

RIDLEY Inc.

2013 ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013



**2013 ANNUAL REPORT
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FIVE-YEAR HISTORICAL SUMMARY

Financial years 2011, 2012 and 2013 are reported according to International Financial Reporting Standards (IFRS) while years prior to 2011 are reported according to Canadian Generally Accepted Accounting Principles prior to IFRS. Revenue, gross profit, net income and EBITDA have been re-stated for continuing operations.

(For the year ended June 30, in thousands of U.S. dollars, except employees, share and per share amounts.)

FINANCIAL RESULTS	2013	2012	2011	2010	2009
<i>Continuing Operations</i>					
Revenue	574,750	528,000	467,166	427,562	464,874
Gross Profit	79,819	68,387	60,874	65,351	72,578
Net income of continuing operations	18,661	9,634	8,944	9,109	11,063
Per share diluted	\$1.46	\$0.73	\$0.70	\$0.69	\$0.80
Net income (loss) consolidated in total	19,240	8,952	9,477	4,725	(1,281)
Per share diluted	\$1.50	\$0.70	\$0.74	\$0.36	\$(0.09)
EBITDA of continuing operations ¹	36,970	26,502	24,122	22,480	24,564
Per share diluted	\$2.89	\$2.07	\$1.88	\$1.69	\$1.77
<i>Consolidated</i>					
Net cash from operating activities	21,901	18,954	16,939	18,518	9,734
Per share diluted	\$1.71	\$1.48	\$1.32	\$1.39	\$0.70
Capital expenditures ²	10,000	8,555	7,649	10,717	8,612
Total assets	205,447	208,529	217,782	222,182	226,217
Total debt (including current portion)	12,026	11,032	1,542	7,621	10,606
Shareholders' equity	120,924	119,322	141,016	147,926	149,013
Debt to total capitalization	9.0%	8.5%	1.1%	4.9%	6.6%
Dividends per share (C\$)	\$1.50	\$2.00	-	-	-
Net book value per share diluted	9.45	9.33	11.03	11.55	10.81
Change in net book value per share	1.3%	(15.4%)	6.7%	6.9%	(2.4%)
Return on opening shareholders' equity ³	16.1%	6.3%	7.2%	3.2%	(0.8%)
Common shares outstanding at year end					
Basic and diluted	12,789,978	12,789,978	12,789,978	12,806,778	13,789,778
Weighted average diluted for the year	12,789,978	12,789,978	12,804,523	13,276,634	13,845,355
STOCK MARKET (TSX)					
Price range (C\$ per share)					
High	13.74	10.50	10.18	9.47	10.25
Low	7.34	7.78	7.39	6.86	6.40
Close	11.50	8.15	9.01	7.39	6.99
Volume (shares)	227,950	156,127	131,352	1,180,991	1,337,524
Average daily trading volume (shares)	912	622	523	4,705	5,329
Employees	686	835	876	906	933

¹ Earnings before interest, taxes, depreciation and amortization (EBITDA) is defined as operating income before depreciation, amortization, gain (loss) on sale of facilities, asset impairment loss, goodwill impairment loss, and restructuring charges.

² Capital expenditures include purchase of property, plant and equipment, and other intangibles.

³ Net income in total divided by opening shareholders' equity.

RIDLEY INC. PROFILE

Ridley Inc. is one of the largest commercial animal nutrition businesses in North America. Ridley manufactures and markets a full range of animal nutrition products, including formulated complete feeds, premixes, feed supplements, block supplements, animal health products and feed ingredients. Ridley's customers include livestock and poultry breeders and growers who produce meat, dairy and poultry products that are processed into consumer food products. Ridley's products are also sold to the equine, companion animal and hobby farm segments by direct sales to producers or through distributor and dealer channels.

Ridley's purpose is to provide high quality animal nutrition products and services that help its customers achieve business success and personal satisfaction, and to provide growth, opportunity and profit for its employees and shareholders. Ridley's goal is to achieve stable, continuous, responsible, and profitable growth. Ridley expects to be a market leader in the segments in which it chooses to participate and to always keep itself in a good position to take advantage of opportunities and respond to market changes.

Ridley's strategy is to maintain a successful and growing traditional animal feed and nutrition business in its core market areas of the upper Midwestern U.S., while investing in feed and nutrition businesses and segments that offer higher profitability, longer-term sustainability, lower risk profiles, and lower net assets employed such as blocks, specialty feed ingredients, premixes, companion animal and equine feeds, and specialty products throughout North America.

Ridley Inc. was formed in 1994 as a subsidiary of Ridley Corporation Limited of Australia on its acquisition of Winnipeg-based Feed-Rite Mills, a livestock and poultry feed manufacturer with operations in Manitoba, Saskatchewan, Alberta and Ontario. Since 1994, Ridley has grown significantly, largely through the acquisition of a number of animal nutrition businesses in Canada and the United States, including Hubbard Feeds in 1997, Wayne Feeds in 2000 and Sweetlix in 2004. Ridley Inc. became a publicly traded company in 1997 and is listed on the Toronto Stock Exchange under the symbol RCL. On November 4, 2008, Ridley Corporation Limited sold its majority shareholding in Ridley Inc. to Fairfax Financial Holdings Limited, a public company listed on the Toronto Stock Exchange (symbol TSX:FFH).

On November 30, 2012, Ridley Inc. and Masterfeeds Inc. merged their respective commercial livestock and poultry feed and nutrition businesses in Canada into a new limited partnership called Masterfeeds LP. The merger created the second largest feed provider in Canada operating, among other things, 22 feed manufacturing plants and employing over 500 people in a business spanning Quebec, Ontario and the Prairie Provinces. Ridley Inc. retains a non-controlling equity interest in Masterfeeds LP.

For fiscal 2013, Ridley Inc.'s continuing operations are comprised of three operating segments: U.S. Feed Operations (USFO), Ridley Block Operations (RBO), and Ridley Feed Ingredients (RFI). The "Corporate" reporting segment of continuing operations includes costs and activities not specific to operating segments.

- The USFO segment consists of twenty-one full-line production facilities producing and marketing products for the core animal nutrition market. USFO manufactures and markets a broad range of complete feeds, supplements and premixes to meat, milk and egg producers, and owners of equine and companion animals located mostly in the Midwestern United States.
- The RBO segment manufactures and markets a complete range of block supplements, including low moisture, pressed, compressed, composite and poured blocks, and loose minerals from eight U.S. facilities.
- The RFI segment produces and distributes vitamin and trace mineral premixes, small packaged specialty products, medicated and non-medicated feed additives and micro feed ingredients to customers throughout North America from its production facility in Mendota, Illinois.

OPERATING HIGHLIGHTS

Safety First

Ridley is firmly committed to the safety of its employees, customers, contractors and the public. The safety of each employee will always be the first consideration in all aspects of Ridley's business. Continual improvement in safety performance is a measurable goal at Ridley. The injury rate decreased in fiscal 2013 to 15 cases from 18 cases last year. Two of the cases this year resulted in lost time from injured employees versus three lost time cases last year. Amongst 40 Ridley manufacturing facilities that operated during the year, 29 were free of any recordable employee injury in fiscal 2013 compared to 27 last year.

Earnings Doubled in Fiscal 2013

Consolidated net earnings after taxes in fiscal 2013 were \$19.2 million compared to \$9.0 million in the previous year. Earnings per share were \$1.50 in 2013 compared with \$0.70 in 2012. EBITDA of continuing operations of \$37.0 million in 2013 grew by \$10.5 million from last year on growth primarily in sales volume of feed supplements and feed blocks.

Ridley Block Operations (RBO) Continues Growth

Operating income from Ridley Block Operations increased to \$18.5 million in fiscal 2013 from \$14.2 million last year. Sales of feed supplement blocks responded to a favourable beef cattle economy, growth in private label sales and weather conditions that encouraged cattle feed supplementation. In November 2012, RBO acquired substantially all of the assets of Stockade Brands Inc. for cash consideration of \$5.7 million. Stockade manufactures blocks, loose minerals and dried molasses products for livestock from a single production facility in Pittsburg, Kansas.

Favourable Operating Conditions for U.S. Feed Operations (USFO)

U.S. Feed Operations reported increased volumes in fiscal 2013 on sales of higher value-added supplements within generally favourable livestock and poultry economic environments and the increase in feed demand caused by the effects of drought on pasture and forage availability in the first half of fiscal 2013. Unit margins also improved on a more favourable product mix of higher value-added feed supplements and blocks. Operating income of \$11.4 million increased by \$5.5 million over last year exclusive of \$2.2 million of exceptions last year that related to the closure of two feed manufacturing facilities in fiscal 2012.

Improved Margins Lift Earnings of Ridley Feed Ingredients (RFI)

Ridley Feed Ingredients operating income increased by almost 19% to \$3.1 million in fiscal 2013 over \$2.6 million reported last year. Improved unit margins offset lower volumes. RFI continues to invest in lean manufacturing initiatives that helped improve efficiency of operations and control overhead costs in 2013.

Canadian Feed Operations Merged with Masterfeeds LP

Ridley and Masterfeeds Inc. formed a limited partnership, Masterfeeds LP, in November 2012 to consolidate their respective feed operations in Canada to form the second largest feed manufacturing organization in that region. Ridley retained a non-controlling interest in the new venture. The results of Ridley's Canadian Feed Operations are reported herein as discontinued operations. Net income of discontinued operations in fiscal 2013 was \$0.6 million compared to a loss last year of \$0.4 million.

