation Limited</b>	<b>17,613</b>	<b>(21,694)</b>

### 4. Review of operations

#### Operating result

A consolidated profit after tax of \$17.6 million has been recorded for the 2014 financial year, a significant turnaround from the prior year result which was affected by a number of impairments and the sale of Cheetham Salt.

- Within the consolidated result, the Ridley agribusiness recorded an EBIT of \$40.1 million, \$12.0 million up on the prior year and including a full year of the Laverton rendering operation.
- The full year consolidated EBIT of \$28.9 million before non-recurring items comprises the Ridley agribusiness result, Corporate costs of \$8.6 million, Non-Dry Creek Property costs of \$2.2 million, and Dry Creek net operating costs of \$0.4 million.
- Net finance costs for the year of \$5.4 million reflect a full year at the lower level of gearing following the prior year application of Cheetham Salt sale proceeds to debt retirement, whilst the tax expense for the current year of \$4.4 million has been positively impacted by a prior year over-provision of \$1.0 million.

#### Sales revenue and gross profit

Agribusiness sales revenue for FY14 of \$873.6 million was up \$167.3 million (23.7%) on last year's \$706.3 million (excludes \$10.0 million of 2013 salt sales), and reflects 1.89 million tonnes of stockfeed sold. This is 260,000 tonnes (15.8%) up on last year and includes a full year's contribution from the Laverton rendering site. Consolidated gross profit from continuing operations was \$65.9 million, \$9.5 million above last year's \$56.4 million equivalent.

# Directors' Report continued

## For the year ended 30 June 2014

### 4. Review of operations continued

#### Profit and loss account

Table 2 in \$ million	2014	2013	Movement
<b>Earnings from operations before finance income and expense and tax expense (EBIT):</b>			
Ridley AgriProducts	40.1	28.1	12.0
Corporate	(8.6)	(5.7)	(2.9)
Property – Dry Creek	(0.4)	3.4	(3.8)
– other	(2.2)	(1.9)	(0.3)
<b>EBIT from operations before non-recurring costs and discontinued operation</b>	<b>28.9</b>	<b>23.9</b>	<b>5.0</b>
Net finance costs	(5.4)	(7.7)	2.3
Income tax expense (2013: excluding non-recurring transactions and discontinued operation)	(4.4)	(4.3)	(0.1)
<b>Net profit from continuing operations after tax before non-recurring costs</b>	<b>19.1</b>	<b>11.9</b>	<b>7.2</b>
<b>Other, non-recurring costs incurred:</b>			
Write off of Penrice debt	(1.0)	-	(1.0)
Write off of Dry Creek goodwill	-	(5.0)	5.0
Impairment and write off of Dry Creek salt fields and assets	-	(29.0)	29.0
Transaction costs	(0.5)	(3.2)	2.7
Tax effect of non-recurring transactions	-	8.7	(8.7)
<b>Reported net profit/(loss) from continuing operations</b>	<b>17.6</b>	<b>(16.6)</b>	<b>34.2</b>
Discontinued operation	-	(5.1)	5.1
<b>Reported net profit/(loss)</b>	<b>17.6</b>	<b>(21.7)</b>	<b>39.3</b>
Earnings per share (cents):			
(i) continuing	5.7	(5.4)	11.1
(ii) reported	5.7	(7.0)	12.7

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

#### Corporate and property costs

Corporate costs of \$8.6 million have increased by \$2.9 million from the prior year. The prior year comparative was reduced by the allocation of \$1.1 million of share-based payments to the discontinued operation.

Property costs of \$2.2 million are \$0.3 million higher than the prior period due to an increase in consulting and advisory activity for the Moolap and Lara sites, and for the Dalby and Dandenong sites which are currently held for sale.

A net loss of \$0.4 million has been recorded in respect of the wind up of the Dry Creek operation. This figure includes the benefit of \$2.5 million of profits from sales of land. It is anticipated that agreement can be reached in the near future with the South Australian authorities on the closure plan for the former salt field, the implementation of which will facilitate the cessation of certain maintenance activities which have incurred significant costs in the period.

#### Net finance costs

The net finance costs of \$5.4 million are \$2.3 million lower than the prior period. The reduction reflects a combination of continuing low interest rates throughout the year and a full year of lower debt levels following the prior year retirement of debt from the Cheetham Salt sale proceeds.

#### Income tax expense

The tax expense of \$4.4 million incorporates a positive \$1 million over provision in the prior year relating to the finalisation of the tax calculations associated with the Cheetham Salt divestment on 28 February 2013.

#### Non-recurring costs and discontinued operations

Other than a \$0.5 million flow over of transaction costs from the prior year and the \$1 million write off of debt owing from Penrice following the appointment by that entity of a voluntary administrator, there have been no other discontinued operations or significant, non-recurring items during the 2014 financial year that warrant separate mention for the purposes of presenting the underlying result for continuing operations.

## Cash flow and working capital

The operating cash inflow for the year as shown in Table 3 after working capital movements and maintenance capital expenditure was \$24.1 million, a decrease of \$30.2 million from the \$54.3 million recorded in the prior year. Prior year cash flows included eight months of Cheetham Salt's operating cash flows.

The reduction in Development capital expenditure figure to \$2.3 million from \$10.9 million reflects the completion of the new Pakenham mill in FY13. With Maintenance capital expenditure of \$11.4 million, the total outlay for the year of \$13.7 million closely approximates the aggregate depreciation and amortisation figure of \$13.6 million.

Payments for intangible assets of \$5.2 million for the year include \$4.5 million related to the acquisition of a long term poultry supply contract.

Net proceeds of \$1.4 million from sales of assets comprise sale of the Bowen site and various parcels of land north of the former Dry Creek salt operation. A further \$2.7 million of Dry Creek land sales has been recognised as income in FY14 with the cash received on 1 July 2014.

The total outlay on acquisitions for the period of \$1.4 million comprises an investment of \$1.0 million in Bluewave Management Inc., a company producing high protein concentrates from fish offal, as well as the payment of contingent consideration of \$0.4 million in relation to the 2013 acquisition of the Bartlett Grain tuna meal business.

The Company has paid \$1.2 million in tax instalments during the year and received a refund of prior year tax paid of \$2.8 million for a net refund of \$1.6 million.

Dividends paid during the year comprise the interim dividend of 1.5 cents per share paid on 30 April 2014.

## Cash flows for the year

Table 3 in \$ million	Year Ended	
	30 June 2014	30 June 2013
EBIT from operations after transaction costs and before Discontinued Operation and non-recurring costs	28.9	23.9
Net cash inflow from discontinued operation and non-recurring transaction costs	(1.5)	0.8
Depreciation and amortisation	13.6	14.5
<b>EBITDA</b>	<b>41.0</b>	<b>39.2</b>
Movement in working capital	(5.5)	26.4
Maintenance capital expenditure	(11.4)	(11.3)
<b>Operating cash flow</b>	<b>24.1</b>	<b>54.3</b>
Development capital expenditure	(2.3)	(10.9)
Payment for intangibles	(5.2)	-
Dividends paid	(4.6)	(11.4)
Capital return	(23.1)	-
Share-based payments	(3.3)	(2.1)
Net proceeds from sale of property assets	1.4	-
Investment in Bluewave and contingent consideration (2013: Laverton rendering business and Bartlett Grain)	(1.4)	(80.7)
Net proceeds from sale of Cheetham Salt	-	144.6
Cash assets divested with Cheetham Salt	-	(5.1)
Net finance cost payments	(4.8)	(8.0)
Net tax refund/(payments)	1.6	(0.3)
Movement in other balance sheet items	(0.9)	-
<b>Cash flow for the period</b>	<b>(18.5)</b>	<b>80.4</b>
Opening net debt balance at 1 July	(17.8)	(98.2)
<b>Closing net debt balance at 30 June</b>	<b>(36.3)</b>	<b>(17.8)</b>

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

# Directors' Report continued

## For the year ended 30 June 2014

### 4. Review of operations continued

#### Balance Sheet

The primary movement in the Balance Sheet is the settlement of the capital return, which was recorded last year as a \$23.1 million year end current payable, was paid in July 2013 from the borrowing facility, and is effectively reflected at 30 June 2014 within non-current borrowings.

The modest increases in receivables and inventory reflect the higher level of sales activity compared to the prior year.

Other movements include:

- (i) the termination and settlement of the Defined Benefit Superannuation Scheme and associated liability, previously disclosed under the heading of 'Retirement benefit obligations';
- (ii) a net \$2.5 million increase in intangible assets comprising the acquisition of the poultry supply contract of \$4.5 million, goodwill arising on the \$0.4 million payment in 2014 of Bartlett Grain contingent consideration from the 2013 acquisition, and software additions, offset by the period charge for amortisation;
- (iii) the prior period balance sheet recorded a net income tax refund receivable whereas the closing tax position at 30 June 2014 reflects a net tax liability of \$2.4 million; and
- (iv) reclassification of the former Dalby feedmill from Property, plant and equipment to Asset held for sale. The Dalby mill was closed during FY14 with the majority of the stockfeed volume transferred to the neighbouring Ridley feed mill at Toowoomba. An agreement to sell the site was reached in early June 2014 subject to the purchaser receiving financier approval. The purchaser has since received such approval to satisfy the condition precedent to completion which occurred as scheduled on 11 August 2014.

#### Segments

The ongoing reportable segments are as follows:

- AgriProducts** Australia's leading supplier of premium quality, high performance animal nutrition solutions.
- Property** Realisation of opportunities in respect of surplus property assets and sales of residual property site assets.

The prior year Salt segment ceased operations on 30 June 2013 with the termination of salt supply to Penrice, and therefore does not appear as a segment in the 2014 financial year.

#### Risks

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

- **Cyclical fluctuations** – by operating in several business sectors within the domestic economy, (namely Poultry and Pig, Dairy, Aquafeed, Beef and Sheep, Packaged Products and Rendering,) some of which have a positive or negative correlation with each other, Ridley is not dependent upon a single business sector and is able to spread the sector and adverse event risk across a diversified portfolio.
- **Influence of domestic harvest** – through properly managed procurement practices and many of our customers retaining responsibility for the supply of raw materials, the impact of fluctuations in raw material prices associated with domestic and world harvest cycles is mitigated.
- **Influence of natural pasture on supplementary feed decision making** – whilst not being able to control the availability of natural pasture, Ridley believes there is a compelling commercial justification for supplementary feeding in each of its sectors of operation, whether that be measured in terms of Dairy milk yield and herd wellbeing or feed conversion ratios in poultry and aquafeed.
- **Impact on domestic and export markets in the event of disease outbreak** – Ridley has a strategy of mill segregation in place to effectively manage its own risk of product contamination across the various species sectors. Ridley also has an extensive footprint of mills dispersed across the eastern states of Australia that provides a geographical segregation of activities. The risk to Ridley is therefore more of a market risk such as what happened with the outbreaks of avian influenza in the last two years which effectively closed most of the export markets for poultry meal products.
- **Customer concentration and risk of regional consolidation** – Ridley endeavours to enter into long term sales and supply contracts with its customers and suppliers respectively. Such contracts provide the surety of volumes required to plan appropriate shift structures, procurement and supply chain activities, and capital expenditure programs and to actively manage the risk of stranded assets and backward integration into feed production by significant customers.
- **Property holdings** – Ridley has a dedicated property team whose role it is to manage the maintenance of non-operating sites, to secure appropriate redevelopment approvals, and to optimise the realisation of shareholder value from surplus property.

- **Corporate risks** – customary risks such as safety, recruitment and retention of high calibre employees, inadequate innovation and new product development such that product or customer value proposition becomes redundant, customer credit risk, and inappropriate raw material purchases. These risks are actively managed through the company's risk management framework which includes review and monitoring by the executive lead team.

### Earnings per share

The underlying earnings per share of 5.7 cents reflects the result on a stable equity platform following the FY13 financial impact of sale of Cheetham Salt and the non-recurring pre-tax write downs, impairments and transaction costs of \$37.2 million.

Earnings per share (cents)	2014	2013
Basic earnings per share	5.7	(7.0)

### Gearing

Gearing is reported as debt to equity in accordance with the covenants of the Group banking facility.

Gearing	2014 \$'000	2013 \$'000
Gross debt	55,584	34,771
Less: cash	(19,241)	(16,936)
Net debt	36,343	17,835
Total equity	219,774	207,553
Gearing ratio	16.5%	8.6%

### Capital movements and return

The capital return of 7.5 cents per share as approved by Ridley shareholders on 24 June 2013 and was paid on 5 July 2013. A tax ruling was received from the ATO advising that for all shareholders, no part of the capital return would be treated as a dividend for income tax purposes. A copy of the ATO ruling is provided on the Ridley website at [www.ridley.com.au](http://www.ridley.com.au)

During FY14, a total of 3,822,834 (FY13: 2,244,183) shares were acquired by the Company on market for an outlay of \$3.3 million (FY13: \$2.1 million) in satisfaction of (i) the issue of 2,889,054 (FY13: 1,403,057) shares allocated to Ridley employees under the Ridley Long Term Incentive Plan and Special Retention Plan, and (ii) 933,780 (FY13: 841,126) shares allocated under the Ridley Employee Share Scheme.

There were no movements in issued capital during either financial year.

### Dividend

The Board declared and paid an interim dividend of 1.5 cents per share at the end of April 2014, franked to 50%. Ridley does not have a formal dividend policy but its intention is to adopt a consistent dividend profile in the future which reflects the earnings and cash flow conversion of the business and the growth opportunities prevalent and foreseeable at the time of dividend declaration.

In accordance with company policy to pay any dividends at the end of April and October, the consolidated entity will consider the payment of a 2014 final dividend at its September 2014 Board meeting and will announce its 2014 final dividend decision to the market at the appropriate time.

### Outlook

All of the economic forecasts for Asia for the next 20 or more years point to an ever-increasing requirement for protein, including protein derived directly or indirectly from livestock products. As a land and resource rich nation in close proximity to this Asian food requirement, Australia is a critical component of the supply chain.

During the 2014 year Ridley increased its annual supply of nutrition to Australian livestock producers to 1.89 million tonnes, and plays an important part in all of the nation's sectors for the supply of animal-derived protein.

The growth in poultry has been compounding for over a decade at the rate of 2–3% from an already high base of consumption, and the outlook is for more of the same.

The outlook for Australian dairy products is also positive, with China recently acknowledging its inability to become self-sufficient and to it being a net importer of dairy products for the foreseeable future.

# Directors' Report continued

## For the year ended 30 June 2014

### 4. Review of operations continued

The aquafeed industry continues to grow on a worldwide scale and Ridley is well placed to service this growth through its fin fish and prawn product range and with innovative protein sources to reduce reliance on fish meal derived from dwindling wild-caught fish stocks.

Product from the rendering process is an integral part of the protein supply chain.

Ridley is intending to organically grow its business in each of the above markets. To achieve this, Ridley is working closely with its customers to:

- (i) ensure that it has long term feed-milling capacity close to the current and intended location of their livestock; and
- (ii) make sure it has innovative research and development programs to find alternative raw material feed inputs and continually improve its feed conversion ratios.

The long term outlook for the Ridley agribusiness is for steady and sustainable growth. The business continues to focus effort on providing a more robust and stable business in the future.

In addition to organic growth through a program of mill modernisation, Ridley intends to continue to actively pursue acquisition opportunities consistent with its long term strategy to be Australia's leading producer of premium quality, high performance animal nutrition solutions.

It is expected that the higher levels of costs now being incurred to advance the property development approvals will continue for the next two to three years as the sites earmarked for development progress through their value-adding stage gates. These costs may be offset by further piecemeal sales of surplus assets. An expression of interest process is being run for the Lara and Dry Creek sites to ascertain the market interest for certain parcels of land and identify any opportunities to negotiate a favourable sale transaction which will deliver significant value for Ridley shareholders.

### 5. Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the year ended 30 June 2014.

### 6. Dividends and distributions to shareholders

Dividends paid to members during the financial year were as follows:

	2014 \$'000
Interim dividend in respect of the current financial year paid on 30 April 2014 of 1.5 cents, 50% franked	4,617

### 7. Environmental regulation

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

Ridley has environmental risk management reporting processes that provide senior management and the Directors with periodic reports on environmental matters, including rectification actions for any issues as discovered. In accordance with its environmental procedures, the Group monitors environmental compliance of all of its operations on an ongoing basis.

The Directors are not aware of any environmental matters likely to have a material financial impact.

#### Greenhouse gas and energy data reporting requirements

The Group is subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007 (Cth) (NGER)*. The Federal Government's NGER introduced a national framework for the reporting and dissemination of information about greenhouse gas emissions, greenhouse gas projects and energy use and production. To comply with this legislation, Ridley is required to submit an annual report.

The *Energy Efficiency Opportunities Act 2006 (EEO)* included a mandatory requirement for the Group to assess its energy usage and energy saving opportunities, and to publicly report thereon. The EEO was repealed during the year. Whilst the EEO Program played an important role in encouraging continuous improvement of general energy management practices, the Group will continue to seek opportunities to improve energy efficiency.

### 8. Directors' and executives' remuneration

Refer to the Remuneration Report.

## 9. Share options and performance rights

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

	Number	Expiry Date
Ridley Corporation Long Term Incentive Plan (performance rights)	4,007,524	Various
Ridley Employee Share Scheme (Options)*	3,324,010	Various

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

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

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

## 10. Information on Directors

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

## 11. Post-balance date events

No matters or circumstances have arisen since 30 June 2014 that have significantly affected, or may significantly affect:

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

## 12. Meetings of Directors

The number of Directors' meetings and meetings of committees of Directors held during the financial year, and the number of meetings attended by each Director as a committee member, are as follows:

Directors	Board		Audit and Risk Committee		Remuneration Committee		Ridley Innovation and Operational Committee	
	H	A	H	A	H	A	H	A
JM Spark	12	12	4	4	5	5	2 <sup>1</sup>	2 <sup>1</sup>
TJ Hart	12	12	-	-	-	-	4	4
AL Vizard	12	11	4	4	5	4	4	4
PM Mann	12	12	4	4	-	-	-	-
RJ van Barneveld	12	12	-	-	-	-	4	4
GH Weiss	12	12	4	3	5	4	-	-
E Knudsen	12	11	-	-	-	-	2 <sup>1</sup>	2 <sup>1</sup>

H: Number of meetings held during period of office.

