



## **RIDLEY CORPORATION LIMITED**

### **ANNUAL GENERAL MEETING 2 NOVEMBER 2009**

#### **CHAIRMAN'S ADDRESS**

Welcome to Ridley Corporation's Twenty Second Annual General Meeting.

My name is John Keniry and I am the Chairman of Ridley Corporation Limited. In my address today I will comment on our results for the 2009 financial year, how we have weathered the storm of the last twelve months, and how we have emerged from 2009 as a much leaner and focused business, and with a clarity of positioning and purpose previously clouded by issues associated with Ridley's presence in North America.

At the conclusion of my address, I will invite our Managing Director and CEO, John Murray, to make some more detailed comments about the company, its performance for the year and about the near-term outlook for our businesses in Australia. Following John's comments, the financial statements and reports will be open for consideration, and for questions and comments by shareholders.

#### **2009 RESULTS**

I will first start with some high level comments on the 2009 results. Our operating result of \$20.3 million from continuing operations and before significant items was at the upper end of our \$18 to \$21 million expectations as announced after the half year. This result is 28% up on the comparable result for the prior year after allowing for the exclusion of Ridley Inc.

The book loss on sale of Ridley Inc. of \$52.4 million and significant non-recurring costs, including a \$7.8 million impairment of the Ridley AgriProducts' Supplements business reported at the half year, have combined to generate a statutory loss for the year of \$39.5 million, compared with a \$10.5 million profit in the prior year.



Within the consolidated result at divisional level, Ridley AgriProducts delivered a record Earnings Before Interest and Tax – or **EBIT** - of \$24.4 million, up by 63% on the prior year. This is a particularly strong performance, driven largely by cost savings and improved margin management rather than external influences.

The main impact from external influences was felt by Cheetham, whose result was adversely affected by abnormally large physical losses of crude salt, valued at approximately \$3.5 million, following a series of severe rain events in Queensland. Unforeseen Enterprise Resource Planning implementation costs of \$1.3 million for the year further contributed to an EBIT result of \$20.1 million, down by 19% on the prior year. Cheetham is expected to bounce back from these two isolated events that have impacted its 2009 result and to return to more customary operating results in 2010.

I would like to reflect briefly on our sale of Ridley Inc.

Whilst a book loss on the sale of Ridley Inc has distorted our 2009 statutory result, we have no reservations with regard to that transaction, concluded as it was almost immediately prior to the collapse of Lehman Brothers. Ridley Inc was constraining the Company by virtue of the fact that the group debt was domiciled in Australia and cash profits could not be effectively repatriated to Australia to help service the debt. Furthermore, fluctuations in operating results from the North American operations and the persistent concerns created by the BSE class action lawsuits settled last year, were creating uncertainties in the domestic market that were leading to share price hesitancy and overhang.

The business fundamentals of the sale of Ridley Inc, as opposed to the accounting transaction, are that proceeds of \$91.6 million were received and largely applied to reduce the debt facility, which we were then able to renegotiate through for a further three years to November 2011. The reduction in debt freed up our domestic cash flows and enabled the Company to retire a total of \$115.6 million in debt for the year and report a closing debt position of \$69 million, with gearing of 25%, down from \$199 million and 54% respectively the prior year.

The sale of Ridley Inc has indirectly enabled the Company to suspend the Dividend Reinvestment Plan and pay a final dividend of 3.5 cents per share wholly in cash from the cash generated by its operations.



Having achieved the Company's number one goal for the year, the Company has emerged from 2009 as a leading processor of value-added agricultural products, in a space that it clearly understands, and one that is capable of clear explanation to, and positioning within, the market.

In short, we have entered fiscal 2010 with a strong balance sheet, with our operations in good shape and with internal growth and turnaround prospects, with some significant capital projects to come on line, and some potential opportunities that may arise from consolidation within the agribusiness sectors.

### **2008 STRATEGIC REVIEW**

The sale of Ridley Inc was the first of three outcomes from the Company's strategic review undertaken last year and about which I spoke at last year's AGM.

The second outcome of the 2008 strategic review was the decision to initiate a formal process to realise value from some of the strategic land holdings within Cheetham.

Several of our salt fields are located near major cities and on coastal land that offers superior value for residential and commercial development. We plan to realise value from this land, have made good progress during 2009, but have to be patient as the horizons for the scale of such a development as is contemplated at the Company's Dry Creek, South Australia site, are longer term and may take many years to generate the incremental returns.

Last year as part of the defence of the unsolicited takeover bid for the Company, Property Valuer Savills provided an indicative valuation of \$82 million for surplus land holdings with development potential net of production relocation costs. We believe that this valuation would be no less if reassessed today. An independent valuation of these assets on an in-use basis was conducted for reporting purposes at year end and attributed an aggregate value of less than \$50 million. The valuation was adopted by the Company in its 30 June 2009 financial statements. The differential in valuations provides a positive indication of the developmental upside for these land holdings.