Special Dividend of C\$19.2 Million Distributed to Shareholders

Stable cash flows and reduced bank debt enabled Ridley to distribute a special dividend to shareholders of C\$19.2 million in May, 2013 following a special dividend of C\$25.6 million last year. Cash flows from operating activities net of capital expenditures increased to \$11.9 million in fiscal 2013 from \$10.4 million last year. Net non-cash working capital balances as at June 30, 2013 were lower this year by \$8.1 million reflecting the disposal of working capital of Canadian operations into Masterfeeds LP. Net bank debt increased by \$11.6 million in the fourth quarter of fiscal 2013 to fund the special dividend to shareholders.

CHAIRMAN'S REPORT

The Board of Directors is pleased to report that Ridley Inc. had a successful year in fiscal 2013, delivering strong earnings growth, distributing a substantial dividend to shareholders and positioning the Company to serve its customers' needs into the future. Strong demand for Ridley's products, combined with effective execution of its strategy for optimizing plant capacity and cost control, contributed to record net profit after tax of \$19.2 million in fiscal 2013. Gross profits from continuing operations increased by 16.7% to \$79.8 million while EBITDA increased 39.5% to \$37.0 million. Equally important, the Company reported a safer work environment in fiscal 2013 in which fewer workplace injuries occurred than in the previous year. Seventeen of the Company's facilities earned the Ridley Board of Directors' World Class Safety Award this year, which recognizes achievement of safety benchmarks while operating throughout the year without a single recordable injury.

The most significant matter that the Board of Directors addressed in fiscal 2013 was the merger of Ridley's feed business in Canada, operating as Feed-Rite, with those of Masterfeeds Inc., to form a partnership in which Ridley maintains a minority interest. Consolidation of operations in Canada was the necessary strategic response to a difficult market environment burdened with excess manufacturing capacity. Joining Feed-Rite with Masterfeeds provides the new entity with a more efficient cost structure and enables it to compete more broadly in the Canadian marketplace. Masterfeeds LP is on track to complete its integration plan in fiscal 2014.

Ridley continued to expand its new revenue potential in fiscal 2013 with the \$5.7 million acquisition of Stockade Brands Inc. Stockade's manufactured feed supplement blocks, loose minerals and dried molasses products complement the value-added product portfolio of Ridley Block Operations. The Stockade facility in Pittsburg, Kansas has been integrated into Ridley's management and control structure and the Board has approved new capital investment projects for plant automation and additional storage capacity. We are pleased to welcome the new employees of Stockade and their customers to Ridley and look forward to building on Stockade's success.

While Ridley's operating focus is on identifying and serving the needs of its customers within a safe work environment, the Company's ultimate financial aim is to provide an acceptable return for its shareholders. To this end, in the third quarter of fiscal 2013 the Board of Directors declared a special dividend of \$1.50 per share that was paid to shareholders on May 31, 2013. The dividend was made possible by free cash flows of \$22.5 million in fiscal 2013, which included a special distribution of \$7.9 million from Ridley's partnership holding in Masterfeeds LP. This followed a special dividend of \$2.00 declared in the third quarter last year. These two special dividend payments amount to a combined distribution of \$44.5 million in cash to shareholders since May 2012.

In declaring the special dividend, the Board recognized that, aside from the Stockade acquisition, there were limited opportunities during fiscal 2013 for investment in major capital projects or business acquisitions that had reasonable prospects for acceptable returns. However, management continues to develop new business opportunities that will be needed for value-creating growth in the future, and the major part of the Company's credit facility of \$50 million remains available for funding new initiatives. The Company's balance sheet remains strong, with total debt of \$12.0 million against shareholders' equity of \$120.9 million as at June 30, 2013.

For Ridley to achieve its longer-term goals, the Company needs to attract, motivate and retain qualified and experienced people who understand what creates value for our customers and who know how to make the products that deliver that value. Ridley's incentive programs are designed to reward employees appropriately for their contribution to the success of the Company. In fiscal 2013, almost all of our employees had the opportunity to earn some form of performance-based incentive, either in the form of sales commission, annual bonus or a long-term incentive. Ridley's three-year average return on shareholder equity of 9.9% was sufficient for the Board to approve a cash award to participants in the Company's long-term incentive plan. The Board congratulates the Company's management and staff for their efforts and achievements in fiscal 2013.

In closing, I wish to remind our shareholders and associates that Ridley's 2013 Annual General Meeting will be held at the Fairmont Royal York in Toronto on November 5, 2013. The composition of the Board of Directors has not changed since my report of last year and all of the current directors will be proposed for re-election at this meeting. I encourage you to attend the shareholders' meeting, as this is your opportunity to engage directly with our directors and senior management and hear about our plans for realizing the potential of this great company.

Bradley P. Martin
Chairman

PRESIDENT & CHIEF EXECUTIVE OFFICER'S REPORT

As has been our practice for many years, everything begins with a discussion about safety. Recordable injuries were lower in fiscal 2013 than fiscal 2012, with eleven recordable medical aids and two lost time injuries. While these rates are already far below industry averages, we grow more determined each year in our quest for zero injuries.

Two words best describe fiscal 2013, the first being “disruptive”, and the second, “successful”.

Fiscal 2013 began with what would become a “once in a hundred years” drought. The widespread lack of forage drove volume demand much higher, especially in the first quarter, which is typically a relatively slow time of the year for Ridley. While favourable to our sales volumes, this demand came with higher overtime costs and raw material sourcing challenges. As has become the norm since 2008, speculation about the impact of the developing drought drove cereal grain and protein prices dramatically higher, which was detrimental to producer economics and Ridley’s working capital. But when coupled with continued improvements in Ridley’s product mix, the result was record margins.

Early in the second quarter we announced the formation of Masterfeeds LP, a new company created by the merger of Ridley’s Canadian feed operations with those of Masterfeeds Inc., the Canadian feed business of U.S. based AGP Inc. This formed the second largest feed company in Canada and will provide a long-term solution to the challenges in that market. Also in the second quarter we announced the acquisition of Stockade Brands, a block manufacturer located in Pittsburgh, Kansas. In addition to a well-recognized brand, the acquisition brought a facility located in a key market and a new product, dried molasses. Completing the integration of these acquisitions took a great effort.

The second word that describes fiscal 2013 is “successful”. Earnings before interest and taxes in fiscal 2013 exceeded last year by 53% and net profit after tax by 115%. Improvements in days’ inventory on-hand and days’ sales outstanding in receivables, as well as sound management of capital spending, enabled Ridley to achieve its free cash flow targets. Moreover, return on shareholders’ equity exceeded 16%.

Prem Watsa, the chairman of Ridley’s majority shareholder, Fairfax Financial, has a saying: “Do well by doing well.” Thanks to these results in fiscal 2013, Ridley’s shareholders received a \$1.50 per share dividend, employee incentive payments hit records, and our policy of donating one percent of earnings means that charities in communities that we do business in will receive over \$300,000 next year.

How can “disruptive” lead to “successful”? There are several reasons.

The first is obvious; there was a tailwind at our back. There is no question that the combination of drought-driven demand and rising raw material prices favorably impacted our results. But that’s far from the whole story.

Next is very hard work by the employees at Ridley. The disruptions mentioned earlier led to lots of extra hours, and they proved their commitment and teamwork under often challenging and stressful circumstances.

And finally, these three things: *Plan Ahead*. Many of the seeds planted in previous years bore fruit this year. *Expect The Unexpected*. The Ridley team knows how to respond quickly to changing conditions. *And Keep Improving*. The team never stopped getting better.

Of course you already know that the conditions heading into fiscal 2014 stand in stark contrast to those of fiscal 2013: abundant forage, anticipation of a record crop, and falling raw material prices. In other words, a headwind.

I recently had the opportunity to watch a qualifying race for the America’s Cup, the world’s premier sailing competition. The combination of modern technology, sophisticated strategic and tactical planning, and incredible physical skill and teamwork allows them to sail faster than the speed of the wind. That’s what we did in fiscal 2013.

Naturally, a headwind doesn’t allow for the speed of a tailwind, nor would it yield the same results at Ridley. However, as long as there is hard work, teamwork, planning ahead, quick thinking, and continuous improvement – the same things that enable America’s Cup yachts to defy the wind – Ridley’s fiscal 2014 will be a success.

Thank you to our executive team, Bob Frost, Mike Hudspeth, Gord Hildebrand, Mark Nelson, and Bruce Campbell for your efforts, and to our Board of Directors for your support. And thank you to our vendors, customers, employees, and shareholders for your confidence in us. We’ll do everything we can to ensure it’s well placed.

Steven J. VanRoekel
President & Chief Executive Officer

CORPORATE SOCIAL RESPONSIBILITY

Ridley's corporate purpose is to provide high-quality animal nutrition products and services that help our customers achieve business success and personal satisfaction. In doing so, we recognize our responsibilities for ensuring a safe work environment at our facilities, producing feed products that are safe for animals and the food chain that consumers rely on, minimizing the environmental impact of our operations, and doing our share to help improve the quality of life in our communities.

Employee Safety

Ridley is committed to creating a world-class safety culture at all of our facilities and offices. We have invested significantly in new equipment such as robotic package handling systems that reduce the risks of back strains and other injuries in our plant workforce. At the end of fiscal 2013, Ridley employed 686 full-time persons in 30 production facilities and one administrative office in the United States. In the twelve months of fiscal 2013, as measured by OSHA standards, we experienced 15 recordable work-related injury cases, representing a Total Recordable Injury Rate (TRIR) of 1.83, which was substantially below the average for our industry, and improved on our rate of 2.12 last year. (TRIR is measured as the number of injury incidents per 200,000 hours worked.) Unfortunately, two of the injury cases in fiscal 2013 resulted in lost time from the injured employees. We will continue a strong emphasis on employee training, facility inspections and investment in equipment and processes that improve the workplace environment.