A: Number of meetings attended.

1. Appointed/resigned to the Ridley Innovation and Operational Committee on 10 February 2014.

Mr J Murray resigned on 1 July 2013 and therefore did not attend any meetings during the year.

## 13. Company Secretary

The Company Secretary during the year was Mr Alan Boyd who was appointed on 27 July 2009. Mr Boyd is the Group's Chief Financial Officer and is a fellow of the Governance Institute of Australia and a member of the Institute of Chartered Accountants in Australia.

# Directors' Report continued

## For the year ended 30 June 2014

### 14. Insurance

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

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

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

During the year the Company paid a premium in respect of such insurance covering the Directors and secretaries of the Company and its controlled entities, and the general managers of the Group.

### 15. Non-audit services

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

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

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

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 53.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	\$
Tax services	218,020
Other services	5,000
<b>Total</b>	<b>223,020</b>

### 16. Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the Directors' Report and financial statements. Amounts in the Directors' Report and the consolidated financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order or in certain cases to the nearest dollar.

Signed in Melbourne on 20 August 2014 in accordance with a resolution of the Directors.



**JM Spark**  
Director



**TJ Hart**  
Director

# Remuneration Report – Audited

The Directors of Ridley Corporation Limited (Ridley or Company) present the Remuneration Report prepared in accordance with Section 300A of the *Corporations Act 2001* for the Company and the Group, being the Company and its subsidiaries (Group), and the Group's interest in equity accounted investments, for the financial year ended 30 June 2014. This report forms part of the Directors' Report for the year ended 30 June 2014.

## Remuneration Committee

The Remuneration Committee, (throughout the Remuneration Report referred to as the Committee) consisting of three independent Non-Executive Directors, advises the Ridley Board of Directors (Board) on remuneration policies and practices generally and makes specific resolutions in its own right and recommendations to the Board on remuneration packages and other terms of employment for the Managing Director, other senior executives and Non-Executive Directors. The Committee is not responsible for evaluating the Board's performance, reviewing Board size and composition and setting the criteria for membership and candidates to fill vacancies; these responsibilities are managed by the Ridley Board.

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

The number of meetings held during the year is shown as item 12 of the Directors' Report.

## Services from remuneration consultants

The Committee engaged the Godfrey Remuneration Group (GRG) on 23 August 2013 for a period of one year as a remuneration consultant to the Board. GRG was engaged to provide remuneration recommendations relating to key management personnel (KMP) of the Group, to provide advice outlining retention strategies for key senior managers in the event of a change in control event for the Group, and to provide recommendations in relation thereto.

GRG was paid \$62,304 for the remuneration reports and recommendations in respect of reviewing and benchmarking the amount and elements of KMP remuneration.

The engagement of GRG by the Committee was based on a documented set of protocols to be followed by GRG, members of the Committee and KMP, and which govern the way in which the remuneration recommendations would be developed by GRG and provided to the Board and the Committee.

The Board is satisfied that the remuneration recommendations were made by GRG free from undue influence by KMP about whom the recommendations may have related. The Board instructed GRG to provide recommendations directly and only to the Board and the Committee and to direct all correspondence through the Chairman.

## Remuneration of Directors and executives

### Principles used to determine the nature and amount of remuneration

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

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

- (i) offer a base Total Employment Package (TEP) that can attract talented people;
- (ii) provide short term performance incentives to encourage personal performance;
- (iii) provide long term incentives to align the interests of executives more closely with those of Ridley shareholders; and
- (iv) reward sustained superior performance, foster loyalty and staff retention.

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

# Remuneration Report – Audited continued

## Remuneration of Directors and executives continued

### Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for creation of shareholder wealth, the Committee has regard for the following indices in respect of the current financial year and the previous four financial years.

		2014	2013	2012	2011	2010
Profit/(loss) attributable to members of Ridley Corporation Ltd	\$'000	17,613	(21,694)	19,253	29,316	29,093
Earnings before interest and tax	\$'000	27,436	(13,272)	35,682	39,965	46,234
Cash flow from operating activities	\$'000	31,349	52,583	50,896	35,472	39,426
Return on shareholders' funds before significant items	%	7.8	(6.8)	6.9	10.3	10.4
TSR*	%	8.0	(19.1)	(11.0)	13.5	56.7
Short Term Incentive to KMP	\$'000	1,142	862	158	497	920

\* Total Shareholder Returns (TSR) is calculated as the change in share price for the year plus dividends announced for the year, divided by the opening share price. 2014 final dividend to be declared and paid in October 2014.

### Non-Executive Directors

#### Directors' fees

Non-Executive Directors' fees are determined within an aggregate Non-Executive Directors' fee pool limit which is reviewed periodically, with proposed amendments recommended to shareholders for approval. The maximum currently stands at \$700,000 as approved at the 2003 Annual General Meeting. The Chair, and Chair of the Audit and Risk Committee and Ridley Innovation and Operational Committee, receive fees in addition to the base Director fees. The total amount paid to Non-Executive Directors in FY14 was \$620,000.

#### Retirement allowances for Directors

At the 2003 Annual General Meeting, shareholders approved the termination of the Retirement Allowance Scheme. Directors' accrued entitlements at 31 October 2003 were frozen and will be paid when they retire. Professor Andrew Vizard has the sole remaining entitlement of \$35,000 at 30 June 2014.

#### Executives

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

### Base pay and benefits

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

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

The Group sponsors the Ridley Superannuation Plan – Australia (the Fund), and contributes to other employee-nominated superannuation plans. The Fund provides benefits on a defined contribution basis for employees or their dependants on retirement, resignation, total and permanent disability, death and, in some cases, on temporary disablement. The Group terminated a legacy Defined Benefit Plan during the financial year through the provision of compensation and transfer of the five residual members to a Defined Contribution Plan.

### Short term incentives

Executives and employees in senior positions are eligible for short term incentive (STI) payments based on two equal components, being the financial performance of the Group and the overall performance of the individual as measured against personal key performance indicators (KPIs). The STI is payable in cash after the release of the full-year financial results.

Each year, appropriate KPIs are set to align the STI Plan with the priorities of the Group through a process which includes setting stretch target and minimum performance levels required to be achieved prior to any payment of an STI. KPIs are initially set by the Board for the Managing Director based on the adopted business strategy, and then these are cascaded down to the KMPs, CEO Direct Reports and then throughout the business, recognising the relative contributions required of each role within the organisation.

The Group financial performance component of the STI is assessed against budgeted earnings before interest and tax, profit after tax, cash flow and return on funds employed. The measures of personal performance include targets on safety, training, operational excellence, customer focus, sustainability and community, and people values and development.

Following the end of the 2014 financial year, financial results and each individual's performance against KPIs have been reviewed to determine STI payments for each executive. For the current year, the financial performance hurdles have been met.

For the 2013 financial year, the Group financial performance component hurdle for the year was not met and the Board exercised its discretion to award a proportion of the personal performance component only, capped to 50% of the aggregate at-risk STI entitlement. Exceptions were made last year in respect of the STI payment awarded to former Chief Executive Officer (CEO) John Murray, to incrementally reflect performance of an effective transition to the new CEO, and to incoming CEO Tim Hart, for whom financial measures were considered to be inappropriate given his short period of tenure in FY13. (Refer details on page 50).

STI incentives range from 100% of the TEP for the CEO down to 10% of TEP for the least senior participants in the plan. The KPIs are designed to incentivise successful and sustainable financial outcomes, instil a culture where safety is paramount, and encourage excellence, innovation, and behaviour in compliance with the Ridley Code of Conduct,

## Long term incentives

In the year ended 30 June 2014, executives' and employees' long term incentives were provided by way of participation in the company-wide Ridley Employee Share Scheme. There was also an annual issue of performance rights to senior executives and officers under the Ridley Long Term Incentive Plan with an effective date of 1 July 2013 and standard terms and conditions as stated below.

The long term incentive programs align the interests of executives more closely with those of Ridley shareholders in rewarding sustained superior performance, whilst also fostering loyalty and staff retention. Directors and senior executives are not permitted to enter into any transaction that is designed or intended to hedge any exposure to Ridley securities.

## Current long term incentive plans

### Ridley Corporation Long Term Incentive Plan (LTIP)

The purpose of the LTIP is to provide long term rewards through the delivery of long term, sustainable business objectives that are directly linked to generation of shareholder returns.

Under the LTIP, which was introduced in October 2006, selected executives and the Managing Director may be offered a number of performance rights (Right). Each Right provides the entitlement to acquire one Ridley share at nil cost.

Rights vest subject to continued employment (with an exclusion for cessation of employment for a Qualifying Reason such as death, disability or redundancy) and to Total Shareholder Return (TSR) performance relative to the companies ranked from 101 to 300 in the ASX/S&P 300 as defined at the date of grant. Performance is measured over the three-year period from the date of grant. Fifty per cent of the Rights vest if Ridley ranks at the 51st percentile, and 100% vest if Ridley ranks at the 75th percentile or above. There is straight line vesting of the balance from 50% to 100% between the 51st percentile and 75th percentile. The TSR of Ridley and the comparator companies is measured at the end of the performance test period by an independent third party which submits a report detailing the extent of any vesting in accordance with the above rules. To the extent that the performance criteria are met, the Rights are automatically exercised to acquire shares. If the performance criteria are not satisfied, the Rights lapse.

TSR is the Company's preferred performance measure as it provides a comprehensive measure of company performance against a comparator peer group from the perspective of value delivered to shareholders through a combination of share price growth, dividends and capital returns.

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

If a participant ceases employment prior to the end of the vesting period due to retirement, redundancy, permanent disability or death, any unvested Rights may vest to participants, subject again to performance testing and the discretion of the Board. If a participant ceases employment prior to the end of the vesting period due to resignation, dismissal or any other reason that makes the participant no longer eligible to participate under the rules of the plan, any unvested Rights will lapse.

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

During the year ended 30 June 2014, 2,525,000 (2013: nil) Rights were issued under the LTIP, of which 1,300,000 (2013: nil) were granted as remuneration to KMP and the balance issued to other, non-KMP senior executives within the organisation.

# Remuneration Report – Audited continued

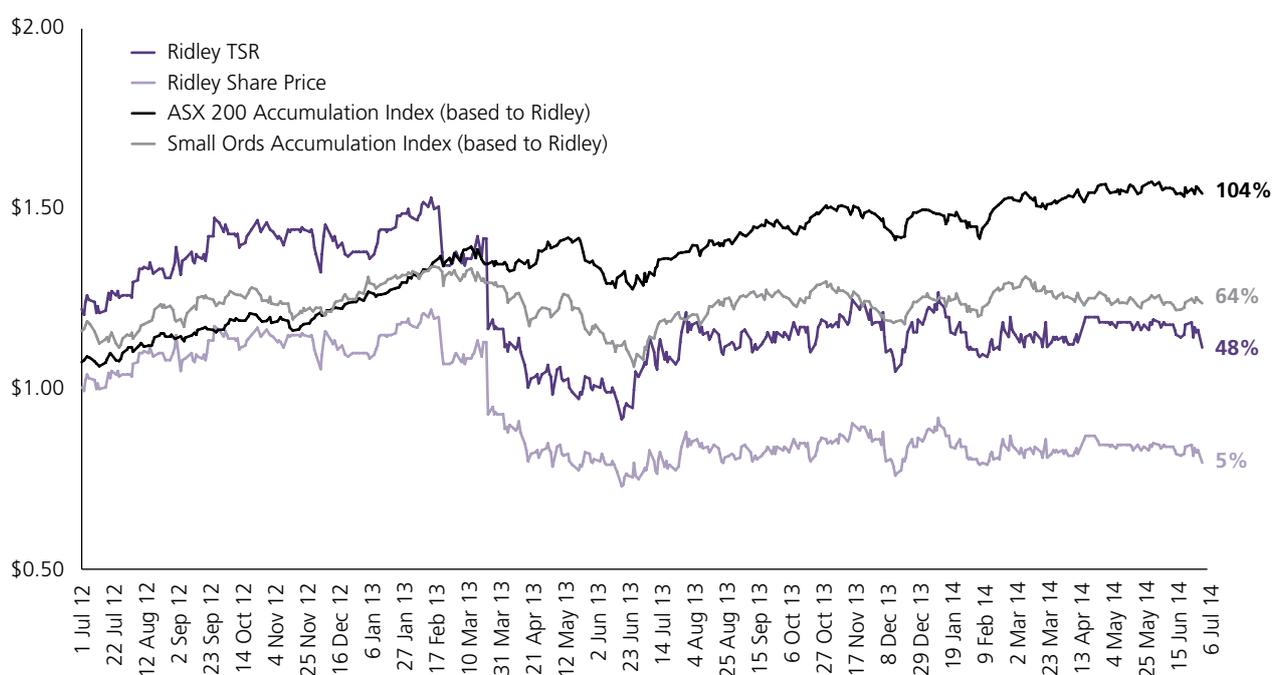
## Current long term incentive plans continued

### Summary of Ridley TSR performance

The following table provides a summary of Ridley TSR performance for each tranche of the LTIP Rights on issue at year end measured against the median percentage rankings amongst competitors and using 30 June 2014 as the hypothetical end date. TSR calculations use a 30-day average period rather than a single day start date for the commencement of each vesting period.

Start Date	TSR Ridley	Median TSR Comparison	Percentile	Number of Rights on Issue	Hypothetically Vested at 30 Jun 14	Hypothetically Vested at 30 Jun 14
5 December 11	-11.9%	-23.6%	55.2	1,532,524	900,358	58.8%
1 July 13	4.2%	5.4%	48.5	2,475,000	-	-

Graph: Comparison of growth of Ridley Corporation Ltd share price to the ASX Small Ords and ASX 200 Accumulation Index for FY14



### Ridley Employee Share (Scheme)

Under the Scheme, shares are offered to all permanent Australian employees with a minimum of 12 months' service prior to the offer date, at a discount of up to 50%, and financed by an interest-free loan secured against the shares. The maximum discount per employee is limited to \$1,000 annually in accordance with current Australian taxation legislation. Dividends on the Scheme shares are applied against any loan balance until such balance is fully extinguished. The amount of the discount and number of shares allocated is at the discretion of the Directors. The purpose of the Scheme is to align employee and shareholder interests. 933,780 (2013: 841,126) shares were acquired and allocated to participating employees under the Scheme during the year. The total value of the shares issued which were purchased on-market was \$791,000 (2013: \$713,000).

### Ridley Corporation Special Retention Plan (SRP)

The SRP was a special circumstance plan introduced in May 2012 specifically to retain and motivate key executives for a period covering and extending beyond the Cheetham Salt divestment process. Under the SRP, selected executives and the Managing Director were offered a number of performance rights (SRP Rights).

The Plan offer was made in accordance with the rules of the Ridley LTIP except that there were no Disposal Restrictions and the cessation of employment condition was superseded, such that the SRP Rights under this offer vested in full on the earlier occurrence of (i) completion of two years of service from the date of grant, (ii) ceasing to be an employee of Ridley because of a sale of a subsidiary entity, and (iii) occurrence of a change of control event, as defined. Each SRP Right provided the entitlement to acquire one Ridley share at nil cost at the end of the service period.

The SRP concluded on 5 May 2014. Of the total of 2,300,000 Rights issued in FY12 under the Special Retention Plan:

- (i) 75,000 were cancelled upon early employee departure;
- (ii) 400,000 vested to Cheetham Salt employees upon completion of its divestment from the Group on 28 February 2013;
- (iii) 925,000 vested on 1 July 2013 following the exercise of Board discretion to vest 50% of the SRP Rights to those employees still employed within the Group at the 5 May 2013 first year anniversary of issue; and
- (iv) 900,000 vested on 5 May 2014 to Group employees retained at the two-year anniversary of issue.

### Shares purchased on-market

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

Incentive Plan	Number of Shares		Market Value	
	2014	2013	2014 \$'000	2013 \$'000
Employee Share Scheme	933,780	841,126	791	713
Long term incentive plan	1,064,054	1,003,057	926	955
Special Retention Plan	1,825,000	400,000	1,548	384
<b>Total</b>	<b>3,822,834</b>	<b>2,244,183</b>	<b>3,265</b>	<b>2,052</b>

### Directors and key management personnel

The following persons were the directors and executives with the greatest authority for the strategic direction and management of the Group (key management personnel or KMP) throughout the current financial year unless otherwise stated.

Name	Position	Status
<b>Directors</b>		
JM Spark	Chairman	
TJ Hart	Managing Director and CEO – Ridley	
J Murray <sup>(a)</sup>	Managing Director and CEO – Ridley	Resigned 1 July 2013
AL Vizard	Director	
PM Mann	Director	
RJ van Barneveld	Director	
GH Weiss	Director	
E Knudsen	Director	
<b>Executives</b>		
AM Boyd	Chief Financial Officer and Company Secretary	
M Robbins	General Manager Safety, People and Sustainability	Appointed 6 January 2014
CW Klem	General Manager Rendering	
AI Lochland	General Manager Packaged, Aqua-Feed and Supplements	Appointed 19 August 2013
AM Mooney	General Manager Commercial Feed	
RN Lyons <sup>(b)</sup>	General Manager Corporate Development	KMP to 5 August 2013
S Butler	General Manager Ridley Land Corporation Pty Ltd	
J Murray <sup>(a)</sup>	Non-executive Director and Chairman of Ridley Land Corporation Pty Ltd	Appointed 1 July 2013

(a) J Murray resigned from the Ridley Corporation Ltd Board on 1 July 2013 and was appointed as a Director of Ridley Land Corporation Pty Ltd on 1 July 2013.

(b) RN Lyons ceased to be key management personnel on 5 August 2013 but remains an employee of the Group.

# Remuneration Report – Audited continued

## Directors and key management personnel continued

Details of the remuneration of each Director of Ridley Corporation Limited and each of the KMP of the Group during the financial year are set out below. In accordance with the requirements of Section 300A of the *Corporations Act 2001* and Regulation 2M.3.03, the remuneration disclosures for the 2013 and 2014 financial years only include remuneration relating to the portion of the relevant periods that each individual was considered a KMP.