The third outcome of last year's strategic review was to address underperforming business units in AgriProducts. During the 2009 financial year, all aspects of the AgriProducts business were extensively reviewed with an aim to identify growth opportunities, remove unwarranted costs and improve efficiencies.



Concurrent with the restructure activity in AgriProducts, Corporate head office numbers were reduced from 14 to 9 and the Corporate functions relocated from Sydney to Melbourne. The annualised cost base has reduced by approximately \$2 million to \$6 million, offset by the engagement of a dedicated internal Property Development Manager and specialist external resources to assist with unlocking the value from surplus land assets.

The 2009 result reflected the beginning of the cost savings from all of these initiatives, however the first full year impact will be delivered in the 2010 financial year.

#### **GENERAL INDUSTRY ISSUES**

Now let me turn briefly to a couple of general industry issues. There is undoubtedly a somewhat buoyant mood at present about the prospects for the Australian economy, and the way in which, with significant stimulatory intervention by the Australian Government, it has been able to weather the global financial crisis.

We are cautious, however, that the world remains in an uncertain state. Exchange rates and world forecasts for grain supply and demand are quite volatile, making the businesses of both us and our customers more difficult to manage. Indeed, at the time of writing, the Australian dollar has generally been rising strongly against the US dollar, and many forecasters are suggesting it may reach parity, putting increasing exposure to imports, and making our exports less competitive.

Not unexpectedly in uncertain times, there has been no progress in the WTO round of trade liberalisation talks, and it seems only a matter of time before the world accepts that the Doha round has died; indeed, both Europe and the USA have moved into reverse and have imposed subsidies on exports of dairy products, further depressing international milk powder prices, a factor that has led to reduced the demand for feed by some of our dairy customers.

At the time of writing, drought is once again threatening the crops and pastoral activities in many parts of Eastern Australia, although recent rains in many parts of Victoria have given renewed prospects for a reasonable crop in the south of the country. The combination of a reasonable crop, declining world grain prices and a strengthening Australian dollar offer prospects for reduced input costs for our customers.



Adding to these global and national uncertainties is how governments of the world, in both developed and developing economies, deal with the issues surrounding global warming generally, and from Ridley's perspective, with agriculture in particular.

At present, the Australian Government has deferred until 2013 how it will deal with agriculture under the proposed Carbon Pollution Reduction Scheme. It has, however, indicated a probable stance that would, if implemented, treat agriculture in Australia quite differently, and in a much more disadvantageous way, than agriculture is proposed to be treated in Europe and other major agricultural countries such as the USA.

It is to be hoped that commonsense prevails, and no firm decisions are made on the CPRS until after the Copenhagen meetings late in 2009, and then in a way that Australia's agriculture sector is treated similarly to agriculture sectors in other major agricultural economies. Maintenance of a level international playing field is essential for export-oriented sectors such as agriculture.

## **OUTLOOK**

Those that know me will understand my preference to avoid predictions, particularly in such volatile times as these. However I would like to share with you some cautious optimism in a few areas.

The first is that following the sale of Ridley Inc., the Company's operations are now overwhelmingly within Australia, in which the outlook remains less gloomy and is perhaps more predictable than overseas, and is starting to show some positive green shoots of resilience, if not recovery.

With Australia recently surpassing the 22 million population milestone, the second cause for optimism is the ever increasing need for protein from a growing population. This in turn places greater demands from the providers of this protein, many of whom are our key customers and who are seeking products like ours which can clearly demonstrate a cost effective feed conversion ratio.

My third optimistic view is that we have either completely stemmed the outflows from our non-performing assets through closure or sale, or have implemented plans to eradicate such outflows on a sustainable basis that will lead to further improvements in operating performance in the future. In the event these turnaround plans are not entirely successful, then I am confident that the current management team will effectively manage the exit impacts and minimise the financial implications.



## **DEPARTURES**

This year has been one of substantial change within Ridley, and externally as a result of the global financial crisis. These turbulent times place pressure on management at all levels. I would like to express my sincere appreciation for the efforts throughout the year of our largely new senior management team, very ably and enthusiastically led by John Murray, and to express my thanks for their past contributions to the several staff in our Sydney corporate office, including Ian Wilton and Paddy Watts, our former CFO and Company Secretary respectively, who have left us as a result of our decision to centralise our corporate and operational headquarters in Melbourne.

Later in the meeting, we will be considering a motion to appoint KPMG as the company's auditor. Our recommendation to appoint KPMG was made as a result of a decision to put our audit out to competitive tender.

Assuming the resolution is approved by shareholders, it will bring to an end a very long association with PriceWaterhouseCoopers (**PWC**). I would like to place on record my appreciation, and that of our management and board over many years, of the professionalism of PWC in carrying out their audit work, and of their many other contributions to Ridley throughout their almost two decades as our external auditor.

Lastly, I would like to thank my fellow directors for their wise counsel and many other contributions throughout the year.

On that note, I would like to hand over to our Managing Director John Murray who will share his thoughts with you on how your Company is faring amidst the GFC and where he sees the outlook for your Company for the year ahead.