Food Safety

Ridley's products and operations are regulated and audited by the Food and Production Inspection Branch of Agriculture and Agri-Food Canada and the Center for Veterinary Medicine of the U.S. Food and Drug Administration. To ensure quality and consistency in the feed ingredients we purchase and to control our manufacturing processes we operate in accordance with ISO 9001 certified quality standards and HACCP principles. HACCP is a systematic preventative approach to food safety that focuses on critical control points in feed and food manufacturing in order to reduce or eliminate the risk of hazards being realized. We also maintain certifications at all of our facilities under the Safe Food/Safe Feed safety standards developed by the American Feed Industry Association. We have implemented lot traceability at our facilities and undertake regular testing of the effectiveness of our product recall procedures.

Environmental Impact

Agriculture's ability to feed future generations depends on careful stewardship of our core environmental resources – land, water and air. Ridley complies with all relevant government environmental statutes and regulations established for the operation of feed facilities. We recognize that it makes good economic sense to reduce waste from the raw materials we process and the energy resources we consume. Therefore, we measure, with the aim of managing, the volume of greenhouse gas emissions attributable to the electricity and natural gas that power our facilities. In fiscal 2013, the energy consumption of the average Ridley U.S. manufacturing facility was the CO₂ emissions equivalent to 318 automobiles in typical use for a year (per EPA standard measures) compared to 263 last year, which largely correlated with increased volume at RBO plants.

Community Support

Ridley encourages its employees to be active members of their communities through volunteer work and charitable giving. For its part, Ridley sets aside one percent of pre-tax earnings for donations to community charities or for disaster relief organizations. The selection of charities is made from the recommendations of employees who already participate in or actively support these groups or organizations. Under its corporate giving program for fiscal 2013, Ridley made a total of over \$155,000 in donations to a variety of organizations, including smaller charities that are local to the communities in which we operate. These include, for example, the Angel Heart Farm Inc., a Kentucky non-profit organization that uses equine assisted therapy for children and their families facing a chronic or life threatening illness; Osborne House Inc., a Winnipeg non-profit shelter for women and children escaping domestic abuse; and Feeding Our Community Partners, a non-profit organization focused on ending hunger in communities of Blue Earth County, Minnesota through initiatives such as the Backpack Food Program which provides weekend hunger relief for elementary school children.

RIDLEY INC. OPERATIONS

HEAD OFFICES

United States

424 North Riverfront Drive
Mankato, Minnesota 56002
Tel. (507) 388-9400

Registered Office

30th Floor, 360 Main Street
Winnipeg, Manitoba R3C 4G1

U.S. FEED OPERATIONS (USFO)

- | | |
|----------------------------|------------------------------|
| • Bismarck, North Dakota | • Storm Lake, Iowa |
| • Grandin, North Dakota | • Atlantic, Iowa |
| • Rapid City, South Dakota | • Iowa City, Iowa |
| • Huron, South Dakota | • Appleton, Wisconsin |
| • Watertown, South Dakota | • Hopkinsville, Kentucky |
| • Worthington, Minnesota | • Versailles, Kentucky |
| • Alexandria, Minnesota | • Shipshewana, Indiana |
| • Mankato, Minnesota | • Botkins, Ohio |
| • Beloit, Kansas | • Lancaster, Pennsylvania |
| • Columbus, Nebraska | • Chambersburg, Pennsylvania |
| • Sioux City, Iowa | |

RIDLEY BLOCK OPERATIONS (RBO)

- | | |
|---------------------------|------------------------|
| • Whitewood, South Dakota | • Buffalo, Texas |
| • Worthington, Minnesota | • Fort Worth, Texas |
| • Flemingsburg, Kentucky | • Stockton, California |
| • Montgomery, Alabama | • Pittsburg, Kansas |

RIDLEY FEED INGREDIENTS (RFI)

- Mendota, Illinois

BOARD OF DIRECTORS

BRADLEY P. MARTIN, CHAIRMAN

Director and Chairman of Ridley Inc. since November 2008. Vice President, Strategic Investments of Fairfax Financial Holdings Limited. Mr. Martin joined Fairfax in 1998 as a Vice President and was its Chief Operating Officer and Corporate Secretary from November 2006 to March 2012. Fairfax is a financial services holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management. Mr. Martin is a member of the board of directors of various subsidiaries of Fairfax. He has been a director of Resolute Forest Products Ltd. since May 2012 and became its Chairman in May 2013. He was appointed as a non-executive director of The Governor and Company of the Bank of Ireland in July 2013.

WAYNE HARDEN

Director since 2007 and Chair of the Audit Committee. Mr. Harden retired from Scotia Capital in 2004 where he had been Managing Director of Corporate Banking with responsibility for Agricultural Products. Prior to joining Scotia Capital he was a Vice President of Commercial Banking with Scotiabank. Mr. Harden is a Fellow of the Institute of Canadian Bankers and has served on the boards of several private companies and non-profit organizations. He owns and resides on a farm near Winnipeg, Manitoba.

BRIAN HAYWARD

Director since October 2007 and Chairman of Ridley Inc. from October 2007 to November 2008. Chair of the Compensation/Corporate Governance Committee since May 2009. He is President of Aldare Resources, which provides commercial advisory services. Commencing in 1981, Mr. Hayward held progressively senior positions with AgriCore United, including Chief Executive Officer from 1991 until June 2007. Mr. Hayward is actively involved on the boards of several public, private and crown companies, as well as non-profit organizations. He has been a director of Glacier Media Inc. since 2003 and a director of MBAC Fertilizer Corp. since March 2011.

DR. LARRY J. MARTIN

Director since May 1997. Dr. Martin is a principal of Agri-food Management Excellence Inc., a management training company for the agri-food sector. He is also President of Dr. Larry Martin and Associates, Economic Consultants. Previously, he was Director of Research of the George Morris Centre from 1990-1998, Chief Executive Officer 1998-2007 and Senior Research Fellow 2007-2012. He was also Professor and Chair, Department of Agricultural Economics and Business at the University of Guelph, 1972-1990.

CHANDRAN RATNASWAMI

Director of Ridley Inc. since December 2008. Mr. Ratnaswami is Managing Director of Hamblin Watsa Investment Counsel Ltd., a wholly-owned investment management company of Fairfax Financial Holdings Limited. Hamblin Watsa provides discretionary investment management to all of the insurance and reinsurance subsidiary companies of Fairfax and currently manages approximately \$24 billion. At Hamblin Watsa, he is responsible for portfolio investments in Asia. He joined Hamblin Watsa in 1994 as Director of International Investments. Mr. Ratnaswami is a director of Zoomermedia Limited, Gulf Insurance Company K.S.C., Thai Reinsurance Public Company Limited, Thomas Cook (India) Ltd., and India Infoline Ltd.

STEVEN J. VANROEKEL

Director since December 2007. President and Chief Executive Officer of Ridley Inc. Mr. VanRoekel joined the Ridley organization in 1999 as General Manager of U.S. Feed Operations. In 2003, he was appointed Vice President of Ridley Inc. and President of Ridley Feed Operations. In 2004, Mr. VanRoekel was appointed President of Ridley Inc. and in 2005, he was appointed Chief Executive Officer of Ridley Inc. Mr. VanRoekel has served on the Board of Directors and various committees of the American Feed Industry Association (AFIA) and is a Past Chairman of the AFIA. He is a director and Past Chair of the Board of the Greater Mankato Area United Way and a director of Feeding Our Community Partners.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis, dated as at September 11, 2013, for the year ending June 30, 2013 should be read in conjunction with Ridley Inc.'s (Ridley) consolidated financial statements that appear on pages 33 to 74 of this report. The financial data in the Management's Discussion and Analysis has been prepared in accordance with Canadian generally accepted accounting principles as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants (CICA), which incorporates International Financial Reporting Standards (IFRS). Unless otherwise indicated, references to years refer to the Company's fiscal years ending June 30. All amounts are presented in U.S. dollars unless otherwise specified. The U.S. dollar is the functional currency of Ridley's U.S. subsidiaries, while the functional currency of Ridley's related entities and discontinued operations in Canada is the Canadian dollar. The U.S. dollar is the presentation currency as significantly all of the Company's revenue is conducted in U.S. dollars.

For fiscal 2013, the Company modified its reporting segments. Starting in the second quarter of fiscal 2013, Ridley's operations in Canada, previously reported as the Canadian Feed Operations (CFO) segment, are now reported as discontinued operations. Prior period results have been re-presented to reflect discontinued operations. Ridley's Canadian assets were merged with those of Masterfeeds Inc. to form a new limited partnership in Canada called Masterfeeds Limited Partnership (Masterfeeds LP). Income from Ridley's non-controlling interest in Masterfeeds LP is reported as share of income of associate. Fiscal 2012 segment disclosures are reclassified to conform to the new segment definitions.

CONSOLIDATED RESULTS

Summary of Results of Operations (\$000s)	3 Months Ended June 30		12 Months Ended June 30	
	2013	2012	2013	2012
<i>Continuing Operations (i)</i>				
Revenue	130,053	118,260	574,750	528,000
Gross profit	16,472	15,255	79,819	68,387
Operating income	3,670	2,612	30,152	17,131
Net income before exceptions	1,746	399	18,661	10,913
Exceptions, net of income tax (ii)	-	(122)	-	(1,549)
Net income from continuing operations	1,746	277	18,661	9,364
Earnings per share (EPS), from continuing operations	\$0.14	\$0.02	\$1.46	\$0.73
EBITDA (iii)	5,433	4,462	36,970	26,502
Net income (loss) from discontinued operations	86	51	579	(412)
Net income for the period	1,832	328	19,240	8,952
Earnings per share (EPS), basic and diluted	\$0.14	\$0.03	\$1.50	\$0.70

- (i) Continuing Operations excludes the results of the Company's feed manufacturing operations in Canada previously reported as the Canadian Feed Operations (CFO) segment and now comprising discontinued operations.
- (ii) Exceptions – In the preceding summary data, net income of continuing operations was reported before exceptions. There were no exceptions in fiscal 2013. Exceptions in fiscal 2012 were comprised of a \$0.4 million loss net of taxes from the sale of a previously closed facility in Syracuse, Indiana and \$1.2 million net of taxes on impairment of assets, severance, and other restructuring costs related to the closure of facilities in Castleton, Indiana and Bushnell, Illinois in 2012.
- (iii) EBITDA – Operating income before depreciation, amortization and exceptions. EBITDA does not have a standardized meaning prescribed by GAAP and, therefore, is not readily comparable to similar measures presented by other companies. However, management believes that this measure provides investors with useful supplemental information.