All values are in Australian dollars unless otherwise stated.

2014	Short Term Benefits			Post- Employment Benefits	Share-based Payments	Total \$	% <sup>1</sup>	% <sup>2</sup>
	Directors' Fees and Cash Salary \$	STI \$	Other Benefits \$	Super- annuation \$	Performance Rights/ Options \$			
<b>Directors</b>								
JM Spark – Chairman	159,091	-	-	15,909	-	175,000	-	-
TJ Hart – Managing Director	650,000	546,000	-	50,000	84,000	1,330,000	6%	47%
AL Vizard <sup>3</sup>	95,000	-	-	-	-	95,000	-	-
PM Mann	86,364	-	-	8,636	-	95,000	-	-
RJ van Barneveld	77,273	-	-	7,727	-	85,000	-	-
GH Weiss	77,273	-	-	7,727	-	85,000	-	-
E Knudsen <sup>3</sup>	85,000	-	-	-	-	85,000	-	-
<b>Total Directors</b>	<b>1,230,001</b>	<b>546,000</b>	<b>-</b>	<b>89,999</b>	<b>84,000</b>	<b>1,950,000</b>		
<b>Executives</b>								
AM Boyd	392,114	176,080	-	25,000	186,082	779,276	24%	46%
M Robbins <sup>4</sup>	155,321	37,230	-	12,500	-	205,051	0%	18%
CW Klem	258,353	65,042	10,000	25,835	130,360	489,590	27%	42%
AI Lochland <sup>5</sup>	231,156	53,454	-	23,115	17,500	325,225	5%	22%
AM Mooney	312,586	85,507	-	24,600	129,222	551,915	23%	39%
S Butler	252,500	110,000	-	25,250	97,110	484,860	20%	43%
J Murray	135,329	-	-	14,671	474,476	624,476	76%	76%
RN Lyons <sup>6</sup>	275,827	68,686	-	25,000	114,610	484,123	24%	38%
<b>Total Executives</b>	<b>2,013,186</b>	<b>595,999</b>	<b>10,000</b>	<b>175,971</b>	<b>1,149,360</b>	<b>3,944,516</b>		
<b>Total</b>	<b>3,243,187</b>	<b>1,141,999</b>	<b>10,000</b>	<b>265,970</b>	<b>1,233,360</b>	<b>5,894,516</b>		

1. Percentage remuneration consisting of performance rights/options.

2. Percentage remuneration performance related.

3. Director fee paid to a Company or Family Trust.

4. Remuneration reflects period from appointment on 6 January 2014.

5. Remuneration reflects period from appointment on 19 August 2013.

6. Ceased being a KMP on 5 August 2013, remuneration reflects whole financial year.

The salary package may be allocated at the executive's discretion to cash, superannuation (subject to legislative limits), motor vehicle and certain other benefits.

2013	Short Term Benefits			Post-Employment Benefits	Other	Share-Based Payments				
Name	Directors' Fees and Cash Salary \$	STI \$	Other Benefits \$	Super-annuation \$	Retirement/Termination \$	Performance Rights/Options \$	Total \$	% <sup>1</sup>	% <sup>2</sup>	
<b>Directors</b>										
JM Spark – Chairman	159,091	-	-	15,909	-	-	175,000	-	-	
RJ Lee <sup>5</sup>	106,422	-	-	9,578	26,481	-	142,481	-	-	
TJ Hart – Managing Director <sup>3</sup>	160,705	125,000	70,000	12,500	-	-	368,205	-	34%	
J Murray – Managing Director <sup>7, 8, 10</sup>	636,318	480,423	137,264	50,000	629,124	388,743	2,321,872	17%	37%	
AL Vizard	93,561	-	-	1,439	-	-	95,000	-	-	
PM Mann	86,364	-	-	8,636	-	-	95,000	-	-	
RJ van Barneveld	77,273	-	-	7,727	-	-	85,000	-	-	
GH Weiss	77,273	-	-	7,727	-	-	85,000	-	-	
E Knudsen <sup>9</sup>	-	-	-	-	-	-	-	-	-	
<b>Total Directors</b>	<b>1,397,007</b>	<b>605,423</b>	<b>207,264</b>	<b>113,516</b>	<b>655,605</b>	<b>388,743</b>	<b>3,367,558</b>			
<b>Executives</b>										
AM Boyd <sup>7</sup>	378,970	112,734	81,988	25,000	-	127,737	726,429	18%	33%	
PJ Weaver <sup>4</sup>	-	-	-	-	-	-	-	-	-	
AL Speed <sup>6, 7</sup>	238,208	-	67,120	10,980	-	294,861	611,169	48%	59%	
CW Klem <sup>7</sup>	250,211	41,895	55,860	25,021	-	84,153	457,140	18%	28%	
AM Mooney	250,101	27,520	-	24,600	-	88,500	390,721	23%	30%	
RN Lyons	269,191	37,788	-	25,000	-	80,570	412,549	20%	29%	
S Butler	207,474	36,300	-	21,363	-	75,153	340,290	22%	33%	
<b>Total Executives</b>	<b>1,594,155</b>	<b>256,237</b>	<b>204,968</b>	<b>131,964</b>	<b>-</b>	<b>750,974</b>	<b>2,938,298</b>			
<b>Total</b>	<b>2,991,162</b>	<b>861,660</b>	<b>412,232</b>	<b>245,480</b>	<b>655,605</b>	<b>1,139,717</b>	<b>6,305,856</b>			

1. Percentage remuneration consisting of performance rights/options.

2. Percentage remuneration performance related.

3. Employed by Ridley on 2 April 2013 and appointed to the Board on 24 June 2013. Other Benefits comprises a sign-on bonus.

4. Resigned 1 July 2012.

5. Resigned 30 June 2013. At the 2003 Annual General Meeting, shareholders approved the termination of the Retirement Allowance Scheme. RJ Lee received an accrued entitlement frozen at 31 October 2003.

6. AL Speed ceased being an employee of the Group on 28 February 2013 as a result of the sale of the salt business.

7. Other Benefits consists of performance incentives paid upon successful completion of the Cheetham Salt divestment process.

8. In accordance with contractual entitlements, Mr J Murray's contract provided for a 12-month period of notice, of which one month was worked in June 2013 and the remaining eleven months accrued at 30 June 2013 and paid to Mr Murray in July 2013.

9. Appointed 24 June 2013.

10. Resigned 1 July 2013.

## Details of remuneration

### Service agreements

Remuneration and other terms of employment for the Managing Director are formalised in a service agreement which includes provision of performance related bonuses and other benefits, and participation, when eligible, in the Ridley Corporation LTIP. Other major provisions of the agreements relating to remuneration are set out below:

TJ Hart, appointed CEO Designate on 2 April 2013, and appointed CEO and Managing Director on 1 July 2013:

- Base remuneration, inclusive of superannuation and any elected benefits, initially of \$700,000 increasing by 3% to \$721,000 on 1 July 2014.
- Pro rata participation in the Ridley STI Scheme for the period of employment from 2 April 2013 to 30 June 2013 with non-financial key performance measures.
- Full scheme participation from 1 July 2013 up to 100% of total base remuneration-based on the achievement of certain agreed KPIs as approved by the Board. The 50% of Ridley financial performance measures include a mix of performance against budgeted earnings before interest and tax, profit after tax, cash flow and return on funds employed. The measures of personal performance include targets on safety, training, operational excellence, customer focus, sustainability and community, and people values and development.
- Eligible to participate in the Ridley LTIP effective from 1 July 2013 and Ridley to use its best endeavours to obtain shareholder approval for the issue of equity securities under the scheme. Shareholder approval was received on 26 November 2013 for the 600,000 performance rights issued to Mr Hart in the financial year with a three-year performance test period commencing on 1 July 2013.
- Ridley may terminate the contract immediately for cause and with a 12-month period of notice without cause, being inclusive of any redundancy benefits payable to the executive. Payment of termination benefits on early termination by the employer is not to exceed the threshold above which shareholder approval is required under the *Corporations Act 2001*, and comprises any amount of the total remuneration package accrued but unpaid at termination, plus accrued but unpaid leave entitlements, and any other entitlements accrued under applicable legislation.
- The Managing Director may resign at any time and for any reason by giving Ridley three months' notice in writing.

J Murray, Managing Director until 1 July 2013, Ridley Corporation Limited:

- During the prior year, separation arrangements were agreed between Ridley and Mr Murray for Mr Murray to cease being employed as CEO and Managing Director of Ridley and to be employed in a new role by Ridley from 1 July 2013. Mr Murray's non-executive role as Chair of the Ridley property holding entity, Ridley Land Corporation Pty Ltd, currently includes oversight of the Group's surplus land realisation developments in Victoria, South Australia and Queensland, for which Mr Murray received remuneration of \$150,000 per annum for the year ended 30 June 2014.
- Mr Murray participated in the Ridley STI for the 2013 financial year and his awarded entitlement was brought to account at 30 June 2013 (\$480,423) and reflected in the remuneration table for that year, together with the benefit paid to Mr Murray for the successful completion of the Cheetham Salt divestment (\$137,264). Mr Murray's 2013 performance targets included safety, strategy, completion of the Cheetham Salt sale and rendering business acquisition, securing appropriate shareholder value under the Penrice early termination compensation arrangements, and transition to his successor as Ridley CEO. Whilst Mr Murray did not participate in either the Ridley LTIP or Ridley STI Scheme in the 2014 financial year, prior period performance and retention rights awarded to him under the Ridley LTIP and SRP were preserved given his continued employment within the Group.
- Under the separation arrangements, Mr Murray worked one month (June 2013) of his contracted 12-month notice period, with the remaining 11 months accrued at 30 June 2013, reflected in the 2013 remuneration table, and paid out in July 2013. Payments to Mr Murray under the separation arrangements did not exceed the threshold above which shareholder approval is required under the *Corporations Act 2001*.

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

### Notice periods

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

For each STI and grant of options and performance rights included in the above remuneration tables, the percentage of the available STI or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria, are set out in the following table.

STI components of base salary and percentages awarded and forfeited for KMP are shown in the following table.

### STI Payment

Name	STI Percentage Range of TEP %	STI Payment in \$	2014		2013	
			Paid %	Forfeited %	Paid %	Forfeited %
TJ Hart	0–100	546,000	78	22	71	29
AM Boyd	0–50	176,080	41	9	27	23
M Robbins	0–15#	37,230	11	4	-	-
CW Klem	0–30	65,042	23	7	15	15
Al Lochland	0–23#	53,454	17	6	-	-
AM Mooney	0–30	85,507	25	5	14	16
S Butler	(i)	110,000	(i)	(i)	13	17
J Murray	0	-	0	0	70	30

\* Full year STI up to 30% reduced pro rata for FY14 period of service.

(i) Mr Butler has individual targets based on the achievement of property management and realisation objectives.

## Equity instrument disclosures relating to Directors and executives

### Performance rights provided as remuneration

Details of Rights over ordinary shares in the Company provided as remuneration to the Managing Director of Ridley Corporation Limited and each of the other key management personnel of the Group are set out below. When exercisable, each performance right is convertible into one ordinary share of Ridley Corporation Limited. Non-Executive Directors do not participate in the LTIP and are therefore ineligible to receive Rights.

### Long Term Incentive Plan (LTIP)

Recipients of LTIP Rights	Balance at 1 July 2013	Granted <sup>1</sup>	Vested <sup>2</sup>	Vested <sup>3</sup>	Forfeited	Balance at 30 June 2014 <sup>4</sup>	Date Exercised <sup>5</sup>
<b>Directors</b>							
TJ Hart	-	600,000	-	-	-	600,000	-
<b>Key management personnel</b>							
AM Boyd	400,000	200,000	(39,406)	(111,784)	(68,513)	380,297	5 Dec 2013
M Robbins	-	-	-	-	-	-	-
CW Klem	225,000	125,000	(22,165)	(55,892)	(34,257)	237,686	5 Dec 2013
Al Lochland	-	125,000	-	-	-	125,000	-
AM Mooney	225,000	125,000	(22,165)	(55,892)	(34,257)	237,686	5 Dec 2013
S Butler	225,000	-	(22,165)	(55,892)	(34,257)	112,686	5 Dec 2013
J Murray	1,243,000	-	(122,454)	(359,386)	(220,269)	540,891	5 Dec 2013
RN Lyons	225,000	125,000	(22,165)	(55,892)	(34,257)	237,686	5 Dec 2013
<b>Total issued to Directors and key management personnel</b>	<b>2,543,000</b>	<b>1,300,000</b>	<b>(250,520)</b>	<b>(694,738)</b>	<b>(425,810)</b>	<b>2,471,932</b>	<b>-</b>

1. The fair value per option at grant date was \$0.42 per share.

2. Proportional vesting following the return of capital in July 2013.

3. Vested at the end of the performance period on 5 December 2013.

4. Performance rights are due to vest between December 2014 through to July 2016.

5. The value at the 5 December 2013 date of exercise was \$0.86 per share.

# Remuneration Report – Audited continued

## Equity instrument disclosures relating to Directors and executives continued

### Ridley Corporation Special Retention Plan (SRP)

Recipients of SRP Rights	Balance at 1 July 2013	Vested <sup>1</sup>	Balance at 30 June 2014	Date Exercised <sup>1</sup>	Value Per Share at Date of Exercise
<b>Directors</b>					
TJ Hart	-	-	-	-	-
<b>Key management personnel</b>					
AM Boyd	200,000	(200,000)	-	5 May 2014	\$0.85
M Robbins	-	-	-	-	-
CW Klem	150,000	(150,000)	-	5 May 2014	\$0.85
Al Lochland	-	-	-	-	-
AM Mooney	150,000	(150,000)	-	5 May 2014	\$0.85
S Butler	125,000	(125,000)	-	5 May 2014	\$0.85
J Murray	600,000	(600,000)	-	5 May 2014	\$0.85
RN Lyons	125,000	(125,000)	-	5 May 2014	\$0.85
<b>Total issued to Directors and key management personnel</b>	<b>1,350,000</b>	<b>(1,350,000)</b>	-		

1. First 50% vested and exercised on 1 July 2013 at a value of \$0.83 per share and the remaining 50% on 5 May 2014 at \$0.85 per share.

## Shareholdings

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

### Number of shares held in Ridley Corporation Limited

Name	Balance at 1 July 2013	Received During the Year <sup>1</sup>	Acquired/(Disposed) During the Year	Balance at 30 June 2014
JM Spark	398,500	-	100,000	498,500
TJ Hart	-	-	25,000	25,000
AL Vizard	48,658	-	-	48,658
PM Mann	86,625	-	10,000	96,625
RJ van Barneveld	35,000	-	23,900	58,900
GH Weiss	25,000	-	-	25,000
E Knudsen	703,286	-	-	703,286
<b>Total Directors</b>	<b>1,297,069</b>	-	<b>158,900</b>	<b>1,455,969</b>
AM Boyd	285,499	314,154	(36,190)	563,463
M Robbins	-	-	-	-
CW Klem	75,625	208,262	-	283,887
Al Lochland	-	-	-	-
AM Mooney	231,043	205,892	-	436,935
S Butler	29,387	205,428	(22,166)	212,649
J Murray	592,024	781,839	-	1,373,863
RN Lyons	250,151	52,848	(302,999) <sup>2</sup>	-
<b>Total Executives</b>	<b>1,463,729</b>	<b>1,768,423</b>	<b>(361,355)</b>	<b>2,870,797</b>
<b>Total Key Management Personnel</b>	<b>2,760,798</b>	<b>1,768,423</b>	<b>(202,455)</b>	<b>4,326,766</b>

1. Received either from the vesting of performance rights, SRP rights, or through the Ridley Employee Share Scheme.

2. At the date of ceasing to be a Key Management Personnel on 5 August 2013.

# Lead Auditor's Independence Declaration



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

To: the Directors of Ridley Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'BW Szentirmay', written over the printed name.

KPMG

A handwritten signature in black ink, appearing to read 'BW Szentirmay', written over the printed name.