Fourth Quarter Results

Revenue from continuing operations was \$130.1 million in the fourth quarter of fiscal 2013, an increase of \$11.8 million over the same period last year. A comparison of revenue is not necessarily indicative of the strength of Ridley's business as revenue is influenced by fluctuating commodity prices. The shift in product mix from complete feeds to higher value-added products such as feed supplements and blocks combined with generally higher raw material prices contributed to higher average unit selling prices for the Company's feed products. However, most of the increase in revenue in the fourth quarter was the result of a 7.1% increase in volumes of continuing operations as measured in tons of feed products sold. Sales volume in the fourth quarter continued to benefit from good producer economics in the beef and dairy sectors. The acquisition of Stockade Brands Inc. in the second quarter this year also contributed to increased revenues and volumes.

Consolidated gross profit from continuing operations in the fourth quarter of fiscal 2013 was \$16.5 million compared to \$15.3 million in the same period last year. Gross profit is comprised of the margin of sales revenues over ingredient costs less the fixed and variable costs of manufacturing and delivery. Unit margins for feed products may be affected by inventory holding gains or losses realized during periods in which market prices for feed ingredients are rising or falling. Overall margins are also affected by changes in relative volumes between lower value-added products such as some complete feeds, and higher value-added products, which include supplements, blocks and premixes. The increase of \$1.2 million in gross profit in the fourth quarter was largely the result of increased volumes in the quarter and higher average unit margins relative to last year that followed from the continuing shift in product mix to higher value-added products, particularly feed supplements and blocks. Manufacturing and delivery costs were proportionately higher with the increase in volumes in the period.

Operating expenses, which include research and development, technical services, selling and administration expenses, were \$12.8 million in continuing operations compared to \$12.6 million last year. Operating expenses last year included charges of \$0.2 million for restructuring and plant impairment related to the closure of two feed production facilities in fiscal 2012. Excluding exceptions last year, overhead expenses in the fourth quarter of fiscal 2013 were comparable to those of the same period last year.

EBITDA is comprised of operating income before depreciation, amortization and exceptions. For the fourth quarter of fiscal 2013, EBITDA of continuing operations was \$5.4 million compared to \$4.5 million for the same period last year. There were no material exceptions in fiscal 2013. As noted above, exceptions in the fourth quarter last year totaled \$0.2 million, which related to restructuring charges following the closure of two manufacturing facilities in fiscal 2012.

The Company's share of the earnings of Masterfeeds LP, reported as "share of income of associate", was \$0.1 million for the fourth quarter of fiscal 2013. Masterfeeds LP is a limited partnership formed in November 2012 by the merger of Ridley's Canadian feed assets with those of Masterfeeds Inc., a subsidiary of Ag Processing Inc. Ridley owns a non-controlling interest in Masterfeeds LP.

Distributions made by the Company's U.S. subsidiary to its Canadian parent entity are subject to withholding tax assessments. Included in income tax expense are withholding taxes of \$0.8 million and \$1.3 million in the fourth quarters of fiscal 2013 and fiscal 2012, respectively.

Net income from continuing operations, net of income tax expense, for the fourth quarter of fiscal 2013 was \$1.7 million (\$0.14 per share) compared to \$0.3 million (\$0.02 per share) in the same period of fiscal 2012.

Discontinued operations are comprised of the Company's feed manufacturing business in Canada, previously reported as the Canadian Feed Operations (CFO) segment. Prior period results of CFO have been re-presented as discontinued operations. Net income from discontinued operations in the fourth quarter of fiscal 2013 was \$0.1 million – unchanged from last year.

Including income from discontinued operations, the Company reported net income after taxes for the fourth quarter of \$1.8 million (\$0.14 per share) compared to \$0.3 million (\$0.03 per share) in the same period last year.

Annual Results

For fiscal 2013, revenue of \$574.8 million from continuing operations was \$46.8 million higher than fiscal 2012. Higher feed ingredient prices accounted for the major part of the increase in revenues in fiscal 2013. An increase of 2.7% in sales volume for the year, mainly in feed supplements and blocks, and the acquisition of Stockade Brands Inc. in the second quarter this year, also contributed to the 8.9% increase in sales revenue in fiscal 2013. Factors bearing on sales volume in fiscal 2013 included generally favourable economic conditions for livestock and poultry producers and increased demand earlier in the fiscal year for feed supplementation during the drought in the U.S.

Consolidated gross profit from continuing operations for fiscal 2013 was \$79.8 million compared to \$68.4 million last year due to the combination of increased sales volumes and higher unit margins across all operating segments of the business. Average unit margins increased this year as a result of generally higher feed ingredient prices and the continuing shift in product mix to higher value-added products.

Operating expenses in continuing operations were \$49.7 million in fiscal 2013, an increase of \$0.9 million over \$48.8 million before exceptions last year. Exceptions last year included a \$0.6 million loss on the sale of facilities at Bushnell, Illinois and Syracuse, Indiana and charges of \$1.9 million for restructuring and plant impairment related to the closure of facilities at Bushnell and Castleton, Indiana in fiscal 2012.

EBITDA from continuing operations in fiscal 2013 was \$37.0 million compared to \$26.5 million last year. There were no material exceptions in fiscal 2013.

The Company's share of the earnings of Masterfeeds LP, reported as share of income of associate, was \$0.6 million for the seven months between formation of the limited partnership with Masterfeeds Inc. on November 30, 2012 and June 30, 2013.

Income tax expense of continuing operations in fiscal 2013 was \$11.9 million, compared with \$7.7 million recorded in fiscal 2012. Ridley's U.S. entity made distribution payments to the Canadian parent entity that were subject to withholding taxes of \$0.8 million and \$1.3 million in fiscal 2013 and 2012, respectively.

Net income from discontinued operations was \$0.6 million compared to a loss of \$0.4 million last year. Including income from discontinued operations, the Company reported net income after taxes for the twelve months of fiscal 2013 of \$19.2 million (\$1.50 per share) compared to \$9.0 million (\$0.70 per share) in the same period last year.

Comprehensive Income

Comprehensive income (loss) is the change in net assets that results from transactions, events and circumstances from sources other than investments by and/or distributions to shareholders. Comprehensive income in the fourth quarter of fiscal 2013 was \$1.1 million net of income taxes, which was comprised of net income of \$1.8 million, as reported above, less unrealized loss of \$0.8 million from the translation to U.S. currency of financial statements of related entities with Canadian functional currency, plus a \$0.1 million deferred actuarial gain on employee benefit plans. Accumulated other comprehensive income is comprised of unrealized gains and losses on translation of financial statements of related entities with foreign functional currency to U.S. dollar reporting currency.

For the twelve months this year comprehensive income was \$20.7 million which was comprised of net income of \$19.2 million, as reported above, less an unrealized loss of \$0.7 million on the translation of the financial statements of Canadian entities to U.S. currency, plus the reclassification of \$2.1 million of accumulated currency translation losses from equity to net income related to the sale of Canadian assets to Masterfeeds LP in the second quarter this year, plus a \$0.1 million deferred actuarial gain on employee benefit plans.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

EBITDA (\$000s)	3 months Ended June 30		12 months Ended June 30	
	2013	2012	2013	2012
Net income for the period	\$1,832	\$328	\$19,240	\$8,952
Net (income) loss from discontinued operations	(86)	(51)	(579)	412
Income tax expense	1,969	2,343	11,881	7,694
Share of income of associate	(134)	-	(595)	-
Finance expense	113	53	342	251
Finance income	(24)	(61)	(137)	(178)
Operating income	\$3,670	\$2,612	\$30,152	\$17,131
Depreciation of property, plant and equipment	1,525	1,452	5,917	6,111
Amortization of intangible assets	238	196	901	772
(Gain) loss on sale of facilities	-	(10)	-	611
Asset impairment loss	-	200	-	1,292
Restructuring charges	-	12	-	585
EBITDA of continuing operations	\$5,433	\$4,462	\$36,970	\$26,502

Ridley reports its financial results according to IFRS that have been incorporated into the Handbook of Canadian Institute of Chartered Accounts (CICA). However, Ridley has included in its management discussion and analysis certain non-IFRS financial measures and ratios that its management believes provide useful information in measuring the financial performance and financial condition of Ridley. These measures and ratios do not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other public companies, nor should they be construed as an alternative to other financial measures described by IFRS.

Operating income is defined as net income before finance expense, finance income, income tax expense, share of income of associate and net income from discontinued operations. Earnings before interest, taxes, depreciation and amortization (EBITDA) is defined as operating income of continuing operations before depreciation and amortization, gain or loss on sale of facilities, asset impairment loss, and restructuring expenses.

SEGMENT RESULTS

Fourth Quarter and Annual Results

In the second quarter of fiscal 2013, the Company modified its reporting segments to eliminate the Canadian Feed Operations (CFO) segment following the sale of substantially all of the net assets of its Canadian operations to Masterfeeds LP. The following is a summary of operating income (loss) of the reporting segments of the Company's continuing operations for the fourth quarter and twelve months of fiscal 2013 and 2012.