BW Szentirmay  
Partner

Melbourne  
20 August 2014

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Revenue from continuing operations	2	873,625	716,318
Cost of sales		(807,744)	(659,900)
<b>Gross profit</b>		<b>65,881</b>	<b>56,418</b>
Finance income		230	74
Other income	2	5,972	309
Expenses from continuing operations:			
Selling and distribution		(10,432)	(9,320)
General and administrative		(33,543)	(23,309)
Finance costs	3	(5,622)	(7,811)
Business restructuring	3	(466)	(37,254)
Share of net profits/(losses) from equity accounted investments	30	23	(116)
<b>Profit/(loss) from continuing operations before income tax expense</b>		<b>22,043</b>	<b>(21,009)</b>
Income tax (expense)/benefit	12	(4,430)	4,423
<b>Profit/(loss) from continuing operations after income tax expense</b>		<b>17,613</b>	<b>(16,586)</b>
Profit/(loss) from discontinued operation (net of tax)	6	-	(5,108)
<b>Net profit/(loss) after tax attributable to members of Ridley Corporation Limited</b>		<b>17,613</b>	<b>(21,694)</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial gain/(loss) on defined benefit superannuation		123	372
Income tax		-	(112)
Revaluation of salt fields		-	(29,529)
Income tax		-	11,099
<b>Items that will be reclassified to profit or loss:</b>			
Exchange differences on translation of foreign operations		-	(352)
<b>Other comprehensive income for the year, net of tax</b>		<b>123</b>	<b>(18,522)</b>
<b>Total comprehensive income for the year</b>		<b>17,736</b>	<b>(40,216)</b>
<b>Total comprehensive income for the year attributable to:</b>			
Ridley Corporation Limited		17,736	(40,216)
<b>Earnings per share</b>	Note	<b>2014</b>	<b>2013</b>
Basic earnings per share – continuing	4	5.7c	(5.4c)
Basic earnings per share	4	5.7c	(7.0c)
Diluted earnings per share – continuing	4	5.7c	(5.4c)
Diluted earnings per share	4	5.7c	(7.0c)

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

# Consolidated Balance Sheet

As at 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Current assets</b>			
Cash and cash equivalents		19,241	16,936
Receivables	7	96,371	91,852
Inventories	8	64,539	60,412
Assets held for sale	6	1,370	670
Tax receivable	13	-	412
<b>Total current assets</b>		<b>181,521</b>	<b>170,282</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method	30	2,217	2,194
Available-for-sale financial asset	31	1,084	-
Investment properties	9	37,177	38,451
Property, plant and equipment	10	118,602	118,079
Intangible assets	11	80,491	77,979
Inventories	8	120	360
Deferred tax asset	13	1,879	3,281
<b>Total non-current assets</b>		<b>241,570</b>	<b>240,344</b>
<b>Total assets</b>		<b>423,091</b>	<b>410,626</b>
<b>Current liabilities</b>			
Payables	14	129,417	152,574
Tax liabilities	13	4,233	-
Provisions	15	13,134	12,702
Retirement benefit obligations	26	-	109
<b>Total current liabilities</b>		<b>146,784</b>	<b>165,385</b>
<b>Non-current liabilities</b>			
Borrowings	16	55,584	34,771
Provisions	15	949	2,917
<b>Total non-current liabilities</b>		<b>56,533</b>	<b>37,688</b>
<b>Total liabilities</b>		<b>203,317</b>	<b>203,073</b>
<b>Net assets</b>		<b>219,774</b>	<b>207,553</b>
<b>Equity</b>			
Share capital	17	214,445	214,445
Reserves	18	375	1,487
Retained earnings	18	4,954	(8,379)
<b>Total equity</b>		<b>219,774</b>	<b>207,553</b>

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

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Share Capital \$'000	Share-based Payment Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 1 July 2013</b>	214,445	1,487	(8,379)	207,553
Profit for the period	-	-	17,613	17,613
<b>Other comprehensive income</b>				
Actuarial gain/(loss) on defined benefit superannuation and pension plans, net of tax	-	-	123	123
<b>Total other comprehensive income for the year</b>	-	-	123	123
<b>Transactions with owners recorded directly in equity</b>				
Dividends paid	-	-	(4,617)	(4,617)
Share-based payment transactions	-	(1,112)	214	(898)
<b>Total transactions with owners recorded directly in equity</b>	-	(1,112)	(4,403)	(5,515)
<b>Balance at 30 June 2014</b>	<b>214,445</b>	<b>375</b>	<b>4,954</b>	<b>219,774</b>

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

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	Share Capital \$'000	Revaluation Reserve \$'000	Share-based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 1 July 2012</b>	237,531	25,971	671	(1,270)	15,468	278,371
Profit/(loss) for the year	-	-	-	-	(21,694)	(21,694)
<b>Other comprehensive income</b>						
Revaluation of salt fields, net of tax	-	(29,529)	-	-	-	(29,529)
Deferred tax on disposal of salt fields	-	11,099	-	-	-	11,099
Actuarial gain/(loss) on defined benefit superannuation and pension plans, net of tax	-	-	-	-	260	260
Exchange differences on translation of foreign operations	-	-	-	(352)	-	(352)
<b>Total other comprehensive income for the year</b>	-	(18,430)	-	(352)	260	(18,522)
<b>Transactions with owners recorded directly in equity</b>						
Dividends paid	-	-	-	-	(11,543)	(11,543)
Capital return	(23,086)	-	-	-	-	(23,086)
Share-based payment transactions	-	-	816	-	(190)	626
<b>Total transactions with owners recorded directly in equity</b>	(23,086)	-	816	-	(11,733)	(34,003)
Disposal of subsidiary	-	(7,541)	-	1,622	9,320	3,401
<b>Balance at 30 June 2013</b>	<b>214,445</b>	<b>-</b>	<b>1,487</b>	<b>-</b>	<b>(8,379)</b>	<b>207,553</b>

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

# Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		945,171	857,904
Payments to suppliers and employees		(913,416)	(805,575)
Dividends received		-	8,287
Interest received		230	74
Other income received		2,804	321
Interest and other costs of finance paid		(5,045)	(8,095)
Income tax net refund/(payment)		1,605	(333)
<b>Net cash inflow from operating activities</b>	5	31,349	52,583
<b>Cash flows from investing activities</b>			
Acquisition of business operations	32	(350)	(80,740)
Acquisition of available-for-sale financial asset	31	(1,084)	-
Payments for property, plant and equipment		(13,717)	(22,260)
Payments for intangibles		(5,205)	(533)
Proceeds from disposal of discontinued operations, net of cash disposed		-	144,640
Proceeds from sale of non-current assets		1,421	-
<b>Net cash inflow/(outflow) from investing activities</b>		(18,935)	41,107
<b>Cash flows from financing activities</b>			
Share-based payment transactions		(3,264)	(2,056)
Draw down/(repayment) of borrowings		20,813	(70,499)
Dividends paid		(4,572)	(11,427)
Capital return		(23,086)	-
<b>Net cash (outflow) from financing activities</b>		(10,109)	(83,982)
<b>Net increase in cash held</b>		2,305	9,708
<b>Cash at the beginning of the financial year</b>		16,936	7,228
<b>Cash at the end of the financial year</b>		19,241	16,936

There were no non-cash financing and investing activities during the years ended 30 June 2014 and 2013.

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

# Notes to the Financial Statements

## Note 1 – Segment information

### Geographical segments

The Group predominantly operates in Australasia.

	AgriProducts \$'000	Property \$'000	Unallocated \$'000	Consolidated Total \$'000
<b>2014</b>				
Sales – external	873,625	-	-	873,625
<b>Total sales revenue</b>	<b>873,625</b>	<b>-</b>	<b>-</b>	<b>873,625</b>
Other revenue	664	3,439	1,869	5,972
<b>Total revenue</b>	<b>874,289</b>	<b>3,439</b>	<b>1,869</b>	<b>879,597</b>
Share of profits of equity accounted investments (note 30)	23	-	-	23
Depreciation and amortisation expense (note 3)	(13,297)	(21)	(258)	(13,576)
Write off of Penrice debt	-	-	(971)	(971)
Interest income	-	-	230	230
Interest expense (note 3)	-	-	(5,622)	(5,622)
<b>Reportable segment profit/(loss) before income tax</b>	<b>40,086</b>	<b>(2,633)</b>	<b>(15,410)</b>	<b>22,043</b>
Segment assets	352,362	41,101	27,411	420,874
Investments accounted for using the equity method	2,217	-	-	2,217
<b>Total segment assets</b>	<b>354,579</b>	<b>41,101</b>	<b>27,411</b>	<b>423,091</b>
Segment liabilities	133,049	3,814	66,454	203,317
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets (excluding the impact of business combinations)	18,193	-	729	18,922

# Notes to the Financial Statements continued

## Note 1 – Segment information continued

2013	AgriProducts \$'000	Property \$'000	Salt \$'000	Unallocated \$'000	Total \$'000	Salt (Discontinued Operations) \$'000	Eliminations \$'000	Consolidated Total \$'000
Sales – external	706,330	-	9,988	-	716,318	66,908	-	783,226
Sales – internal	-	-	-	-	-	1,585	(1,585)	-
<b>Total sales revenue</b>	<b>706,330</b>	<b>-</b>	<b>9,988</b>	<b>-</b>	<b>716,318</b>	<b>68,493</b>	<b>(1,585)</b>	<b>783,226</b>
Other revenue	309	-	-	-	309	12	-	321
<b>Total revenue</b>	<b>706,639</b>	<b>-</b>	<b>9,988</b>	<b>-</b>	<b>716,627</b>	<b>68,505</b>	<b>(1,585)</b>	<b>783,547</b>
Share of profits/(losses) of equity accounted investments	(116)	-	-	-	(116)	4,562	-	4,446
Depreciation and amortisation expense	(12,936)	-	(1,076)	(512)	(14,524)	(3,248)	-	(17,772)
Interest income	-	-	-	74	74	-	-	74
Interest expense	-	-	-	(7,811)	(7,811)	-	-	(7,811)
<b>Reportable segment profit/(loss) before income tax</b>	<b>28,075</b>	<b>(1,943)</b>	<b>(30,588)</b>	<b>(16,553)</b>	<b>(21,009)</b>	<b>(3,649)</b>	<b>-</b>	<b>(24,658)</b>
Segment assets	337,161	5,104	36,797	29,368	408,430	-	-	408,430
Investments accounted for using the equity method	2,194	-	-	-	2,194	-	-	2,194
<b>Total segment assets</b>	<b>339,355</b>	<b>5,104</b>	<b>36,797</b>	<b>29,370</b>	<b>410,626</b>	<b>-</b>	<b>-</b>	<b>410,626</b>
Segment liabilities	127,546	-	6,303	69,224	203,073	-	-	203,073
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets (excluding the impact of business combinations)	15,984	-	-	862	16,846	5,947	-	22,793

## Note 2 – Revenue and other income

	2014 \$'000	2013 \$'000
<b>Revenue from continuing operations</b>		
Sale of goods	873,625	716,318
<b>Other income from continuing operations</b>		
Insurance proceeds	361	-
Business services	1,456	-
Profit from sales of residual property site assets	764	-
Profit on sale of land	2,675	-
Foreign exchange gains – net	-	12
Rent received	19	17
Other	697	280
	<b>5,972</b>	<b>309</b>

### Note 3 – Expenses

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

	2014 \$'000	2013 \$'000
<b>Depreciation and amortisation<sup>(i)</sup></b>		
Buildings	981	885
Plant and equipment	9,939	11,712
Software	1,736	1,757
Intangible assets	920	170
	<b>13,576</b>	<b>14,524</b>

(i) The depreciation and amortisation charge is included within general and administrative expenses in the Consolidated Statement of Comprehensive Income. The 2013 depreciation expense included \$2,576,000 as a result of the annual review of the useful life of plant and equipment.

	2014 \$'000	2013 \$'000
<b>Finance costs</b>		
Interest expense	5,296	7,349
Amortisation of borrowing costs	326	462
	<b>5,622</b>	<b>7,811</b>
Bad and doubtful debt expense – net of recoveries	211	330
Write off of Penrice debt	971	-
Employee benefits expense	68,611	61,136
Operating lease expense	3,484	2,799

	Notes	2014 \$'000	2013 \$'000
<b>Business restructuring</b>			
Acquisition related costs	(a)	466	3,234
Impairment loss on Salt goodwill	(b)	-	5,017
Impairment loss on Dry Creek salt field	(c)	-	14,741
Write down of Dry Creek salt inventory	(c)	-	10,393
Write down of Dry Creek property, plant and equipment	(c)	-	3,869
		<b>466</b>	<b>37,254</b>

(a) 2013 acquisition related costs included \$2,400,000 of stamp duty on the acquisition of the Laverton rendering business.

(b) 2013 impairment loss of \$5,017,000 in respect of the goodwill that arose from the 2005 acquisition of Dry Creek.

(c) 2013 impairments in relation to the Dry Creek site, which was retained by Ridley to facilitate completion of the Cheetham Salt sale on 28 February 2013. Ridley continued to service the Penrice Supply Agreement until the termination of the supply agreement by Penrice on 1 July 2013. Ridley actively continues to prepare for the redevelopment of the Dry Creek site.

# Notes to the Financial Statements continued

## Note 4 – Earnings per share

	2014 Cents	2013 Cents
Basic earnings per share – continuing	5.7	(5.4)
Basic earnings per share	5.7	(7.0)
Diluted earnings per share – continuing	5.7	(5.4)
Diluted earnings per share	5.7	(7.0)

	2014		2013	
	Earnings Per Share		Earnings Per Share	
	Basic	Diluted	Basic	Diluted
	\$'000	\$'000	\$'000	\$'000
<b>Earnings used in calculating earnings per share</b>				
Profit/(loss) after income tax – continuing operations	17,613	17,613	(16,586)	(16,586)
(Loss) after income tax – discontinued operation	-	-	(5,108)	(5,108)
<b>Total</b>	<b>17,613</b>	<b>17,613</b>	<b>(21,694)</b>	<b>(21,694)</b>
<b>Weighted average number of shares</b>				
Weighted average number of shares used in calculating basic and diluted earnings per share	307,817,071	307,817,071	307,817,071	307,817,071

### Options

There are 4,007,524 (2013: 5,443,000) performance rights outstanding which have been excluded from the determination of diluted earnings per share calculation as the Group purchase shares on-market to satisfy vesting performance rights. Details relating to the performance rights are set out in note 25.

## Note 5 – Notes to statement of cash flows

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

	2014 \$'000	2013 \$'000
Profit/(loss) for the year	17,613	(21,694)
<b>Adjustments for non-cash items:</b>		
Depreciation and amortisation	13,576	17,773
Loss on sale of discontinued operations and businesses	-	5,773
Impairment of inventory and property, plant and equipment	132	14,262
Impairment of salt fields and goodwill	-	19,758
Net loss on sale of non-current assets	473	-
Dividends received in excess of equity profits	-	3,841
Non-cash share-based payments	1,851	2,691
Non-cash finance expenses	326	462
Bad debts expense	1,305	227
Foreign exchange (gains)/losses	347	(12)
Other non-cash movements	(118)	725
<b>Change in operating assets and liabilities, net of effects from purchase and sale of controlled entities and businesses:</b>		
Decrease/(increase) in receivables	(1,796)	(15,345)
Decrease/(increase) in inventories	(3,887)	4,816
Increase/(decrease) in trade creditors excluding capital return	(71)	35,714
Increase/(decrease) in provisions	(1,536)	1,237
Increase/(decrease) in income tax liability/receivable	4,536	334
Increase/(decrease) in deferred income tax	(1,402)	(17,979)
<b>Net cash inflow from operating activities</b>	<b>31,349</b>	<b>52,583</b>

# Notes to the Financial Statements continued

## Note 6 – Assets held for sale and discontinued operations

	2014 \$'000	2013 \$'000
<b>Assets held for sale</b>	<b>1,370</b>	<b>670</b>

At 30 June 2014, the Group has classified \$1,370,000 of assets as being held for sale which relate to the proposed sale of the Ridley AgriProducts sites at Dalby and Dandenong. This disclosure follows management's commitment to sell these sites. The feedmill at Dalby in Queensland was closed during the current financial year and the majority of the stockfeed volume transferred to the neighbouring Ridley feedmill at Toowoomba. Agreement to sell the site was reached in early June 2014 subject to the purchaser receiving financier approval. The purchaser has since received such approval to satisfy the condition precedent to completion which occurred on 11 August 2014.

At 30 June 2013, the Group had classified the former feedmill site at Dandenong as held for sale. The sale process for this site commenced in 2013 but a sale has not yet been achieved. In the 2014 financial year, the site has been de-commissioned and a contract to lease the site executed as a means of not only generating some income to cover its maintenance costs but also of making the site more attractive to a purchaser who would have an income stream from the asset while the purchaser secures its development approvals. A revised marketing campaign is expected to achieve a sale within the next 12 months.

### (i) Discontinued operation in the prior financial year

In the prior financial year, the Cheetham Salt business was sold and is disclosed in this Financial Report as a prior year discontinued operation.

### (a) Statement of comprehensive income for discontinued operation

	2013 \$'000
<b>Results of discontinued operation</b>	<b>\$'000</b>
Sales revenue	66,908
Cost of sales	(55,534)
<b>Gross profit</b>	<b>11,374</b>
Other income	12
Expenses	
Selling and distribution	(2,218)
General and administrative	(5,275)
Share of net profits of equity accounted investments	4,562
<b>Profit before income tax expense</b>	<b>8,455</b>
Income tax expense	(1,459)
<b>Profit after income tax expense</b>	<b>6,996</b>
Loss on sale before income tax, transaction costs and transfers of reserves (refer (c) below)	(952)
Transaction related expenses	(9,530)
Transfer of foreign currency reserve	(1,622)
Income tax expense	-
<b>Loss from sale of discontinued operation after income tax</b>	<b>(12,104)</b>
<b>Loss from discontinued operation after tax</b>	<b>(5,108)</b>

### (b) Effect of disposal on the financial position of the Group

The carrying amounts of assets and liabilities as at the 28 February 2013 date of completion of the sale were:

	28 February 2013 \$'000
<b>Assets</b>	
Cash	5,121
Receivables	15,486
Inventories	20,012
Property, plant and equipment	64,678
Investment in equity accounted associates	46,486
Deferred tax asset	9,300
Intangible assets	1,294
<b>Total assets</b>	<b>162,377</b>
<b>Liabilities</b>	
Payables	8,867
Tax liabilities	193
Provisions	2,365
<b>Total liabilities</b>	<b>11,425</b>
<b>Carrying amount of net assets sold</b>	<b>150,952</b>

### (c) Loss on sale

Cash consideration received	150,000
Carrying amount of net assets sold	(150,952)
<b>Loss on carrying amount of net assets sold before transaction costs and transfers of reserves</b>	<b>(952)</b>

### (d) Cash flows from discontinued operation

Net cash inflow from ordinary activities	14,209
Net cash inflow from investing activities*	144,053
Net cash (outflow) from financing activities	(1,207)
<b>Net cash inflow</b>	<b>157,055</b>

\* Includes cash consideration received of \$150,000,000.

# Notes to the Financial Statements continued

## Note 7 – Receivables

	2014	2013
	\$'000	\$'000
<b>Current</b>		
Trade debtors	89,018	83,125
Less: Allowance for doubtful debts (a)	(51)	(25)
	<b>88,967</b>	<b>83,100</b>
Prepayments	2,002	1,018
Insurance income receivable	2,679	7,734
Sale of land receivable	2,723	-
	<b>96,371</b>	<b>91,852</b>

### (a) Movements in the allowance for doubtful debts are as follows:

Balance brought forward at 1 July	25	252
Provision for impairment recognised during the year	1,208	117
Receivables written off during the year	(211)	(330)
Penrice debt written off during the year	(971)	-
Derecognised as part of sale of discontinued operation	-	(14)
<b>Balance carried forward at 30 June</b>	<b>51</b>	<b>25</b>

The allowance for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts owing in accordance with the original terms of the receivable. In determining the recoverability of the receivables, the Group considers any material changes in the credit quality of the receivable on an ongoing basis. Debts that are known to be uncollectible are written off. The allowance for doubtful debts and the receivables written off are included in 'general and administrative' expense in the Statement of Comprehensive Income and a doubtful debts allowance is created to the extent the uncollected receivables are not covered by collateral and/or credit insurance.