"Corporate" in this presentation includes the consolidating elimination of intersegment sales and the total assets and property, plant & equipment associated with discontinued operations.

Operating Income (Loss) (\$000s)	3 months Ended June 30		12 months Ended June 30	
	2013	2012	2013	2012
U.S. Feed Operations (USFO)	\$981	\$1,090	\$11,406	\$3,689
Ridley Feed Ingredients (RFI)	1,258	677	3,074	2,592
Ridley Block Operations (RBO)	1,984	1,721	18,469	14,167
Corporate	(553)	(876)	(2,797)	(3,317)
Consolidated operating income from continuing operations	\$3,670	\$2,612	\$30,152	\$17,131

U.S. Feed Operations (USFO)

The U.S. Feed Operations (USFO) segment consists of twenty-one full-line production facilities operating in the United States producing and marketing products for the core animal nutrition market. USFO plants derive most of their business by manufacturing and marketing a broad range of complete feeds, supplements and premixes to meat, milk and egg producers, and owners of equine and companion animals located mostly in the Midwestern United States.

Tonnage volume was higher by 3.0% in the fourth quarter of fiscal 2013 compared to last year. Volumes in the quarter were higher in feeds for specialty animals and in feed supplement blocks for beef cattle. For the full year, volumes were higher by 1.0% over last year. Increased volumes of feed supplements blocks in the beef sector more than offset reduced volumes of lower margin complete feeds in the swine sector for the year. The increase in volumes in fiscal 2013 reflects stronger performance in sales of higher value-added supplements within a generally favourable livestock and poultry economy and the effects of drought in the first half of fiscal 2013.

Gross profits of \$9.2 million in the fourth quarter this year were at the same level as last year. Higher unit margins and volumes in the fourth quarter were offset by increased direct costs and manufacturing overheads, which are included in gross profits. For the full year of fiscal 2013, gross profits of \$42.5 million were higher by \$5.5 million over last year, largely the result of improved unit margins and increased tonnage volumes. Average unit margins throughout fiscal 2013 were higher as a result of rising commodity prices while sales volumes of higher value added products such as supplements and blocks increased as volumes of lower margin complete feeds declined. For the full year of fiscal 2013, direct costs and manufacturing overheads were unchanged from last year.

Operating expenses were \$8.2 million in the fourth quarter of fiscal 2013, an increase of \$0.4 million over \$7.9 million (before exceptions) last year, mainly the result of increased sales promotion and marketing expense in the period. Exceptions in the fourth quarter last year included charges of \$0.2 million for restructuring and asset impairment related to the closure of facilities at Bushnell and Castleton, Indiana in fiscal 2012. For the full year of fiscal 2013, operating expenses of \$31.1 million before exceptions were consistent with last year. Exceptions last year totaled \$2.2 million for restructuring and plant impairment related to the closure of facilities at Bushnell and Castleton, Indiana in fiscal 2012.

Operating income of the USFO segment for the fourth quarter this year was \$1.0 million compared to \$1.1 million in the same period last year. Increased manufacturing and operating expenses in the fourth quarter more than offset gains in volume and unit margins in the period. Operating income was \$11.4 million for the twelve months of fiscal 2013 compared to \$5.9 million excluding exceptions of \$2.2 million last year. Income improved in fiscal 2013 on volume growth, higher unit margins and tightly controlled expenses.

Ridley Feed Ingredients (RFI)

The RFI segment produces and distributes vitamin and trace mineral premixes, small packaged specialty products, medicated and non-medicated feed additives and micro feed ingredients to customers throughout North America from its production facility in Mendota, Illinois.

Revenue in the fourth quarter of fiscal 2013, including intersegment sales, increased by 1.6% from the same period last year on a shift in product mix and a slight increase in volumes. Revenue for the twelve months of fiscal 2013 decreased by 4.7% as a result of a declining prices of certain feed commodities and lower usage from last year, particularly in feed-grade vitamins and amino acids.

Gross profit of \$2.2 million in the fourth quarter this year was higher by \$0.7 million over last year as unit margins improved relative to last year. Gross profit for the twelve months of fiscal 2013 was \$6.9 million, compared to \$6.2 million from last year. Declining vitamin prices and lower inclusion rates in feed mixes had a negative influence on RFI margins in fiscal 2013. Direct costs and manufacturing overhead expenses, which are included in gross profit, were nearly flat overall between this year and last. Operating expenses in the fourth quarter increased over the prior year by \$0.1 million and for the full year increased by \$0.3 million on generally higher selling expenses. Operating income for the fourth quarter was \$1.3 million, an increase of \$0.6 million from last year. For the full year, operating income was \$3.1 million compared to \$2.6 million last year.

Ridley Block Operations (RBO)

The RBO segment manufactures and markets a complete range of block supplements, including low moisture, pressed, compressed, composite and poured blocks, dried molasses, and loose minerals from eight U.S. facilities.

On November 28, 2012, RBO acquired the net assets of Stockade Brands Incorporated (“Stockade”), a privately-held, Pittsburg, Kansas manufacturer of blocks, loose minerals and dried molasses products for livestock and equine markets. Stockade is a well-known and respected brand with cattle producers in an important market with a facility that is strategically positioned in the largest beef cattle markets in the U.S. The acquisition of Stockade provides additional depth to RBO’s product line-up for beef cattle, dairy, goats, wildlife and equine, and gains access to new marketing channels. RBO will invest new capital in the Pittsburg facility that will extend its production capacity and operating efficiency to handle additional RBO products.

RBO’s tonnage volume in the fourth quarter of fiscal 2013 was ahead of last year by 27.6% with all block product forms contributing to the increase. The acquisition of Stockade in the second quarter of fiscal 2013 and its dried molasses product also contributed to volume growth in the fourth quarter. Good demand for feed supplement blocks was sustained in the fourth quarter by a positive beef cattle economy and more favourable pasture conditions that were encouraging to beef producers. For the full year of fiscal 2013, RBO volumes were ahead of last year by 14.9%. Volume growth in the first half of fiscal 2013 was prompted in large part by producers’ needs for increased feed supplementation following from the severe drought which reduced the quantity and quality of pasture and forages.

Gross profit of \$5.0 million in the fourth quarter this year was higher by \$0.5 million over last year, primarily as a result of volume growth this year. Direct costs and manufacturing overheads in the fourth quarter increased in proportion to volume growth. For the twelve months of fiscal 2013, gross profit of \$30.4 million was ahead of last year by \$5.2 million on increased tonnage volume, improved average unit margins and the contribution of Stockade.

Operating expenses in the fourth quarter of fiscal 2013 increased by \$0.2 million over last year, mainly related to inclusion this year of operations at the Stockade facility in Pittsburg, Kansas. Operating expenses for the twelve months of fiscal 2013 were higher by \$1.1 million before exceptions, which included \$0.3 million related to the loss on the sale of the Syracuse facility in fiscal 2012. Most of the increase in operating expenses in fiscal 2013 was due to higher selling and legal expenses and inclusion of Stockade's operations this year.

Operating income in fiscal 2013 increased over last year by \$0.3 million in the fourth quarter and \$4.3 million for the full year. Operating income in the first half of fiscal 2013 was favourably influenced by drought conditions and good producer economics that provided a positive stimulus to demand for feed supplementation.

Corporate

Corporate contains no substantial revenue and is comprised of corporate costs and other activities not specific to reportable segments and is shown separately. For presentation purposes, Corporate & Eliminations include the total assets and property, plant & equipment associated with discontinued operations.

Net operating expenses of corporate activities in the fourth quarter of fiscal 2013 were \$0.6 million compared to \$0.9 million last year reflecting reduced costs of administrative activities and professional fees. For the twelve months of fiscal 2013 net operating expenses were \$2.8 million compared to \$3.3 million last year. Administrative expenses and professional fees accounted for most of the lower operating expenses in fiscal 2013.

SUMMARY OF SEGMENT RESULTS – FOURTH QUARTER

Three months ended June 30, 2013 (\$000)	USFO	RFI	RBO	Corporate & Eliminations	Consolidated
Revenue from unaffiliated customers	96,961	16,357	16,735	-	130,053
Intersegment revenues	2,262	13,125	9,868	(25,255)	-
Revenue	99,223	29,482	26,603	(25,255)	130,053
Cost of sales	89,998	27,257	21,581	(25,255)	113,581
Gross profit	9,225	2,225	5,022	-	16,472
	9.3%	7.5%	18.9%		12.7%
Operating (income) expenses					
Technical services, selling and administrative	8,025	953	2,871	543	12,392
Other expense (income)	88	14	60	10	172
Research and development	131	-	107	-	238
Net operating expenses	8,244	967	3,038	553	12,802
Operating income (loss)	981	1,258	1,984	(553)	3,670

Three months ended June 30, 2012 (\$000)	USFO	RFI	RBO	Corporate & Eliminations	Consolidated
Revenue from unaffiliated customers	89,254	16,285	12,721	-	118,260
Intersegment revenues	2,030	12,736	8,137	(22,903)	-
Revenue	91,284	29,021	20,858	(22,903)	118,260
Cost of sales	82,108	27,494	16,306	(22,903)	103,005
Gross profit	9,176	1,527	4,552	-	15,255
	10.1%	5.3%	21.8%		12.9%
Operating (income) expenses					
Technical services, selling and administrative	7,682	835	2,732	964	12,213
Other expense (income)	125	15	(28)	(88)	24
(Gain) loss on sale of facilities	(10)	-	-	-	(10)
Research and development	77	-	127	-	204
Restructuring and plant impairment	212	-	-	-	212
Net operating expenses	8,086	850	2,831	876	12,643
Operating income (loss)	1,090	677	1,721	(876)	2,612

SUMMARY OF SEGMENT RESULTS – ANNUAL

Twelve months ended June 30, 2013 (\$000)	USFO	RFI	RBO	Corporate & Eliminations	Consolidated
Revenue from unaffiliated customers	420,895	61,581	92,274	-	574,750
Intersegment revenues	10,306	52,041	51,132	(113,479)	-
Revenue	431,201	113,622	143,406	(113,479)	574,750
Cost of sales	388,718	106,696	112,996	(113,479)	494,931
Gross profit	42,483	6,926	30,410	-	79,819
	9.9%	6.1%	21.2%		13.9%
Operating (income) expenses					
Technical services, selling and administrative	31,077	3,856	11,589	2,748	49,270
Other expense (income)	(236)	(4)	(97)	49	(288)
Research and development	236	-	449	-	685
Net operating expenses	31,077	3,852	11,941	2,797	49,667
Operating income (loss)	11,406	3,074	18,469	(2,797)	30,152
Balances as at June 30, 2013 (\$000s)	USFO	RFI	RBO	Corporate & Eliminations	Consolidated
Total assets	93,451	22,539	64,504	24,953	205,447
Property, plant and equipment	35,831	4,156	24,201	-	64,188
Goodwill	14,298	4,327	20,303	-	38,928
Twelve months ended June 30, 2012 (\$000)	USFO	RFI	RBO	Corporate & Eliminations	Consolidated
Revenue from unaffiliated customers	380,909	67,299	79,792	-	528,000
Intersegment revenues	8,831	51,915	40,940	(101,686)	-
Revenue	389,740	119,214	120,732	(101,686)	528,000
Cost of sales	352,784	113,033	95,482	(101,686)	459,613
Gross profit	36,956	6,181	25,250	-	68,387
	9.5%	5.2%	20.9%		13.0%
Operating (income) expenses					
Technical services, selling and administrative	30,703	3,549	10,381	3,132	47,765
Other expense (income)	90	40	(22)	185	293
(Gain) loss on sale of facilities	329	-	282	-	611
Research and development	268	-	442	-	710
Restructuring and plant impairment	1,877	-	-	-	1,877
Net operating expenses	33,267	3,589	11,083	3,317	51,256
Operating income (loss)	3,689	2,592	14,167	(3,317)	17,131
Balances as at June 30, 2012 (\$000s)	USFO	RFI	RBO	Corporate & Eliminations	Consolidated
Total assets	88,554	22,605	58,323	39,047	208,529
Property, plant and equipment	34,907	4,348	21,497	8,871	69,623
Goodwill	14,298	4,327	19,357	-	37,982

SELECTED ANNUAL INFORMATION

The following table summarizes operating results and key balance sheet information for fiscal years 2011 through 2013. Revenue and income information for fiscal years 2011 and 2012 has been re-presented to exclude discontinued operations, which is comprised of the Company's feed manufacturing business in Canada, previously reported as the Canadian Feed Operations (CFO) segment.

(\$000 except net income per share and dividends per share)	2013	2012	2011
Revenue	574,750	528,000	467,166
Operating income	30,152	17,131	17,394
Net income of continuing operations	18,661	9,364	8,944
Net income (loss) from discontinued operations	579	(412)	533
Net income in total	19,240	8,952	9,477
Net income of continuing operations – per share basic and fully diluted	\$1.46	\$0.73	\$0.70
Net income in total – per share basic and fully diluted	\$1.50	\$0.70	\$0.74
Dividends per share (C\$)	\$1.50	\$2.00	-
 Total assets – consolidated	 205,447	 208,529	 217,782
Total debt – consolidated	12,026	11,032	1,542

The following factors affect the comparability of the data in the above three-year summary of financial information:

2013

Revenue in fiscal 2013 increased by \$46.8 million over last year due primarily to higher feed ingredient prices, an increase of 2.7% in sales volume for the year, and the acquisition of Stockade Brands Inc. in the second quarter this year. Factors bearing on sales volume in fiscal 2013 included generally favourable economic conditions for livestock and poultry producers and increased demand earlier in the fiscal year for feed supplementation during the drought in the U.S.

Gross profit of \$79.8 million for fiscal 2013 was \$11.4 million ahead of the prior year due to higher unit margins, stemming from the continuing shift in product mix to higher value-added products, and to a lesser extent increased sales volumes.

Operating income from continuing operations in fiscal 2013 was \$30.2 million, which was a \$10.5 million improvement (exclusive of exceptions) over fiscal 2012. Exceptions in fiscal 2012 were \$2.5 million on a pre-tax basis and were comprised of asset impairments, loss on sale of facility and restructuring expenses related to facilities closed in prior years. Share of income of associate, Masterfeeds LP, was \$0.6 million for the seven months of its operations in fiscal 2013. Earnings from discontinued operations, previously reported as the Canadian Feed Operations segment, were \$0.6 million in fiscal 2013, including net profit of \$2.2 million from the disposal of Canadian operations, compared to a loss of \$0.4 million in the prior year.

Income tax expense in fiscal 2013 included a \$0.8 million withholding tax assessed on an intercompany distribution from Ridley's U.S. subsidiary to the Canadian parent entity.

Net non-cash working capital of consolidated operations at the end of fiscal 2013 was lower by \$8.1 million, mainly the result of the disposal of Canadian operations in November 2012. Ridley's investment in Masterfeeds LP as at June 30, 2013 was \$17.2 million.

In fiscal 2013, the Company received cash distributions of \$7.9 million from its interest in Masterfeeds LP and invested \$5.7 million in the acquisition of the net assets of Stockade. Cash flows from operations in fiscal 2013 were used to repay borrowings made in the fourth quarter of fiscal 2012 that funded a \$25.3 million special dividend declared and paid in fiscal 2012. Funding for a special dividend of \$19.1 million

MANAGEMENT'S DISCUSSION & ANALYSIS

declared and paid in May 2013 was provided through existing borrowing facilities, cash distributions from associate and surplus cash funds.

2012

Revenue from continuing operations in fiscal 2012 increased by \$60.8 million over last year due primarily to higher raw material prices that had the effect of increasing average unit selling prices and continued improvements in product mix. Tonnage volumes in fiscal 2012 were flat in comparison to the prior year. Factors bearing on tonnage volumes in fiscal 2012 included positive sales results under good economic conditions for livestock and poultry producers and drought at the start of the year that offset the negative effect of unseasonably mild weather.

Gross profit from continuing operations of \$68.4 million for fiscal 2012 was \$7.5 million ahead of the prior year due to improved product mix and lower manufacturing overheads in USFO.

Operating income from continuing operations in fiscal 2012 exclusive of exceptions was \$19.6 million, a \$2.2 million improvement over fiscal 2011. Exceptions on a pre-tax basis included \$2.5 million recorded for asset impairments, loss on sale of facilities and other restructuring charges on the closure of two plants in the USFO segment and a \$0.3 loss on the sale of a facility which was closed in fiscal 2008 in the RBO segment. Income tax expense included a \$1.3 million withholding tax assessed on an intercompany distribution from Ridley's U.S. subsidiary to the Canadian parent entity.

Accounts receivable at the end of fiscal 2012 were materially unchanged from last year as improvements in collection days offset the effect of higher ingredient costs on product prices and revenues. Inventories at the end of fiscal 2012 were higher by \$0.9 million due to increased raw material prices.

A special dividend of \$25.3 million was paid in May 2012. Ridley utilized cash flows from operations and borrowing to fund the dividend payment. Debt increased from \$1.5 million at June 30, 2011 to \$11.0 million at June 30, 2012.

2011

Revenue of continuing operations in fiscal 2011 increased by \$39.6 million due to an increase in average unit prices over the prior year, which more than offset a slight decline in overall tonnage volumes. Unit prices were higher in fiscal 2011 as the cost of feed ingredients used in the manufacture of Ridley feed products rose to historically high levels following generally lower prices in 2009 and 2010, which followed a similar volatile elevation in feed ingredient costs in 2008. The increase in revenue of \$23.2 million in USFO was mainly the result of changes in product mix and the effect of raw material price increases whereas most of the \$10.6 million increase in revenues in RBO reflected tonnage volume growth on improved economic conditions for beef cattle producers and expansion of sales distribution channels.

Gross profits of continuing operations in fiscal 2011 increased by \$1.5 million from volume growth in RBO that more than offset a decrease in tonnage volume in USFO. Operating income of continuing operations before exceptions in fiscal 2011 increased by \$1.7 million over the previous year. There were no unusual charges of a material nature in fiscal 2011. Exceptions in the prior year included a gain of \$0.3 million on the sale of a closed facility.

Income tax expense included a \$1.5 million withholding tax assessed on an intercompany distribution from Ridley's U.S. subsidiary to the Canadian parent entity.

The balance in accounts receivable at the end of fiscal 2011 was higher over the prior year by \$4.2 million, which reflects the effect of higher feed ingredient costs on product prices and revenues in fiscal 2011. The balance in inventories at the end of fiscal 2011 was lower by \$2.2 million as a result of more efficient inventory utilization in all Ridley divisions despite increased raw material prices. The total debt balance at the end of fiscal 2011 was lower by \$6.1 million as cash flows from operations were utilized for repayment of debt, while cash balances at year-end were higher by \$2.2 million.

SUMMARY OF QUARTERLY RESULTS

The following chart summarizes financial results by quarter for fiscal 2013 and fiscal 2012.