As at 30 June 2014, the nominal value of trade receivables impaired is \$121,000 (2013: \$25,000). There is considered to be adequate provision against the balance of receivables to the extent they are not covered by collateral and/or credit insurance.

Based on historic default rates, the Group believes that, apart from those trade receivables impaired, no further impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days, as receivables relate to customers that have a good payment record with the Group.

### Ageing Analysis

As at 30 June 2014, trade receivables of \$7,996,000 (2013: \$5,962,000) were past due but not impaired. These receivables relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is shown as follows:

	2014	2013
	\$'000	\$'000
Past due by 0-30 days	6,227	4,866
Past due by 30-60 days	591	691
Past due by 60-90 days	422	265
Past due by greater than 90 days	756	140
	<b>7,996</b>	<b>5,962</b>

## Note 8 – Inventories

	2014 \$'000	2013 \$'000
<b>Current</b>		
Raw materials and stores – at cost	40,975	38,464
– at net realisable value	210	180
Finished goods – at cost	23,354	21,768
	<b>64,539</b>	<b>60,412</b>
<b>Non-Current</b>		
Raw materials and stores – at net realisable value	120	360

Write downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2014 were nil (2013: \$10,393,000). The prior year write downs were included in the business restructuring figure in the Consolidated Statement of Comprehensive Income and in note 3.

## Note 9 – Investment properties

	2014 \$'000	2013 \$'000
<b>Movement in investment properties</b>		
Carrying amount at cost at 1 July	38,451	-
Disposal of investment property	(1,253)	-
Depreciation expense	(21)	-
Transfer from assets held for sale	-	1,248
Transfer from property, plant and equipment	-	32,703
Additions – provision for remediation for Dry Creek (note 15)	-	4,500
<b>Carrying amount at cost at 30 June</b>	<b>37,177</b>	<b>38,451</b>

Investment properties comprise sites at Lara, Moolap and Dry Creek that have ceased operating and are held for the purpose of property realisation. The former salt field site at Bowen was sold on 13 May 2014.

A fair value range for the sites at Lara, Moolap and Dry Creek cannot be determined reliably at the present time given that the respective locations do not have local established industrial or residential infrastructure which would enable a reliable valuation benchmark to be determined. Furthermore, the value of each site also varies significantly depending upon which stage of the progressive regulatory approvals required for redevelopment that has been attained at balance date. Consequently, the value of these sites has been recorded at cost.

	2014 \$'000	2013 \$'000
<b>Amounts recognised in profit and loss for investment properties</b>		
Direct operating expenses that did not generate rental income	5,723	390
Contractual obligations for site remediation (note 15)	2,123	3,949

# Notes to the Financial Statements continued

## Note 10 – Property, plant and equipment

	Land and Buildings \$'000	Plant and Equipment \$'000	Salt Fields \$'000	Total \$'000
<b>2013</b>				
Cost or fair value at 1 July 2012	42,890	202,745	97,697	343,332
Accumulated depreciation	(3,695)	(117,758)	-	(121,453)
Carrying amount at 1 July 2012	39,195	84,987	97,697	221,879
Additions	-	22,260	-	22,260
Acquisitions of businesses	15,009	22,447	-	37,456
Disposals	-	(2,301)	-	(2,301)
Disposal of subsidiary	(13,145)	(29,000)	(22,533)	(64,678)
Impairment	(1,326)	(2,543)	(14,741)	(18,610)
Revaluation	-	-	(29,529)	(29,529)
Transfer to investment property	(1,809)	-	(30,894)	(32,703)
Foreign currency exchange differences	(34)	(31)	-	(65)
Transfers from plant under construction	6,163	(6,163)	-	-
Depreciation	(1,085)	(14,545)	-	(15,630)
<b>Carrying amount at 30 June 2013</b>	<b>42,968</b>	<b>75,111</b>	<b>-</b>	<b>118,079</b>

<b>2014</b>				
Cost at 1 July 2013	46,014	169,704	-	215,718
Accumulated depreciation	(3,046)	(94,593)	-	(97,639)
Carrying amount at 1 July 2013	42,968	75,111	-	118,079
Additions	541	13,176	-	13,717
Impairment	(132)	-	-	(132)
Disposals	-	(1,442)	-	(1,442)
Transfers to assets held for sale	(700)	-	-	(700)
Transfers from plant under construction	551	(551)	-	-
Depreciation	(981)	(9,939)	-	(10,920)
<b>Carrying amount at 30 June 2014</b>	<b>42,247</b>	<b>76,355</b>	<b>-</b>	<b>118,602</b>

	Land and Buildings \$'000	Plant and Equipment \$'000	Salt Fields \$'000	Total \$'000
<b>At 30 June 2014</b>				
Cost	46,274	180,887	-	227,161
Accumulated depreciation	(4,027)	(104,532)	-	(108,559)
<b>Carrying amount at 30 June 2014</b>	<b>42,247</b>	<b>76,355</b>	<b>-</b>	<b>118,602</b>

### Revaluations

There were no revaluations in 2014. The following revaluations were made in 2013 and recognised in the following accounts:

	2014 \$'000	2013 \$'000
<b>Reversal of Asset Revaluation Reserve</b>		
Salt fields	-	29,529
Deferred tax	-	(11,099)
Asset Revaluation Reserve	-	18,430

Due to the sale of Cheetham Salt Limited, the Asset Revaluation Reserve attributable to salt fields was reversed in order to reflect the fair value attributable to the salt fields, with the tax relating to the salt fields within the Asset Revaluation Reserve recorded as a reduction in the balance of the deferred tax liability.

## Note 11 – Intangible assets

	Software \$'000	Goodwill \$'000	Contracts \$'000	Licence \$'000	Total \$'000
<b>2013</b>					
Carrying amount at 1 July 2012	11,828	32,192	751	-	44,771
Additions	533	-	-	-	533
Acquisition of businesses	-	41,775	-	-	41,775
Amortisation	(1,972)	-	(170)	-	(2,142)
Impairment	-	(5,017)	-	-	(5,017)
Disposal of subsidiary	(1,294)	-	-	-	(1,294)
Disposals	(647)	-	-	-	(647)
<b>Closing balance at 30 June 2013</b>	<b>8,448</b>	<b>68,950</b>	<b>581</b>	<b>-</b>	<b>77,979</b>
<b>At 30 June 2013</b>					
Cost	18,426	69,903	850	-	89,179
Accumulated amortisation/impairment losses	(9,978)	(953)	(269)	-	(11,200)
<b>Carrying amount at 30 June 2013</b>	<b>8,448</b>	<b>68,950</b>	<b>581</b>	<b>-</b>	<b>77,979</b>
<b>2014</b>					
Carrying amount at 1 July 2013	8,448	68,950	581	-	77,979
Additions	252	-	4,500	453	5,205
Amortisation charge	(1,736)	-	(920)	-	(2,656)
Disposals	(37)	-	-	-	(37)
<b>Closing balance at 30 June 2014</b>	<b>6,927</b>	<b>68,950</b>	<b>4,161</b>	<b>453</b>	<b>80,491</b>
<b>At 30 June 2014</b>					
Cost	18,641	69,903	5,350	453	94,347
Accumulated amortisation/impairment losses	(11,714)	(953)	(1,189)	-	(13,856)
<b>Carrying amount at 30 June 2014</b>	<b>6,927</b>	<b>68,950</b>	<b>4,161</b>	<b>453</b>	<b>80,491</b>

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

### Impairments during the year

There were no impairments of intangible assets during the year. In the prior year, an impairment loss of \$5,017,000 in respect of the goodwill that arose from the 2005 acquisition of Dry Creek was recognised within business restructuring expenses in the Consolidated Statement of Comprehensive Income.

### Impairment testing for goodwill

\$56.6 million of goodwill has been recognised in the Rendering CGU whilst the balance has been accumulated from a combination of other CGUs over many years. The Group's cash-generating unit (CGU) level summary is presented below:

	Rendering \$'000	Other \$'000	Total \$'000
<b>2014</b>	<b>56,616</b>	<b>12,334</b>	<b>68,950</b>
<b>2013</b>	<b>56,616</b>	<b>12,334</b>	<b>68,950</b>

The recoverable amount of a CGU is based on value-in-use calculations. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill. These assumptions have been used for the analysis of goodwill in each CGU.

# Notes to the Financial Statements continued

## Note 11 – Intangible assets continued

- (i) Cash flow forecasts are based on the 2015 Board-approved budget, projected for four years plus a terminal value.
- (ii) Forecast growth rates are based on management's expectations of future performances. The growth rate represents a steady indexation rate which does not exceed the Group's expectations of the long-term average growth rate for the business in which each CGU operates. The growth rates applied to cash flows beyond one year were 3% (2013: 3%). A growth rate of 3% is applied to the terminal value.
- (iii) Discount rates used are the weighted average cost of capital for the Group. The post-tax discount rate applied to cash flows was 10.2% (2013: 9.2%).

A sensitivity analysis was undertaken to examine the effect of a change in a variable on each CGU. For all CGUs a reasonable possible change in these inputs would not cause the recoverable amount to be below the carrying amount.

## Note 12 – Income tax expense

	2014 \$'000	2013 \$'000
<b>(a) Income tax expense</b>		
Current tax	4,060	6,237
Deferred tax	1,402	(9,087)
(Over) provided in prior years	(1,032)	(114)
<b>Aggregate income tax expense/(benefit)</b>	<b>4,430</b>	<b>(2,964)</b>
<b>Income tax expense/(benefit) is attributable to:</b>		
Profit/(loss) from continuing operations	4,430	(4,423)
Profit from discontinuing operations	-	1,459
	<b>4,430</b>	<b>(2,964)</b>
<b>(b) Reconciliation of income tax expense and pre-tax accounting profit</b>		
Profit/(loss) from continuing operations before income tax expense	22,043	(21,009)
(Loss) from discontinued operations before income tax expense	-	(3,649)
Profit/(loss) before income tax	22,043	(24,658)
Income tax using the Group's tax rate of 30%	6,613	(7,397)
<b>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</b>		
Share of net profit of equity accounted investments	-	(787)
Share-based payments	16	60
Non-deductible expenses	362	240
Non-deductible transaction costs	133	336
(Over) provision in prior year	(1,032)	(114)
Research and development allowance	(920)	(724)
Disposal of subsidiary	-	2,507
Impairment	-	2,555
Other	(742)	360
<b>Income tax expense/(benefit)</b>	<b>4,430</b>	<b>(2,964)</b>
<b>(c) Income tax recognised directly in equity</b>		
Aggregate current and deferred tax arising in the period and not recognised in net comprehensive income but directly debited or (credited) to equity	-	10,987

## Note 13 – Tax assets and liabilities

	2014 \$'000	2013 \$'000
<b>Current</b>		
Tax asset	-	412
Tax liability	4,233	-
<b>Non-current</b>		
Deferred tax asset	1,879	3,281
<b>Movement in deferred tax asset/(liability):</b>		
Opening balance at 1 July	3,281	(7,493)
Credited/(charged) to the Statement of Comprehensive Income (note 12)	(1,402)	9,087
Credited/(charged) to comprehensive income	-	10,987
Disposal of subsidiary	-	(9,300)
Closing balance at 30 June	1,879	3,281

### Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Consolidated</b>						
Intangibles	-	-	(1,998)	(2,794)	(1,998)	(2,794)
Doubtful debts	15	7	-	-	15	7
Property, plant and equipment	4,880	6,866	(7,979)	(6,832)	(3,099)	34
Employee entitlements	4,515	4,088	-	-	4,515	4,088
Provisions	730	30	-	-	730	30
Other	1,716	1,916	-	-	1,716	1,916
Tax assets/(liabilities)	11,856	12,907	(9,977)	(9,626)	1,879	3,281

### Movement in net deferred tax assets and liabilities

	Balance 1 July 2012 \$'000	Recognised in Profit or Loss \$'000	Recognised in Other Comprehensive Income \$'000	Disposal of Subsidiary	Balance 30 June 2013 \$'000	Recognised in Profit or Loss \$'000	Balance 30 June 2014 \$'000
<b>Consolidated</b>							
Intangibles	284	(3,078)	-	-	(2,794)	796	(1,998)
Doubtful debts	72	(65)	-	-	7	8	15
Property, plant and equipment	(12,789)	11,206	11,099	(9,482)	34	(3,133)	(3,099)
Employee entitlements	3,606	594	(112)	-	4,088	427	4,515
Provisions	587	(577)	-	20	30	700	730
Other	747	1,007	-	162	1,916	(200)	1,716
Tax asset/(liability)	(7,493)	9,087	10,987	(9,300)	3,281	(1,402)	1,879

# Notes to the Financial Statements continued

## Note 14 – Payables

	2014 \$'000	2013 \$'000
<b>Current</b>		
Trade creditors and accruals	125,921	121,754
Capital return	-	23,086
Other creditors	3,496	7,734
	<b>129,417</b>	<b>152,574</b>

## Note 15 – Provisions

	2014 \$'000	2013 \$'000
<b>Current</b>		
Employee entitlements	11,011	9,889
Provision for remediation <sup>(a)</sup>	2,123	2,213
Contingent consideration	-	600
	<b>13,134</b>	<b>12,702</b>
<b>Non-current</b>		
Employee entitlements	949	1,181
Provision for remediation	-	1,736
	<b>949</b>	<b>2,917</b>

(a) Provision is made for remediation of site closure, restoration and environmental costs when the obligation is known and can be reliably measured. The ultimate cost of remediation is uncertain and management uses its judgement and experience to provide for these costs at balance date. Cost estimates can vary in response to many factors. The expected timing of expenditure included in cost estimates can also change, for example as additional or better information becomes available as to the extent of any site remediation required. As a result, there could be significant adjustments to the provision for remediation which would affect future financial results. Refer to note 34 accounting policies for the detailed policy on provision for remediation.

Movement in provisions	Contingent Consideration	Remediation
Opening balance at 1 July 2013	600	3,949
Payment of contingent consideration	(350)	-
Reversal of contingent consideration credited to statement of comprehensive income	(250)	-
Provision utilisation	-	(1,826)
<b>Closing balance at 30 June 2014</b>	<b>-</b>	<b>2,123</b>

## Note 16 – Finance facilities

	2014 \$'000	2013 \$'000
<b>Borrowings – non-current</b>		
Bank loans	55,584	34,771

The bank loans are subject to bank covenants based on financial ratios of the Group. As at 30 June 2014, and throughout all relevant times during the financial year ended 30 June 2014, the Group was in compliance with these covenants. The bank loans are unsecured.

### Total loan facilities available to the Group in Australian dollars

		2014		2013	
		Limits \$'000	Utilised \$'000	Limits \$'000	Utilised \$'000
Loan facility	(a)	100,000	56,000	126,000	35,000
Overdraft facility	(b)	-	-	10,000	-
Cash		-	(19,241)	-	(16,936)
		<b>100,000</b>	<b>36,759</b>	<b>136,000</b>	<b>18,064</b>

#### (a) Long Term Loan facility

On 24 December 2013, a Second Amendment Deed to the original 28 December 2010 dual bank facility was executed for a facility limit of \$100 million and with a maturity date extended from 29 December 2014 to 31 January 2019. The borrowing facility comprises unsecured bank loans with floating interest rates subject to negative pledge arrangements which require the Group to comply with certain minimum financial requirements. The key covenant ratios under the facility remain interest cover, debt cover, gearing and consolidated net worth. The Group is in compliance with all facility covenants.

#### (b) Overdraft facility

The Group formerly had a \$10,000,000 (2013: \$10,000,000) net overdraft facility which was cancelled on 5 February 2014. Although \$9,240,000 of this facility was utilised by the parent company of the Group at 30 June 2013, at the same date there was no draw down against this facility from a consolidated perspective given the offsetting of subsidiary cash balances within the consolidated Group.

#### Trade payable facility

The Group has a trade payable facility which is an unsecured funding arrangement for the purposes of funding trade-related payments associated with the importation of various raw materials. Trade bills of exchange are paid by the facility direct to the importer and the Group pays the facility on 180 day terms within an overall facility limit of \$50,000,000 (2013: \$30,000,000). The amount utilised and recorded within current payables at 30 June 2014 was \$20,443,402 (2013: \$22,069,996).

#### Offsetting of financial instruments

The Group does not set off financial assets with financial liabilities in the financial statements. Under the terms of the loan facility agreement if the Group does not pay an amount when due and payable, the Bank may apply any credit balance in any currency in any account of the Group's with the bank in or towards satisfaction of that amount.

As at 30 June 2014, the value of legally enforceable cash balances which upon default or bankruptcy would be applied to the loan facility is \$17,809,000 (2013: \$15,863,000).

# Notes to the Financial Statements continued

## Note 17 – Share capital

	Parent Entity	
	2014	2013
	\$'000	\$'000
Fully paid up capital: 307,817,071 ordinary shares with no par value (2013: 307,817,071)	214,445	214,445

### (a) Movements in ordinary share capital

Date	Details	Number of Shares	\$'000
1 July 2012	Balance	307,817,071	237,531
24 June 2013	Capital return(c)	-	(23,086)
30 June 2013	Balance	307,817,071	214,445
<b>30 June 2014</b>	<b>Balance</b>	<b>307,817,071</b>	<b>214,445</b>

### (b) Ordinary shares

Ordinary shares entitle the holder to receive dividends and the proceeds on winding up the interest in proportion to the number of shares held. On a show of hands, every shareholder present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

### (c) Capital return

Ridley Corporation Ltd shareholders approved on 24 June 2013 for each registered holder of fully paid ordinary shares on 2 July 2013 to receive a capital return of 7.5 cents per share payable on 5 July 2013. This liability was recognised in Current Payables at 30 June 2013 (refer note 14).

### (d) Capital risk management

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

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

The gearing ratios as at 30 June are as follows:

	2014	2013
	\$'000	\$'000
Gross debt	55,584	34,771
Less: cash	(19,241)	(16,936)
Net debt	36,343	17,835
Total equity	219,774	207,553
Gearing ratio	16.5%	8.6%

## Note 18 – Reserves and retained earnings

### (a) Reserves

	2014 \$'000	2013 \$'000
<b>Share-based payments reserve</b>		
Opening balance at 1 July	1,487	671
Options and performance rights expense	1,851	2,691
Share-based payment transactions	(2,749)	(2,065)
Retained earnings transfer	(214)	190
Closing balance at 30 June	375	1,487
<b>Revaluation Reserve</b>		
Opening balance at 1 July	-	25,971
Revaluation	-	(29,529)
Deferred tax on revaluation	-	11,099
Transfer to retained earnings on disposal of subsidiary	-	(7,541)
Closing balance at 30 June	-	-
<b>Foreign currency translation reserve</b>		
Opening balance at 1 July	-	(1,270)
Currency translation differences arising during the year	-	(352)
Disposal of subsidiary	-	1,622
Closing balance at 30 June	-	-

### (b) Retained earnings

Opening balance at 1 July	(8,379)	15,468
Actuarial profits on defined benefit superannuation – net of tax	123	260
Net profit/(loss) for the year	17,613	(21,694)
Dividends paid	(4,617)	(11,543)
Share-based payments reserve transfer	214	(190)
Disposal of subsidiary	-	9,320
Closing balance at 30 June	4,954	(8,379)

### (c) Nature and purpose of reserves

#### (i) Share-based payments reserve

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

#### (ii) Revaluation Reserve

The Revaluation Reserve is used to record increments and decrements on the revaluation of certain non-current assets.

#### (iii) Foreign currency translation reserve

In 2013 exchange differences arising on translation of the discontinued foreign controlled entity were taken to the foreign currency translation reserve. The reserve was recognised in the Statement of Comprehensive Income as the foreign controlled entity was disposed of as part of the sale of the Cheetham Salt group on 28 February 2013.

# Notes to the Financial Statements continued

## Note 19 – Dividends

				2014 \$'000
Dividends paid during the year				
<b>Year ended 30 June 2014</b>				
		<b>Dividend paid</b>	<b>Per share</b>	
Interim dividend in respect of the current financial year	50% franked	30 April 2014	1.5 cents	<b>4,617</b>
				2013 \$'000
<b>Year ended 30 June 2013</b>				
		<b>Dividend paid</b>	<b>Per share</b>	
Final dividend in respect of the prior financial year	Fully franked	30 September 2012	3.75 cents	11,543
				2014 \$'000
Paid in cash				4,572
Non-cash dividends paid on employee in-substance options				45
				2013 \$'000
				11,427
				216
				4,617
				11,543

### Dividends not recognised at year end

In accordance with Company policy to pay any dividends at the end of April and October, the consolidated entity will consider the payment of a 2014 final dividend at its September 2014 Board meeting and will announce its 2014 final dividend decision to the market at the appropriate time.

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### Dividend franking account

Amount of franking credits available at 30 June to shareholders of Ridley Corporation Limited for subsequent financial years

156 2,750

## Note 20 – Financial risk management

### Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency, fair value interest rate and price), credit, liquidity and cash flow interest rate risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments, such as foreign exchange contracts and interest rate swaps, to hedge certain risk exposures.

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

#### (a) Market risk

##### (i) Foreign exchange risk

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

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

### Foreign currency cash and forward exchange contracts

The Group holds foreign currency bank accounts in US dollars, New Zealand dollars and Euros which are translated into Australian dollar using spot rates. These foreign currency bank accounts and at times forward foreign exchange contracts are entered into in order to fix the cost of purchases and sales denominated in foreign currencies. The Group classifies forward foreign exchange contracts as financial assets and liabilities and measures them at fair value.

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

\$'000 Australian dollars	2014			2013	
	USD	NZD	EUR	USD	EUR
Cash	7,310	669	399	1,143	775
Payables	(494)	-	-	(565)	-
Net Balance Sheet exposure	6,816	669	399	578	775
Forecast purchases	(6,816)	(669)	(399)	(578)	(775)
Forward exchange contracts	-	-	-	-	-
<b>Net exposure</b>	-	-	-	-	-

At 30 June 2014, the net fair value of forward exchange contracts resulting in a liability of nil (2013: nil) has been recognised by the Group for the fair value of forward foreign exchange contracts.

### Foreign currency sensitivity

A change of a 10% strengthening or weakening in the closing exchange rate of the foreign currency bank balances at the reporting date for the financial year would have increased or decreased the Group's reported comprehensive income and the Group's equity by \$762,000 (2013: \$174,000). A sensitivity of 10% has been selected as this is considered reasonable taking into account the current level of exchange rates and the volatility observed both on a historical basis and on market expectations for future movements. The Directors cannot nor do not seek to predict movements in exchange rates.

#### (i) Cash flow and fair value interest rate risk

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

The Group's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group policy is to ensure the interest cover ratio does not fall below the ratio limit set by the Group's financial risk management policy. At balance date, bank borrowings of the Group were incurring an average variable interest rate of 4.87% (2013: 4.92%).

### Interest rate risk exposures

The Group'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 Group intends to hold fixed rate assets and liabilities to maturity.

	Interest Rate	2014 \$'000	Interest Rate	2013 \$'000
<i>Variable rate instruments</i>				
Cash	-	19,241	-	16,936
Bank loans – Australia	4.87%	56,000	4.92%	35,000

# Notes to the Financial Statements continued

## Note 20 – Financial risk management continued

### Interest rate sensitivity

A change of 10 basis points in interest rates at the reporting date annualised for the financial year would have increased or decreased the Group's reported comprehensive income by \$389,000 (2013: \$243,000) and the Group's equity by \$389,000 (2013: \$243,000).

### (b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and the risk arises principally from the Group's receivable from customers.

The Group has no significant concentrations of credit risk that are not covered by collateral and/or credit insurance. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The Group holds collateral and/ or credit insurance over certain trade receivables.

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

The maximum exposure to credit risk at the reporting date was:

	2014 \$'000	2013 \$'000
Trade receivables	88,967	83,125
Other receivables	2,679	7,734
Cash and cash equivalents	19,241	16,936
	<b>110,887</b>	<b>107,795</b>

Further credit risk disclosures on trade receivables are disclosed in note 7.

### (c) Liquidity risk

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

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

Details of finance facilities are set out in note 16.

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

	Carrying Amount \$'000	Less than 1 year \$'000	1 to 2 years \$'000	2 to 3 years \$'000	3 to 4 years \$'000	Total Contractual Cash Flows \$'000
<b>2014</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	129,417	129,417	-	-	-	129,417
Bank loans	55,584	2,575	2,575	2,575	58,159	65,884
	<b>185,001</b>	<b>131,992</b>	<b>2,575</b>	<b>2,575</b>	<b>58,159</b>	<b>195,301</b>
<b>2013</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	152,574	152,574	-	-	-	152,574
Bank loans	34,771	1,744	36,624	1,744	1,744	41,856
	<b>187,345</b>	<b>154,318</b>	<b>36,624</b>	<b>1,744</b>	<b>1,744</b>	<b>194,430</b>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(d) Fair values

*Fair values versus carrying amounts*

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

**Note 21 – Commitments for expenditure**

	2014 \$'000	2013 \$'000
During the year ending 30 June, the Group entered into contracts which are not yet settled to purchase plant and equipment for:	<b>4,549</b>	2,820
Total group commitments for non-cancellable operating leases:		
Due within one year	<b>3,564</b>	4,018
Due within one to two years	<b>2,854</b>	2,290
Due within two to five years	<b>3,946</b>	4,448
Due after five years	<b>1,477</b>	902
	<b>11,841</b>	11,658

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

# Notes to the Financial Statements continued

## Note 22 – Contingent liabilities

### Guarantees

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

	2014	2013
	\$'000	\$'000
Bank guarantees	567	450

### Salt field damage subject to Insurance

In the prior year, a Queensland Flood Insurance Claim Agreement was entered into between Ridley and CK Life Sciences Int'l., (Holdings) Inc. (CKLS), the purchaser of Cheetham Salt, whereby Ridley indemnified CKLS for the estimated cost of up to \$7,734,000 to repair damage to its Queensland salt fields caused by severe flooding. A claim for the full amount of the remediation costs incurred by Cheetham Salt, less the excess of \$250,000 under the policy as borne by Ridley, is being progressed by Ridley under its Industrial Special Risks insurance policy. At balance date, an insurance receivable of \$2,679,000 has been included in current receivables (see note 7) and the corresponding amount owing to CKLS has been included in current payables (see note 14). During the current year, progress insurance payments have been received by Ridley and reimbursement payments made by Ridley to CKLS through Cheetham Salt. The remediation works and claim were still in progress at year end and are expected to be concluded in the first half of the coming year.

### Litigation

At the time of preparing this Financial Report, some companies included in the Group are parties to pending legal proceedings, the outcome of which is not known. The entities are defending, or prosecuting, these proceedings as they are entitled to. The Directors have assessed the impact on the Group from the individual actions to be immaterial. No material losses are anticipated in respect of any of the above contingent liabilities. There were no other material contingent liabilities in existence at balance date.

## Note 23 – Auditors' remuneration

	2014	2013
	\$	\$
<b>(a) Audit and review of financial reports</b>		
Auditors of the Company KPMG Australia	383,308	496,863
<b>(b) Other services</b>		
Auditors of the Company KPMG Australia – in relation to other assurance, taxation and due diligence services	223,020	285,775
Total remuneration of auditors	606,328	782,638

## Note 24 – Related party disclosures

### Investments

Information relating to investments accounted for using the equity method is set out in note 30.

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

### Other related parties

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

### Transactions with related parties

	2014 \$'000	2013 \$'000
<b>Transactions with related parties were as follows:</b>		
Dividend revenue		
– associates	-	6,594
– joint arrangements	-	1,693
Directors' fees		
– joint arrangements	-	35
Sales of products		
– associates	1,940	7,917
– joint arrangements	-	3,527
Purchases of products		
– joint arrangements	-	2,448
Purchases of products		
– associates	12,022	4,190
<b>Outstanding balances with related parties were as follows:</b>		
Current payable		
– associates	299	581

Outstanding balances are unsecured and repayable in cash.

### Key management personnel compensation

	2014 \$	2013 \$
Short term employee benefits	4,385,186	3,852,822
Post-employment benefits	265,970	245,480
Retirement benefits	-	26,481
Termination benefits	-	629,124
Other benefits	10,000	412,232
Share-based payments	1,233,360	1,139,717
<b>Total KMP compensation</b>	<b>5,894,516</b>	<b>6,305,856</b>

# Notes to the Financial Statements continued

## Note 25 – Share-based payments

### Share-based payment arrangements

#### Ridley Corporation Long Term Incentive Plan

The purpose of the Ridley Corporation Long Term Incentive Plan (LTIP) is to provide long term rewards that are linked to shareholder returns. Under the LTIP, selected executives and the Managing Director may be offered a number of performance rights (Right). Each Right provides the entitlement to acquire one Ridley share at nil cost subject to the satisfaction of performance hurdles.

#### Ridley Corporation Special Retention Plan

The Ridley Corporation Special Retention Plan was introduced in May 2012, developed specifically to retain and motivate key executives for a period covering and extending beyond the Cheetham Salt divestment process. Under the Special Retention Plan, selected executives and the Managing Director were offered a number of performance rights (SRP Right). The once only offer was made in accordance with the rules of the LTIP except that there were no disposal restrictions and the cessation of employment clause was superseded, such that the SRP Rights under this offer vested in full on the earlier occurrence of:

- (i) completion of two years of service from the 5 May 2012 date of grant;
- (ii) ceasing to be an employee of Ridley because of a sale of a subsidiary entity; and
- (iii) occurrence of a change of control event.

Each SRP Right provided the entitlement to acquire one Ridley share at the end of the service period. The SRP concluded on 5 May 2014 with the vesting of the final 900,000 SRP Rights for remaining Ridley Group employees. Of the total of 2,300,000 SRP Rights issued in May 2012, 75,000 were cancelled on early employee departure and the remaining 2,225,000 SRP Rights vested.

#### Ridley Employee Share Scheme

At the 1999 Annual General Meeting, shareholders approved the introduction of the Ridley Employee Share Scheme. Under the scheme, shares are offered to all permanent Australian employees with a minimum of 12 months' service, at a discount of up to 50%, and financed by an interest-free loan secured against the shares. The maximum discount per employee is limited to \$1,000 annually in accordance with relevant Australian taxation legislation. Dividends on the shares are allocated against the loan. The amount of the discount and number of shares allocated is at the discretion of the Directors. The purpose of the scheme is to align employee and shareholder interests.

### (i) Current year issues under the Ridley Corporation Long Term Incentive Plan

The model inputs for the performance rights granted during the reporting period under the LTIP included:

Grant date	1 July 2013
Expiry date	1 July 2016
Share price at grant date	\$0.83
Fair value at grant date	\$0.42
Expected price volatility of the Company's shares	26%
Expected dividend yield	4.8%
Risk-free interest rate	2.9%

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

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

#### 2014

Grant Date	Expiry Date	Balance at Start of the Year	Granted During the Year	Cancelled During the Year	Vested During the Year	Balance at End of the Year
<i>Long-Term Incentive Plan</i>						
5 December 2010	5 December 2013	1,843,000	-	(635,443)	(1,207,557)	-
5 December 2011	5 December 2014	1,750,000	-	(32,017)	(185,459)	1,532,524
1 July 2013	1 July 2016	-	2,525,000	(50,000)	-	2,475,000
		3,593,000	2,525,000	(717,460)	(1,393,016)	4,007,524
<i>Special Retention Plan</i>						
5 May 2012	5 May 2014	1,850,000	-	(25,000)	(1,825,000)	-
		<b>5,443,000</b>	<b>2,525,000</b>	<b>(742,460)</b>	<b>(3,218,016)</b>	<b>4,007,524</b>

#### 2013

Grant Date	Expiry Date	Balance at Start of the Year	Granted During the Year	Cancelled During the Year	Vested During the Year	Balance at End of the Year
<i>Long-Term Incentive Plan</i>						
5 December 2009	5 December 2012	300,000	-	(19,739)	(280,261)	-
5 December 2010	5 December 2013	2,493,000	-	(373,554)	(276,446)	1,843,000
5 December 2011	5 December 2014	2,350,000	-	(507,622)	(92,378)	1,750,000
		5,143,000	-	(900,915)	(649,085)	3,593,000
<i>Special Retention Plan</i>						
5 May 2012	5 May 2014	2,300,000	-	(50,000)	(400,000)	1,850,000
		<b>7,443,000</b>	<b>-</b>	<b>(950,915)</b>	<b>(1,049,085)</b>	<b>5,443,000</b>

#### (ii) Ridley Employee Share Scheme

The fair value at grant date of the options issued during the year through the Employee Share Scheme was measured based on the binomial model. The model inputs for valuation of the Employee Share Scheme Shares granted during the year included:

Grant date	23 May 2014
Restricted life	3 years
Fair value at grant date	\$0.48
Expected price volatility of the Company's shares	26%
Expected dividend yield	5.3%
Risk-free interest rate	3.8%

# Notes to the Financial Statements continued

## Note 25 – Share-based payments continued

### Employee Share Scheme Option movements

#### 2014 Number of shares

Grant Date	Date Shares Become Unrestricted	Weighted Average Exercise Price	Balance at Start of the Year	Granted During the Year	Exercised During the Year	Balance at End of the Year	Exercisable at End of the Year
29 January 2002	29 January 2005	\$0.82	49,000	-	(6,000)	43,000	43,000
28 January 2003	28 January 2006	\$0.74	91,800	-	(10,800)	81,000	81,000
13 February 2004	13 February 2007	\$0.63	122,045	-	(122,045)	-	-
5 April 2005	5 April 2008	\$0.77	121,365	-	(11,745)	109,620	109,620
10 April 2006	10 April 2009	\$0.66	144,020	-	(10,612)	133,408	133,408
13 April 2007	13 April 2010	\$0.57	182,936	-	(15,831)	167,105	167,105
11 April 2008	11 April 2011	\$0.56	236,676	-	(19,723)	216,953	216,953
3 April 2009	3 April 2012	\$0.34	428,620	-	(44,340)	384,280	384,280
30 April 2010	30 April 2013	\$0.61	350,020	-	(43,956)	306,064	306,064
30 April 2011	30 April 2014	\$0.66	354,380	-	(33,176)	321,204	321,204
30 April 2012	30 April 2015	\$0.61	406,884	-	(29,772)	377,112	-
26 April 2013	26 April 2016	\$0.41	836,264	-	(38,896)	797,368	-
23 May 2014	23 May 2017	\$0.48	-	933,780	(2,370)	931,410	-
			3,324,010	933,780	(389,266)	3,868,524	1,762,634
Weighted average exercise price			\$0.58	\$0.48	\$0.58	\$0.53	\$0.58

The options outstanding have a weighted average contractual life of three years (2013: three years).