2013	First Quarter 30-Sep-12	Second Quarter 31-Dec-12	Third Quarter 31-Mar-13	Fourth Quarter 30-Jun-13	Fiscal Year 2013
(\$000s)					
Revenue (Including inter-segment sales)					
USFO	108,232	116,216	107,530	99,223	431,201
RFI	27,429	28,716	27,995	29,482	113,622
RBO	35,638	42,075	39,090	26,603	143,406
Intersegment revenues	(28,238)	(29,942)	(30,044)	(25,255)	(113,479)
Total revenue	143,061	157,065	144,571	130,053	574,750
Operating income (loss) of continuing operations					
USFO	3,458	3,461	3,506	981	11,406
RFI	669	432	715	1,258	3,074
RBO	4,808	6,064	5,613	1,984	18,469
Corporate	(624)	(764)	(856)	(553)	(2,797)
Total operating income	8,311	9,193	8,978	3,670	30,152
Net income continuing operations	5,319	5,873	5,723	1,746	18,661
Net income in total	5,257	6,554	5,597	1,832	19,240
Net income per share (basic and fully diluted)					
Net income of continuing operations	0.42	0.45	0.45	0.14	1.46
Net income in total	0.41	0.51	0.44	0.14	1.50

2012	First Quarter 30-Sep-11	Second Quarter 31-Dec-11	Third Quarter 31-Mar-12	Fourth Quarter 30-Jun-12	Fiscal Year 2012
(\$000s)					
Revenue (Including inter-segment sales)					
USFO	91,129	105,784	101,543	91,284	389,740
RFI	29,157	31,041	29,995	29,021	119,214
RBO	27,701	37,010	35,163	20,858	120,732
Intersegment revenues	(21,033)	(27,577)	(30,173)	(22,903)	(101,686)
Total revenue	126,954	146,258	136,528	118,260	528,000
Operating income (loss) of continuing operations					
USFO	444	1,774	381	1,090	3,689
RFI	600	281	1,034	677	2,592
RBO	2,343	4,692	5,411	1,721	14,167
Corporate	(771)	(710)	(960)	(876)	(3,317)
Total operating income	2,616	6,037	5,866	2,612	17,131
Net income continuing operations	1,535	3,812	3,740	277	9,364
Net income in total	722	3,950	3,952	328	8,952
Net income per share (basic and fully diluted)					
Net income of continuing operations	0.12	0.30	0.29	0.02	0.73
Net income in total	0.06	0.31	0.30	0.03	0.70

CASH FLOWS AND BALANCE SHEET

Cash Flows from Operating Activities

Cash flows from operating activities were \$21.9 million in fiscal 2013 compared to \$19.0 million in fiscal 2012. The Company generated \$22.5 million in cash net of investing activities excluding business acquisitions in fiscal 2013, compared to \$12.6 million last year.

Capital expenditures on property, plant and equipment as well as the purchase of software were \$10.0 million in fiscal 2013 compared to \$8.6 million in 2012.

Cash Flows Related to Investing Activities

On November 28, 2012, Ridley acquired the assets of Stockade Brands Inc. for cash consideration of \$5.7 million. Ridley made no business acquisitions in fiscal 2012.

On November 30, 2012 Ridley and Masterfeeds Inc. completed the merger of their respective feed and nutrition businesses in Canada into a new limited partnership called Masterfeeds LP. Ridley received from the limited partnership a cash distribution of \$7.9 million plus proceeds of \$1.9 million from the contribution of working capital that was in excess of its required contribution under the terms of the partnership agreement.

Summary of Cash Flows Net of Investing Activities		
(\$000s)	2013	2012
Net income	19,240	8,952
Depreciation and amortization	7,274	8,000
Other items not affecting cash ⁽ⁱ⁾	(3,130)	1,453
Net change in non-cash working capital balances related to operations	(1,483)	549
Net cash from operating activities	21,901	18,954
Purchase of property, plant and equipment including other intangibles	(10,000)	(8,555)
Net proceeds on property disposals and change in loans receivable	2,701	2,240
Distributions from associate	7,944	-
Sub-total cash flows net of investing activities, before business acquisitions	22,546	12,639
Business acquisitions	(5,732)	-
Cash flows net of investing activities	16,814	12,639

(i) Other items not affecting cash include deferred income taxes, asset impairment losses, gain or loss on sale of property, plant and equipment, gain on divestiture of Canadian operations, share of income of associate, and other non-cash expenses.

Cash Flows Related to Financing Activities

A special dividend of \$19.1 million was paid to common shareholders on May 31, 2013. The dividend was funded using available cash generated from operating activities and borrowing on Ridley's credit facility. In the prior year, Ridley paid a special dividend of \$25.3 million to common shareholders on May 18, 2012.

Assets, Liabilities and Shareholders' Equity

Total assets of \$205.4 million as at June 30, 2013 decreased \$3.1 million from last year. Non-cash working capital of \$35.2 million was lower by \$8.1 million from the same time last year. The sale of assets of Canadian Feed Operations to Masterfeeds LP in November 2012 accounted for most of the reduction in working capital items.

The carrying value of property, plant and equipment of \$64.2 million decreased by \$5.4 million from the same time last year. Expenditures on property, plant and equipment were \$9.7 million in fiscal 2013, which included a major facility renovation in Canadian operations. Fixed assets acquired in the acquisition of Stockade Brands Inc. were \$1.8 million. Depreciation on property, plant and equipment was \$6.4 million.

The book value of property, plant and equipment disposed in the formation of Masterfeeds LP was approximately \$10.5 million.

Ridley's investment in Masterfeeds LP as at June 30, 2013 was \$17.2 million, consisting of the initial investment of \$25.6 million, less a cash distribution of \$7.9 million received from the limited partnership, plus pre-tax share of income of associate to-date of \$0.6 million, less foreign currency adjustment of \$1.0 million.

A \$1.3 million decrease in cash is a function of timing of customer payments and cheques clearing the banking system. Bank debt at the start of the fourth quarter of fiscal 2013 was \$0.5 million and increased to \$12.0 million at the end of the quarter due to funding of the special dividend of \$19.1 million paid in May 2013. The ratio of bank debt to total capitalization at the end of fiscal 2013 was 9.0% compared to 8.5% at the same time last year.

Shareholders' equity at the end of fiscal 2013 was \$120.9 million compared to \$119.3 million last year. The increase of \$1.6 million in shareholders' equity was the result of the net income of \$19.2 million earned in the period, plus other comprehensive income of \$1.4 million related to currency translation, plus \$0.1 million in actuarial gains net of tax, less the \$19.1 million dividend payment in May 2013.

Outstanding Share Data

Ridley's authorized share capital consists of an unlimited number of common shares, with no par value. The number of shares outstanding as of June 30, 2013, was 12,789,978 which was unchanged from June 30, 2012.

Ridley issued no additional common shares and issued no options under any stock option plan in fiscal 2013. There are no outstanding stock options to purchase common shares as of June 30, 2013 or fiscal 2012.

Normal Course Issuer Bid

On December 13, 2012, the Company received approval from the Toronto Stock Exchange (the "TSX") to initiate a normal course issuer bid ("NCIB") for the Company's shares through the facilities of the TSX. The NCIB permits the Company to purchase for cancellation up to 639,499 of its common shares. Purchases pursuant to the NCIB may commence on December 15, 2012 and will terminate on December 14, 2013, or on such earlier date as the Company may complete its purchase or otherwise terminate the bid. This NCIB follows a previous share repurchase program that terminated on December 14, 2012. During fiscal 2013 and 2012, the Company did not repurchase any shares for cancellation.

Dividend

On May 31, 2013, the Company paid to shareholders a special dividend of C\$1.50 per share (C\$19,185,000 in total). The Company paid a special dividend to shareholders last year of C\$2.00 per share (C\$25,580,000 in total).

LIQUIDITY

Ridley's consolidated balance sheet as at June 30, 2013, together with comparative 2012 and 2011 figures, is summarized as follows:

(\$000)	2013	2012	2011
Current assets	68,636	84,406	88,949
Current liabilities	37,370	43,722	45,891
Working capital⁽ⁱ⁾	31,266	40,684	43,058
Property, plant & equipment	64,188	69,623	72,921
Goodwill & other intangibles	47,604	45,374	45,948
Other non-current assets	7,801	9,126	9,964
Investment in associate	17,218	-	-
Long-lived assets	136,811	124,123	128,833
Long-term portion of debt	12,026	10,973	485
Deferred income tax liability	16,989	16,768	19,606
Other long-term liabilities	18,138	17,744	10,784
Long-term liabilities	47,153	45,485	30,875
Equity	120,924	119,322	141,016

(i) Includes cash, short-term debt, current portion of long-term debt and outstanding cheques in excess of bank balances.

The debt to equity relationship as of June 30, 2011 through 2013 is summarized below:

(\$000)	2013	2012	2011
Debt, defined as all bank obligations	12,026	11,032	1,542
Equity	120,924	119,322	141,016
Debt to capitalization ratio ⁽ⁱ⁾	9.0%	8.5%	1.1%

(i) Capitalization is debt plus equity

The change in cash balances for the twelve months ending June 30 for the following fiscal years is summarized below:

(\$000)	2013	2012	2011
Cash provided from operations before working capital requirements	23,384	18,405	19,704
Provided by (used for) working capital requirements	(1,483)	549	(2,765)
Cash provided from operations	21,901	18,954	16,939
Net utilized for investing activities	(5,087)	(6,315)	(7,392)
Net utilized for financing activities	(18,154)	(15,698)	(6,621)
Effect of exchange rate changes on cash	(24)	50	(110)
Increase (decrease) in cash balances	(1,364)	(3,009)	2,816

Net working capital, as reported below, is defined as current assets (excluding cash) less current liabilities (excluding outstanding cheques in excess of bank balances, short-term debt, and the current portion of long-term debt).