#### 2013 Number of shares

Grant Date	Date Shares Become Unrestricted	Weighted Average Exercise Price	Balance at Start of the Year	Granted During the Year	Exercised During the Year	Balance at End of the Year	Exercisable at End of the Year
29 January 2002	29 January 2005	\$0.82	61,000	-	(12,000)	49,000	49,000
28 January 2003	28 January 2006	\$0.74	122,850	-	(31,050)	91,800	91,800
13 February 2004	13 February 2007	\$0.63	160,085	-	(38,040)	122,045	122,045
5 April 2005	5 April 2008	\$0.77	153,990	-	(32,625)	121,365	121,365
10 April 2006	10 April 2009	\$0.66	175,856	-	(31,836)	144,020	144,020
13 April 2007	13 April 2010	\$0.57	230,429	-	(47,493)	182,936	182,936
11 April 2008	11 April 2011	\$0.56	304,810	-	(68,134)	236,676	236,676
3 April 2009	3 April 2012	\$0.34	579,376	-	(150,756)	428,620	428,620
30 April 2010	30 April 2013	\$0.61	449,328	-	(99,308)	350,020	350,020
30 April 2011	30 April 2014	\$0.66	455,416	-	(101,036)	354,380	-
30 April 2012	30 April 2015	\$0.61	532,588	-	(125,704)	406,884	-
26 April 2013	26 April 2016	\$0.41	-	841,126	(4,862)	836,264	-
			3,225,728	841,126	(742,844)	3,324,010	1,726,482
Weighted average exercise price			\$0.58	\$0.41	\$0.57	\$0.58	\$0.56

	2014 \$'000	2013 \$'000
<b>Share-based payment expense</b>		
Shares issued under the Employee Share Scheme	448	370
Performance rights issued under long term incentive and special retention plans	1,403	2,320
<b>Total share-based payment expense</b>	<b>1,851</b>	<b>2,690</b>

## Note 26 – Retirement benefit obligations

### Superannuation

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

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

### Defined Contribution Plans

Benefits are based on an accumulation of defined contributions. The amount of contribution expense recognised in the Statement of Comprehensive Income for the year is \$4,589,000 (2013: \$5,616,000).

### Defined Benefit Plan

The Defined Benefit Plan was closed during the year. A Voluntary Transfer Offer from defined benefit to accumulation was made by the Company to all remaining fund participants. With effect from 30 September 2013, all remaining Defined Benefit Plan members accepted the offer and were transferred to the Ridley Superannuation Plan – Australia.

The following notes (a) to (e) set out details in respect of the Defined Benefit Plan only.

#### (a) Balance sheet amounts relating to Defined Benefit retirement benefit obligations

The amounts recognised in the Balance Sheet are determined as follows:

	2014 \$'000	2013 \$'000
Present value of benefit obligation	-	1,337
Fair value of the benefit plan assets	-	(1,228)
<b>Net retirement benefit obligation liability</b>	-	109

#### (b) Categories of Defined Benefit Plan assets

The major categories of plan assets are as follows:

	2014	2013
Cash	-	6%
Equity instruments	-	58%
Debt instruments	-	19%
Property	-	11%
Other	-	6%

# Notes to the Financial Statements continued

## Note 26 – Retirement benefit obligations continued

### (c) Reconciliations

	2014 \$'000	2013 \$'000
<b>Reconciliation of the present value of the Defined Benefit Plan obligations</b>		
Opening balance at 1 July	1,337	2,469
Current service cost	15	96
Interest cost	11	60
Actuarial (gains)/losses	(4)	(284)
Benefits, expenses and insurance premiums paid	(1,385)	(1,070)
Contributions by plan participants	7	34
Past service cost	19	32
Closing balance at 30 June	-	1,337

### Reconciliation of the fair value of plan assets

Opening balance at 1 July	1,228	1,853
Actual/expected return on plan assets	130	125
Actuarial gains/(losses)	-	88
Employer contributions	20	198
Contributions by plan participants	7	34
Benefits, expenses and insurance premiums paid	(1,385)	(1,070)
Closing balance at 30 June	-	1,228

### Expense recognised in Statement of Comprehensive Income

Current service cost	15	96
Past service cost	47	32
Interest cost	-	60
Expected return on plan assets	-	(125)
Total included in employee benefits expense/(benefit)	62	63
Actual return on plan assets	-	213

### Actuarial (gains) and losses recognised in other comprehensive income

Cumulative amount at 1 July	1,729	2,101
Recognised during the period	(123)	(372)
Cumulative amount at 30 June	1,606	1,729

### (d) Principal actuarial assumptions

The principal actuarial assumptions used by the actuary (expressed as weighted averages) were as follows:

	2014	2013
Discount rate	3.50%	3.10%
Future salary increases	2.50%	2.50%
Expected return on plan assets	-	6.75%

### (e) Historic summary

	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000
Present value of defined benefit obligation	-	1,337	2,469	2,106	2,979
Fair value of plan assets	-	(1,228)	(1,853)	(1,834)	(2,888)
Deficit	-	109	616	272	91
Experience adjustments arising on plan liabilities	-	88	53	35	87
Experience adjustments arising on plan assets	-	88	28	166	(8)

## Note 27 – Investment in controlled entities

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

Name of Entity	Country of Incorporation	Class of Shares	Ownership Interest	
			2014	2013
Ridley AgriProducts Pty Ltd and its controlled entity	Australia	Ordinary	100%	100%
CSF Proteins Pty Ltd	Australia	Ordinary	100%	100%
Barastoc Stockfeeds Pty Ltd	Australia	Ordinary	100%	100%
Diamond Salt Pty Limited <sup>1</sup>	Australia	Ordinary	100%	100%
RCL Retirement Pty Limited	Australia	Ordinary	100%	100%
Ridley Land Corporation Pty Ltd and its controlled entities	Australia	Ordinary	100%	100%
Lara Land Development Corporation Pty Ltd	Australia	Ordinary	100%	100%
Ridley Dry Creek Pty Ltd	Australia	Ordinary	100%	100%
Moolap Land Development Corporation Pty Ltd	Australia	Ordinary	100%	100%
Bowen Land Development Corporation Pty Ltd <sup>2</sup>	Australia	Ordinary	-	100%

1. Non-trading company which is in the process of being de-registered.

2. Company was sold on 9 May 2014.

## Note 28 – Parent Entity

As at and throughout the financial year ending 30 June 2014, the parent company of the Group was Ridley Corporation Limited.

	2014	2013
	\$'000	\$'000
<b>Result of the parent entity</b>		
Profit for the year	25,724	2,258
Comprehensive income for the year	123	260
Total comprehensive income for the year	25,847	2,518
<b>Financial position of the parent entity at year end</b>		
Current assets	6,064	3,200
Non-current assets	302,596	289,764
Total assets	308,660	292,964
Current liabilities	10,870	36,785
Non-current liabilities	55,734	34,499
Total liabilities	66,604	71,284
Net assets	242,056	221,680
<b>Total equity of the parent entity comprising of:</b>		
Share capital	214,445	214,445
Share-based payment reserve	375	1,487
Retained earnings	27,236	5,748
Total equity	242,056	221,680
GST liabilities of other entities within the GST group	515	1,044

### Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees the debts of certain of its subsidiaries which are party to the deed.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in note 29.

# Notes to the Financial Statements continued

## Note 29 – Deed of Cross Guarantee

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

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

### (a) Summarised Consolidated Statement of Comprehensive Income

	2014 \$'000	2013 \$'000
<b>Profit/(loss) before income tax</b>	22,043	(16,934)
Income tax benefit/(expense)	(4,430)	3,407
<b>Profit/(loss) after income tax</b>	17,613	(13,527)

### (b) Summary of movements in retained profits

Opening balance at 1 July	(8,379)	24,023
Actuarial gains on defined superannuation benefit – net of tax	123	260
Profit for the year	17,613	(13,527)
Share-based payment reserve transfer	214	(190)
Dividends paid	(4,617)	(11,543)
Disposal of subsidiary	-	(7,402)
<b>Closing balance at 30 June</b>	4,954	(8,379)

### (c) Balance Sheet

	2014 \$'000	2013 \$'000
<b>Current assets</b>		
Cash and cash equivalents	19,241	16,936
Receivables	96,371	91,852
Inventories	64,539	60,412
Assets held for sale	1,370	670
Tax receivable	-	412
<b>Total current assets</b>	181,521	170,282
<b>Non-current assets</b>		
Investments accounted for using the equity method	2,217	2,194
Available-for-sale financial asset	1,084	-
Investment properties	34,012	34,032
Property, plant and equipment	118,602	118,079
Intangible assets	80,491	77,979
Inventories	120	360
Deferred tax asset	1,879	3,260
<b>Total non-current assets</b>	238,405	235,904
<b>Total assets</b>	419,926	406,186

	2014 \$'000	2013 \$'000
<b>Current liabilities</b>		
Payables	126,252	125,048
Tax liabilities	4,233	-
Provisions	13,134	35,788
Retirement benefit obligations	-	109
<b>Total current liabilities</b>	<b>143,619</b>	<b>160,945</b>
<b>Non-current liabilities</b>		
Borrowings	55,584	34,771
Provisions	949	2,917
<b>Total non-current liabilities</b>	<b>56,533</b>	<b>37,688</b>
<b>Total liabilities</b>	<b>200,152</b>	<b>198,633</b>
<b>Net assets</b>	<b>219,774</b>	<b>207,553</b>
<b>Equity</b>		
Share capital	214,445	214,445
Reserves	375	1,487
Retained earnings	4,954	(8,379)
<b>Total equity</b>	<b>219,774</b>	<b>207,553</b>

### Note 30 – Investments accounted for using the equity method

Name of Company	Principal Activity	Country of Incorporation	Ownership Interest		Carrying Amount	
			2014 %	2013 %	2014 \$'000	2013 \$'000
<b>Associates</b>						
Consolidated Manufacturing Enterprise Pty Ltd and Swanbrook Road Holding Trust	Feed production	Australia	25	25	2,217	2,194
<b>Joint venture entities</b>						
Ridley Bluewave Pty Ltd <sup>1</sup>	Animal protein production	Australia	50	-	-	-
Nelson Landholdings Pty Ltd as Trustee for Nelson Landholdings Trust <sup>2</sup>	Property realisation	Australia	50	-	-	-
<b>Investments accounted for using the equity method</b>					<b>2,217</b>	<b>2,194</b>

1. Ridley Bluewave Pty Ltd was incorporated on 1 June 2014 and did not conduct any activity during the financial year.

2. The Company and Unit trust were established on 28 May 2014 as the corporate structure through which any ultimate development of the Moolap site would be managed. There are a number of restrictions for this entity to protect the interests of each party, (being Ridley and development partner Sanctuary Living) which cause the entity to be reported as a joint venture rather than controlled entity. Despite this classification for reporting purposes, Ridley retains full control of the value and use of the land at Moolap until such time as Ridley resolves to commit the land to the project.

# Notes to the Financial Statements continued

## Note 30 – Investments accounted for using the equity method continued

Investments in associates and joint venture entities are accounted for in the consolidated financial statements using the equity method of accounting, and are carried at cost by the respective parent entity. The common balance date of the associate and joint venture entities is 30 June.

	2014 \$'000	2013 \$'000
<b>Carrying amount of investments accounted for using the equity method</b>		
Opening carrying amount at 1 July	2,194	52,521
Share of investments disposed	-	(46,486)
Share of operating profits/(losses) after income tax	23	(116)
Share of operating profits after income tax – discontinued operations	-	4,562
Dividends received – discontinued operations	-	(8,287)
Closing carrying amount at 30 June	2,217	2,194

Summarised financial information of equity accounted investees, not adjusted for the percentage ownership held by the Group, is provided following.

Current assets	1,762	1,489
Non-current assets	3,006	2,718
<b>Total assets</b>	<b>4,768</b>	<b>4,207</b>
Current liabilities	1,416	945
<b>Total liabilities</b>	<b>1,416</b>	<b>945</b>
<b>Net assets</b>	<b>3,352</b>	<b>3,262</b>
Revenue	11,367	49,471
<b>Net profit after tax</b>	<b>68</b>	<b>8,263</b>

There are no material reserves or contingent liabilities of the associated companies.

## Note 31 – Available-for-sale financial asset

	2014 \$'000	2013 \$'000
<b>Non-current</b>		
Unlisted equity security	1,084	-

The unlisted equity security is not traded in active markets. This asset is shares in Bluewave Management Inc., initially recorded at a fair value of USD \$1 million. This holding represents a 5% investment in Bluewave Management Inc., an entity incorporated in Panama with several overseas high protein concentrate plants and access to technology rights which Ridley has acquired for Australasia and selected territories in the Pacific Islands. There is no Ridley Board representation or other influence on Bluewave Management Inc.

## Note 32 – Acquisitions

### Acquisitions for the year ended 30 June 2014

There were no acquisitions for the year ended 30 June 2014.

### Acquisitions for the year ended 30 June 2013

#### Contingent consideration for 2013 acquisitions of business assets and liabilities

On 15 August 2012, CSF Proteins Pty Ltd acquired the assets of Bartlett Grain Pty Ltd for \$1,700,000 and this resulted in goodwill of \$750,000. Bartlett Grain is an agricultural commodity trading business specialising in stockfeed ingredients. This business provides synergies with CSF Proteins Pty Ltd and Ridley Aqua-Feeds for the procurement of raw materials. The Company agreed to pay the selling shareholders up to \$350,000 of contingent consideration during the year ending 30 June 2014 subject to the acquiree reaching earnings performance targets for the first 12 months. An amount of \$350,000 was provided for as contingent consideration at 30 June 2013 and was paid on 16 August 2013 upon attainment of the performance targets.

On 10 May 2013, Ridley AgriProducts Pty Ltd acquired the animal nutrition business of Probiotec Limited for \$1,600,000 and this resulted in goodwill of \$1,046,000. The animal nutrition business consists primarily of a range of powdered milk replacer products, which are fed to infant calves and other infant animals such as lambs, kids, foals and piglets. The Company agreed to pay the selling shareholders up to \$250,000 of contingent consideration during the year ending 30 June 2014 subject to the acquiree reaching earnings performance targets for the first 12 months. An amount of \$250,000 was provided for as contingent consideration at 30 June 2013. Earnings performance targets were not met and the contingent consideration was not paid and the provision reversed.

#### 2013 acquisition of Laverton rendering business

On 31 December 2012, Ridley acquired the rendering business assets of BPL Melbourne Pty Ltd (CSF Proteins Melbourne) and the associated Merino Street and Lincoln Street, Laverton properties of BPL Nominees Pty Ltd, for a total purchase consideration of \$77,078,000, excluding acquisition costs.

CSF Proteins Melbourne is Victoria's largest renderer of poultry and mammalian waste products. Following the March 2011 acquisition of New South Wales located CSF Proteins, this transaction marked Ridley's entry into the Victorian animal meals sector and is consistent with Ridley's strategy to secure the supply chain for strategic feed ingredients.

In the six months to 30 June 2013, CSF Proteins Melbourne contributed \$38,981,000 of revenue and profit of \$1,733,000 to the consolidated results after allocation of overheads, interest and integration costs. If the acquisition had occurred on 1 July 2012, management estimated that consolidated revenue would have been \$77,962,000 and consolidated profit from the period would have been \$3,912,000. In determining these amounts, management assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2012.

#### 2013 identifiable assets acquired and liabilities assumed, and attributable goodwill

The following CSF Proteins Melbourne fair values were determined by the Ridley Board of Directors following an independent review of plant and equipment undertaken by Steers Pty Ltd and of land and buildings by m3 Property Pty Ltd.

Inventory of finished goods was fair valued at selling prices less the costs of disposal and an estimate of the reasonable profit margin for the selling effort of the acquirer. Leave benefit entitlements for all transferring employees were assumed by the Group and an appropriate adjustment made to accommodate this and the fair value of inventory.

The goodwill is attributable mainly to the rendering and blending skills of the CSF Proteins Melbourne management and workforce together with the synergies expected to be achieved from integrating the business with both the NSW animal meals business and the Ridley AgriProducts stockfeed business.

# Notes to the Financial Statements continued

## Note 32 – Acquisitions continued

2013 identifiable assets acquired and liabilities assumed, and attributable goodwill continued

The following summarises the consideration transferred and the recognised amount of assets and liabilities assumed at the acquisition date:

	2013 \$'000
Total consideration paid in cash	77,078
Fair value of net assets of businesses acquired:	
Property, plant and equipment	37,456
Inventories	939
Prepayments	58
Employee entitlement provisions (tax effected)	(1,354)
Total net identifiable assets	37,099
Goodwill	39,979

With regard to the prior year acquisitions, the Group incurred acquisition-related costs of \$3,234,000 relating to external legal fees and due diligence costs, including \$2,400,000 of stamp duty on the acquisition of the rendering business. These legal fees and due diligence costs were included as business restructuring expenses in the Group's Consolidated Statement of Comprehensive Income.

## Note 33 – Events occurring after the balance sheet date

No other matters or circumstances have arisen since 30 June 2014 that have significantly affected, or may significantly affect:

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

## Note 34 – Summary of significant accounting policies

Ridley Corporation Limited (the Company) is a company limited by shares, incorporated and domiciled in Australia, and whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements as at, and for the year ended, 30 June 2014 comprise Ridley Corporation Limited, the 'parent entity', its subsidiaries and the Group's interest in equity accounted investments. Ridley Corporation Limited and its subsidiaries together are referred to in this Financial Report as 'the Group'. The Group is a for-profit entity and is primarily involved in the manufacture of animal nutrition solutions.

The Financial Report was authorised for issue by the Directors on 20 August 2014.

The principal accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to all the years presented. Certain comparative amounts have been reclassified to conform with the current year's presentation.

### Basis of preparation

#### Statement of compliance

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

### Application of new and revised accounting standards and interpretations

The Group has adopted all of the new and revised standards and interpretations issued by the AASB that are relevant to its operations and effective for the current year. New and revised standards and amendments thereof, and interpretations effective for the current year that are relevant to the Group, include:

- AASB 10 'Consolidated Financial Statements'.
- AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'.
- AASB 11 'Joint Arrangements'.
- AASB 12 'Disclosure of Interests in Other Entities'.
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'.
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'.

The Group has early adopted AASB 2013-3 'Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets'.

The application of the new and revised standards has had no material impact on the disclosures or on the amounts recognised in the current or prior period, and are not likely to affect future periods.

The following standards, amendments and interpretations, are effective for annual periods beginning after 1 July 2014 and have been identified as those which may impact the Group in the period of initial application. They have not been applied in preparing this Consolidated Financial Report.

- **AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9***. AASB 9 addresses the classification and measurement of financial assets and is not likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2017 but is available for early adoption. The Group is yet to assess its full impact but considers it is not likely to have a material effect.

### Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items in the Balance Sheet:

- derivative financial instruments at fair value through comprehensive income; and
- cash settled share-based payment arrangements, which are measured at fair value.

### Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

### Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Financial Report. Amounts in the consolidated financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

## Note 34 – Summary of Significant Accounting Policies continued

### Use of estimates and judgements

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

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

#### (i) Estimated impairment of goodwill and other non-current assets

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy for intangible assets. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units, or CGUs). The recoverable amounts of CGUs units have been determined by value in use calculations that require the use of key assumptions including future cash flows, discount rates and growth rates and estimated cost of remediation.

#### (ii) Investment properties

The Group measures investment properties at cost. A fair value range cannot be determined reliably given that the respective locations do not have local established industrial or residential infrastructure which would enable a reliable valuation benchmark to be determined. Furthermore, the value of each site also varies significantly depending upon which stage of the progressive regulatory approvals required for redevelopment has been attained at balance date. The valuation of investment properties requires judgement to be applied in selecting appropriate valuation techniques and setting valuation assumptions. The Group engages independent valuers to provide an indicative value for its material investment properties in the context of assessing for impairment.

#### (iii) Provision for remediation

Provision is made for remediation of site closure, restoration and environmental costs when the obligation is known and can be reliably measured, based on the net present value of estimated future costs with an appropriate probability weighting of the different remediation, closure or other activities required to satisfy the closure obligations. The ultimate cost of remediation is uncertain and management uses its judgment and experience to provide for these costs at balance date. Cost estimates can vary in response to many factors including changes to the relevant legal or local/national government ownership requirements, review of remediation and relinquishment options, timing of the expenditures and the effects of inflation.

The expected timing of expenditure included in cost estimates can also change, for example as additional or better information becomes available as to the extent of any site remediation required. Cash flows extending beyond the next 12 months must be discounted if this has a material effect. The selection of appropriate sources on which to base the calculation of the risk-free discount rate used for such obligations also requires judgement.

As a result of all of the above factors, there could be significant adjustments to the provision for remediation which would affect future financial results. Increases and decreases in site holding obligations are charged directly to the Consolidated Statement of Comprehensive Income. Increases and decreases in remediation obligations are capitalised to investment property. The corresponding accounting entry for an increase in closure provision would be an increase in the carrying value of the relevant investment property, which might potentially impact any future impairment considerations.

### Basis of consolidation – Business combinations

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Goodwill on a business combination is measured by the Group as the fair value of the consideration transferred less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date.

Transaction costs that the Group incurs in connection with a business combination, such as legal, due diligence and other professional and consulting fees, are expensed as incurred.

## Subsidiaries

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

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

## Interests in equity-accounted investees

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

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

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

## Segment reporting

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

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

The Group has two reportable segments, as described below, which are the Group's strategic business units. The operating segments identified by management are consistent with the manner in which products are sold or how future economic benefits will be realised. Discrete financial information about each of these operating businesses is reported to the Managing Director and his management team on at least a monthly basis.

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

<b>AgriProducts</b>	Australia's leading supplier of premium quality, high performance animal nutrition solutions.
<b>Property</b>	Realisation of opportunities in respect of surplus property assets and sales of residual property site assets.

In the prior year, the Group had a third reportable segment which comprised both a continuing and discontinuing operation:

<b>Salt – discontinued operation</b>	Produces, refines and markets salt, and has investments in associated companies. This business, operating through the Cheetham Salt Limited group of entities, was sold on 28 February 2013.
<b>Salt (previously a continuing operation but since discontinued)</b>	Comprised the Dry Creek salt operation which produced and sold salt exclusively to Penrice under a long term Supply Agreement which was terminated by Penrice on 1 July 2013. The salt operation ceased at that date and a site closure program commenced which involves disposal of surplus assets and rehabilitation of the site. The Dry Creek site is now included within the Property segment from 1 July 2013.

The basis of inter-segmental transfers is market pricing. Results are calculated on before consideration of net borrowing costs and tax expense basis. Segment assets exclude deferred tax balances and cash, which have been included as unallocated assets.

# Notes to the Financial Statements continued

## Note 34 – Summary of significant accounting policies continued

### Foreign currency

#### (i) Foreign currency transactions

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

#### (ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the Consolidated Statement of Comprehensive Income as part of the comprehensive income on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation, are recognised in other comprehensive income, and are presented within equity in the FCTR.

### Investment properties

Investment property is property held either to earn rental income, for capital appreciation, or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes.

Investment property is measured at cost on initial recognition. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Expenditure capitalised to investment properties includes the cost of acquisition, capital and remediation additions. Any gain or loss on disposal of an investment property is recognised in profit and loss.

Depreciation is calculated using the straight-line method to allocate cost or revalued amounts, net of their residual values, over the estimated useful lives of the assets, and for buildings over a 40-year period.

### Property, plant and equipment

Land and buildings are stated at cost, or deemed cost, less accumulated depreciation and impairment.

All other property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

Land (and in prior years salt fields) are not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings 13 to 40 years
- Plant and equipment 2 to 30 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the Consolidated Statement of Comprehensive Income.

### Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

The value of government grants relating to the purchase of property, plant and equipment is deducted from the carrying amount of the asset. The grant is recognised in comprehensive income over the life of the depreciable asset as a reduced depreciation expense.

### Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets and financial assets. A disposal group as a whole is measured at the lower of its carrying amount and its fair value less cost to sell.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value of an asset (or disposal group) less costs to sell, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Current assets, deferred tax assets and liabilities, employee benefits and financial instruments within a disposal group are measured in accordance with the relevant accounting standards. Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Balance Sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Balance Sheet.

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the Consolidated Statement of Comprehensive Income.

### Income tax

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

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

### Tax consolidation

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

Under the tax sharing agreement, the wholly owned entities fully compensate Ridley Corporation Limited for any current tax payable assumed and are compensated by Ridley Corporation Limited for any current tax receivable, and for deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Ridley Corporation Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements. Amounts payable and receivable between Ridley Corporation Limited and the wholly owned entities are settled through the intercompany accounts.

# Notes to the Financial Statements continued

## Note 34 – Summary of Significant Accounting Policies continued

### Financial Instruments

#### (i) Non-derivative financial assets

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

Financial assets and liabilities are offset and the net amount presented in the Balance Sheet when and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### (a) Loans and receivables

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

#### (b) Available-for-sale financial asset

Available-for-sale financial asset comprises an investment in an unlisted equity security. This type of asset is a non derivative that is either designated in this category or not classified in any of the other categories. The asset is classified as a non-current asset unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Investments in equity instruments is recognised initially at fair value. After initial recognition, the investment in equity instrument does not have a quoted market price in an active market whose fair value cannot be reliably measured. As the probability of various estimates cannot be reasonably assessed, the Group is precluded from measuring the instrument at fair value.

#### (c) Cash

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

#### (ii) Non-derivative financial liabilities

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

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

#### (iii) Derivative financial instruments

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

### Finance costs

Finance costs include interest, unwinding of the effect of discounting on provisions, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with the arrangement of borrowings, including lease finance charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets, being assets which normally take more than 12 months from commencement of activities necessary to prepare for their intended use or sale to the time when substantially all such activities are complete. Where funds are borrowed specifically for the production of a qualifying asset, the interest on those funds is capitalised, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average interest rate.

## Intangible assets

### (i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates, accounted for using the equity method. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units for the purpose of impairment testing.

### (ii) Software

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

### (iii) Contracts and licence

The contracts and licence intangible assets represents acquired contractual legal rights which have finite useful lives and which are amortised over periods of between five and 20 years, the period of the contractual legal rights. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

## Impairment of non-financial assets

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

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

## Employee benefits

### (i) Defined benefit superannuation funds

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

A liability or asset in respect of defined benefit superannuation funds is recognised in the Balance Sheet, and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains less unrecognised actuarial losses less the fair value of the fund's or plan's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the funds or plans. 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. Actuarial gains and losses are recognised in retained earnings via the Consolidated Statement of Other Comprehensive Income.

Past service costs are recognised immediately in comprehensive income, unless the changes are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period. Future taxes, such as taxes on investment income and employer contributions, are taken into account in the actuarial assumptions used to determine the relevant components of the employer's defined benefit liability or asset.

### (ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in comprehensive income in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

# Notes to the Financial Statements continued

## Note 34 – Summary of significant accounting policies continued

### (iii) Share-based payments

Share-based compensation benefits are provided to employees via incentive plans described in note 25.

#### *Ridley Corporation Long Term Incentive and Special Retention Plan*

The fair value of performance rights granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the vesting period during which the employees become unconditionally entitled to the performance rights.

The fair value at grant date is independently determined using a binomial option pricing model that takes into account the exercise price, term of the option, vesting and performance criteria, impact of dilution, non-tradeable nature of the performance rights, share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk free interest rate for the term of the performance rights.

#### *Ridley Employee Share Scheme*

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

### (iv) Wages and salaries, bonuses, annual leave and sick leave

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

### (v) 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 (iv) 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 timing of estimated future cash outflows.

### (vi) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in both employee benefit liabilities and costs.

## Research and development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the Consolidated Statement of Comprehensive Income as incurred.

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

## Inventories

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

## Revenue recognition

Revenue from the sale of goods in the course of ordinary business is measured at the fair value of the consideration received or receivable, net of returns, trade allowances and duties and taxes paid. Sales revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer.

The Group recognises revenue when pervasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

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

## Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for doubtful debts. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An impairment allowance for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables and where suitable insurance arrangements or collateral do not cover any uncollected amounts.

The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate, and is recognised in the Consolidated Statement of Comprehensive Income.

When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the Consolidated Statement of Comprehensive Income.

## Leased assets

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits of ownership of leased non-current assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the period of the lease.

## Provisions

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

Provisions for close down and restoration costs include the costs of dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are reviewed annually during the life of the operation, based on the net present value of estimated future costs. Estimated changes resulting from new disturbance, updated cost estimates, changes to the lives of operations and revisions to discount rates are all recorded as an adjustment against property, plant and equipment/investment property. These costs are then depreciated over the lives of the assets to which they relate as appropriate.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Consolidated Statement of Comprehensive Income in each accounting period. The amortisation of the discount is shown in finance costs.

## Share capital

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

# Notes to the Financial Statements continued

## Note 34 – Summary of significant accounting policies continued

### Earnings per share

#### (i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial 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.

### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the taxation authority. In this case, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current receivable or payable in the Balance Sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

### Determination of fair values

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

#### (i) Derivative financial instruments

The fair values of forward exchange contracts are estimated using listed market prices if available. If a listed market price is not available, then the fair value is estimated by discounting the contractual cash flows at their forward price and deducting the current spot rate.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments at the measurement date.

#### (ii) Non-derivative financial assets and liabilities

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

# Directors' Declaration

1. In the opinion of the directors of Ridley Corporation Limited (the Company):
  - (a) The consolidated financial statements and notes set out on pages 54 to 102 and the Remuneration Report are in accordance with the *Corporations Act 2001*, including:
    - (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
    - (ii) giving a true and fair view of the Group's financial position as at 30 June 2014 and its performance for the financial year ended on that date.
  - (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe the members of the Extended Closed Group identified in note 29 will be able to meet any obligations or liabilities to which they are or may be become subject, by virtue of the Deed of Cross Guarantee, between the Company and those Group entities pursuant to ASIC Class Order 98/1418.
3. The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2014.
4. The financial statements also comply with International Financial Reporting Standards as disclosed in note 34.

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



**JM Spark**  
Director



**TJ Hart**  
Director

Melbourne  
20 August 2014

# Independent Auditor's Declaration



## Independent auditor's report to the members of Ridley Corporation Limited Report on the financial report

We have audited the accompanying financial report of Ridley Corporation Limited (the company), which comprises the Consolidated Balance Sheet as at 30 June 2014, and Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year ended on that date, notes 1 to 34 comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility for the financial report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 34, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

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

### Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 34.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 43 to 52 of the Directors' Report for the year ended 30 June 2014. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

### Auditor's opinion

In our opinion, the Remuneration Report of Ridley Corporation Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to be 'BW Szentirmay', with a long horizontal line extending to the right.

BW Szentirmay  
Partner

Melbourne  
20 August 2014

# Shareholder Information

As at 20 August 2014

	Number of Holders	Number of Securities	% Held by 20 Largest Holders
<b>Holdings of securities – ordinary shares</b>			
Each fully paid	7,346	307,817,071	70.47

Number Held	Number of Ordinary Holders	Number of Ordinary Shares
<b>Distribution of holdings – ordinary shares</b>		
1 to 1,000*	1,197	508,724
1,001 to 5,000	2,596	7,943,310
5,001 to 10,000	1,423	11,002,058
10,001 to 100,000	2,000	50,887,588
100,001 and over	130	237,475,391

\* There are 761 holders of less than a marketable parcel of shares.

20 Largest Fully Paid Shareholders	Number of Ordinary Holders	% of Fully Paid Ordinary Shares
Citicorp Nominees Pty Limited	83,053,557	26.98
National Nominees Limited	34,361,928	11.16
JP Morgan Nominees Australia Limited	32,033,367	10.41
RBC Investor Services Australia Nominees Pty Limited <MBA A/C>	17,104,930	5.56
BNP Paribas Noms Pty Ltd	16,386,684	5.32
AMP Life Limited	9,273,366	3.01
HSBC Custody Nominees (Australia) Limited	8,963,233	2.91
RBC Investor Services Australia Nominees Pty Limited	3,869,400	1.26
Lippo Securities Nominees (BVI) Ltd	2,500,000	0.81
Mr John Murray	1,047,496	0.34
Mrs Barbara Hirschowitz	1,024,000	0.33
Escor Equities Consolidated Pty Ltd	1,000,000	0.32
LJT Smith Super Fund	1,000,000	0.32
Sandhurst Trustees Ltd	996,000	0.32
QIC Limited	966,615	0.31
HSBC Custody Nominees (Australia) Limited-Gsco Eca	957,820	0.31
CS Fourth Nominees Pty Ltd	849,112	0.28
Gwynvill Trading Pty Ltd	600,000	0.19
Vingae Pty Ltd <Vingae Executive S/F A/C>	538,090	0.17
Mr Ross Mervyn Johns	500,310	0.16
	217,025,908	70.47

Substantial Shareholders	% Holding
Insitor Holdings LLC and AGR Partners LLC	19.73
Lazard Asset Management	9.99
AMP Limited	9.92
Maple Brown Abbott	5.45
Dimensional Fund Advisors Group	5.18

## Directors' holdings

On 20 August 2014, the Directors of Ridley Corporation Limited had an interest in the following shares and performance rights of the Company.

	Fully Paid Ordinary Shares	Ridley Performance Rights
JM Spark	498,500	-
TJ Hart	25,000	600,000*
AL Vizard	46,658	-
PM Mann	96,625	-
R van Barneveld	58,900	-
G Weiss	25,000	-
E Knudsen	703,286	-

\* Mr T Hart's performance rights were approved by shareholders at the 2013 Annual General Meeting.

## Voting rights

As at 20 August 2014, the number of holders of fully paid ordinary shares with full voting rights was 7,346. On a show of hands, every person who is a member or a representative of a member has one vote. On a poll, each shareholder is entitled to one vote for each fully paid share held. A shareholder may appoint a maximum of two proxies to represent them at general meetings.

# Glossary

AASB	Australian Accounting Standards Board
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AGM	Annual General Meeting
Agreement	Deed of Termination and Release with Penrice
ASX	Australian Securities Exchange
Board	Ridley Board of Directors
CBD	Central business district
CEO	Ridley Chief Executive Officer and Managing Director
CGU	Cash generating unit
Committee	Remuneration Committee
Company	Ridley Corporation Limited
CSF Proteins Melbourne	Rendering business of BPL Melbourne Pty Ltd acquired on 31 December 2012
Deed	Deed of Indemnity between Company and its Directors and executive officers
EBIT	Earnings before interest and tax
EEO	Equal Employment Opportunity
EES	Environmental Effects Statement
Eol	Expression of Interest
EOS	Employee Opinion Survey
FCTR	Foreign Currency Translation Reserve
Fund	Ridley Superannuation Plan – Australia
FY13	2013 financial year
FY14	2014 financial year
FY15	2015 financial year
Garvan	Garvan Institute of Medical Research
GRG	Godfrey Remuneration Group
Group	Ridley Corporation Limited and its subsidiaries
GST	Goods and Services Tax
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
KMP	Key management personnel
KPI	Key performance indicators
KPMG	Independent external auditor of Ridley
LTIFR	Long Term Injury Frequency Rate
LTIP	Ridley Corporation Long Term Incentive Plan
Managing Director	Ridley Chief Executive Officer and Managing Director
MOU	Memorandum of Understanding
NGER	National Greenhouse and Energy Reporting Act 2007 (Cth)
NPPTD	New Product, Process and Technical Development
Penrice	Penrice Soda Holdings Limited
PEPR	Program for Environmental Protection and Rehabilitation
R&D	Research and Development
Recommendations	ASX Corporate Governance Council – the Corporate Governance Principles and Recommendations
Ridley	Ridley Corporation Limited
Rights	Performance Rights issued under the LTIP
RIOC	Ridley Innovation and Operational Committee
Scheme	Ridley Employee Share Scheme
SRP	Ridley Corporation Special Retention Plan
SRP Rights	Rights issued under the SRP
STI	Short Term Incentive
TEP	Total Employment Package
TRFR	Total Recordable Frequency Rate
TSR	Total shareholder return
US	United States of America
VWAP	Volume weighted average price
WGEA	Workplace Gender Equality Agency

# Corporate Directory

## **Ridley Corporation Limited**

ABN 33 006 708 765

### **Corporate office and registered office**

Level 4, 565 Bourke Street  
Melbourne Victoria 3000 Australia

Telephone 03 8624 6500  
Facsimile 03 8624 6505  
Email [secretary@ridley.com.au](mailto:secretary@ridley.com.au)  
Website [www.ridley.com.au](http://www.ridley.com.au)

ASX code RIC

### **Head office**

Level 4, 565 Bourke Street  
Melbourne Victoria 3000 Australia

Telephone 03 8624 6500  
Facsimile 03 8624 6505

## **Ridley AgriProducts Pty Limited**

ABN 94 006 544 145

Website [www.agriproducts.com.au](http://www.agriproducts.com.au)

## **CSF Proteins Pty Limited**

ABN 77 000 499 918

Website [www.csfproteins.com.au](http://www.csfproteins.com.au)