(\$000)	2013	2012	2011
Current assets	68,307	82,730	85,801
Current liabilities	33,136	39,446	42,154
Net working capital	35,171	43,284	43,647

The level of net working capital to support the activities of the business is subject to fluctuation caused by changes in raw material costs and the Canadian dollar exchange rate. Net working capital fluctuates throughout the year due to raw material prices and seasonality. The reduced level of working capital as at June 30, 2013 reflects the disposal of assets of Canadian operations to Masterfeeds LP in November 2012.

CAPITAL MANAGEMENT

The Company's objectives in managing capital are to maintain sufficient liquidity for pursuit of its growth strategy and to deploy capital where it will provide an appropriate return on investment to the Company's shareholders. The Company includes funded debt (short-term and long-term debt) and shareholders' equity in the management of capital. The Board of Directors has established quantitative return on equity criteria for management.

On January 31, 2012, the Company entered into a three-year \$50.0 million revolving credit agreement with U.S. Bank National Association (U.S. Bank). The borrowing limit is the lesser of \$50.0 million or a calculated borrowing base. Borrowings are denominated in U.S. or Canadian dollars. Interest is determined at the applicable London Inter-Bank Offer Rate (LIBOR), Canadian Deposit Offered Rate (CDOR) or equivalent rate indicators plus applicable margin. The credit agreement is secured by first-ranking general security agreements covering substantially all of the Company's assets and contains customary terms, conditions and form of borrowings.

There are restrictions on the level of capital available and covenant requirements as defined in the Company's credit facility agreements. The Company monitors capital based on:

- Funded debt to EBITDA
- Fixed charge ratio; and
- Leverage ratio.

As summarized below, the Company complied with its covenant requirements as at June 30, 2013:

Credit Facility Covenants	Covenant Requirements	As at June 30, 2013
Funded Debt to EBITDA ⁽ⁱ⁾	Less than 2.00	0.35
Fixed Charge Ratio ⁽ⁱⁱ⁾	Greater than 1.25	5.13
Leverage Ratio ⁽ⁱⁱⁱ⁾	Less than 1.75	1.15

- (i) Funded debt to EBITDA is calculated as funded debt over the rolling twelve-month EBITDA.
- (ii) Fixed charge ratio is calculated as EBITDA less tax payments and less 50% of depreciation over total of principal payments, finance costs, and rental payments.
- (iii) Leverage ratio is calculated as total liabilities to tangible net worth.

CAPITAL EXPENDITURES

Capital expenditures on property, plant and equipment (exclusive of business acquisitions) were \$9.7 million in fiscal 2013 compared to \$8.4 million in 2012. Expenditures on other intangibles, including software, were \$0.3 million in fiscal 2013 compared to \$0.2 million last year. Major capital expenditures in fiscal 2013 included \$1.5 million to complete a major plant renovation in Canadian operations and approximately \$1.0 million on automation, including robotic palletizers and robotic stackers that will improve safety and efficiency in several facilities.

Summary of Capital Expenditures by Operating Segment		
(\$000s)	2013	2012
U.S. Feed Operations (USFO)	4,500	4,152
Ridley Feed Ingredients (RFI)	178	424
Ridley Block Operations (RBO)	2,773	2,202
Allocated assets	596	458
Discontinued operations	1,953	1,319
Total expenditures on property, plant and equipment and software	10,000	8,555

The Company expects to spend approximately \$12.5 million during fiscal 2014 to support ongoing operations and various projects that support the strategic plan. This includes \$3.1 million to expand production capacity at the RBO block manufacturing facility in Flemingsburg, Kentucky and \$2.5 million in projects carried over from fiscal 2013. The Company expects to fund all capital projects during fiscal 2014 from operating cash flows.

BUSINESS ACQUISITIONS

Stockade Brands Incorporated

On November 28, 2012, the Company acquired substantially all of the assets and assumed certain liabilities of Stockade Brands Incorporated for cash consideration of \$5.7 million. Stockade manufactures blocks, loose minerals and dried molasses products for livestock from a single production facility in Pittsburg, Kansas. The business was integrated and reported within the RBO segment.

Investment in Masterfeeds LP

On November 30, 2012 the Company and Masterfeeds Inc., a wholly-owned subsidiary of Ag Processing Inc., completed the merger of their respective livestock and poultry feed and nutrition businesses in Canada into a new limited partnership called Masterfeeds LP. The merger joins the Company's Feed-Rite brand with Masterfeeds to create the second largest feed provider in Canada operating, among other things, 22 feed manufacturing plants and employing over 500 people in a business spanning Quebec, Ontario and the Prairie Provinces. Masterfeeds Inc. and Ridley Inc. each contributed all of their respective Canadian feed operating assets and liabilities in exchange for relative unit holdings in Masterfeeds LP. Ridley retains a non-controlling equity interest in Masterfeeds LP.

Starting in the second quarter of fiscal 2013, results of the Company's Canadian operations up to November 30, 2012 are reported as net income (loss) from discontinued operations. In the fourth quarter of fiscal 2013, net income of \$0.1 million was reported in discontinued operations. For the year-to-date this year, net income of \$0.6 million was reported in discontinued operations, which was comprised of an operating loss in Canadian operations of \$1.7 million, offset by a net pre-tax gain of \$3.8 million on the sale of Canadian assets at book value to Masterfeeds LP, less income tax expense of \$1.5 million. Pre-tax earnings accruing from the Company's investment in Masterfeeds LP are reported as share of income of associate under the equity method of accounting, which in the fourth quarter of fiscal 2013 was \$0.1 million and in the year-to-date was \$0.6 million. The Company's investment in Masterfeeds LP is reported as an investment in associate, which as at June 30, 2013 was \$17.2 million, consisting of the initial investment of

\$25.6 million, less a cash distribution of \$7.9 million received from the limited partnership, plus pre-tax share of income of associate to-date of \$0.6 million, less foreign currency adjustment of \$1.0 million. As a limited partnership, Masterfeeds LP is not subject to income taxes; any taxable income is allocated between the respective partners. The following table describes the disposal of the net assets of the Company's Canadian business unit, and related pre-tax gain.

(\$000)

Investment in associate (Masterfeeds LP)	\$25,562
Net cash proceeds on disposal of Canadian business unit	1,919
Fair value of consideration received	27,481
Net assets of Canadian business unit disposed	21,536
Gain on disposal of Canadian business net assets	5,945
Recognized accumulated currency translation losses upon disposal of Canadian business unit	(2,142)
Gain on disposal of Canadian business unit	\$3,803

CONTRACTUAL OBLIGATIONS

The following table summarizes the Company's obligations to make future payment on long-term debt, lease obligations and other obligations at June 30, 2013, as well as expected timing of the payments.

Payments Due By Period (\$000s)	Total	Year 1	Year 2	Year 3	Year 4	Year 5	After
Long-term debt	12,026	-	12,026	-	-	-	-
Purchase obligations	25,942	25,942	-	-	-	-	-
Operating leases	3,861	1,450	976	367	215	170	683
Other long-term obligations	1,028	39	698	45	50	49	147
Total contractual obligations	42,857	27,431	13,700	412	265	219	830

RISK MANAGEMENT

The Company's businesses are subject to a number of risk factors including commodity prices, interest rate and foreign currency volatility, customer credit performance, weather conditions, environmental regulations, animal disease, litigation and the loss of facilities and inventories from fire and other perils. The Company mitigates these risks through a variety of methods. The Executive Management Committee, which is comprised of the senior officers of the Company, establishes and reviews strategic and operational plans and policies, and considers key business issues and makes determinations on their future direction. The Committee identifies and assesses potential risks in operations and the external environment, takes corrective actions, and encourages a more proactive approach in the Company's manufacturing facilities to making risk management a high priority.

Environment

Ridley has a comprehensive program to oversee environmental, crisis management and health and safety matters. Management has concluded that, based on existing information and applicable laws and regulations, the amounts expended or anticipated to be expended by the Company on these matters, other than as specifically provided for, are not likely to be material to Ridley's operations or financial condition. Management is not aware of any instance of non-compliance with environmental laws and regulations that is not already being responsibly addressed.

Raw Material Prices

Commodity grains and protein meals constitute a significant component of the Company's complete feed production. Complete feed is sold either through spot orders or, to a lesser extent, through longer-term,

fixed-price sales contracts. In order to meet short-term production requirements, the Company maintains inventories of grains and protein meals to meet production requirements.

The grains and protein meals market is such that the Company is subject to a risk of movement in price between the time that grains and protein meals are purchased and the time they are sold as part of a feed product. The Company is subject to a risk of movement in price between the time that the commodities are sold as part of a feed product through long-term supply contracts and the time they are purchased to fulfill the contract.

The Company mitigates its exposure to commodity price risk, to the extent practicable, through several methods, including inventory management, the use of long-term purchase contracts, back-to-back buying and selling, and to a lesser extent hedging on regulated futures and options markets. However, the degree to which the Company remains at risk at any time due to unhedged positions poses no material risk to the Company's earnings.

The Company generally has access to feed ingredient supplies from a broad number of domestic and foreign suppliers. However, certain key raw materials used by the Company – such as vitamins – are available only from a small number of foreign-based sources that may be vulnerable to interruption of production or trade. The Company relies upon its market information, supplier relationships, and volume purchasing strength to mitigate the risk of interruption to supply of key raw materials.

Seasonality and Weather Conditions

The beef cattle feed segment of the Company's business is seasonal, with a higher percentage of feed sold and earnings generated during the second and third fiscal quarters. This seasonality is driven largely by weather conditions. If the weather is particularly cold during the winter, sales of feed for cattle may increase as compared with normal seasonal patterns, because cattle are unable to graze under those conditions and have high-energy requirements. If the weather is relatively warm during the winter, sales of feed for cattle may decrease as compared with normal seasonal patterns, because cattle are better able to graze under those conditions. Other product lines are affected only marginally by seasonal conditions.

The Company manages the risk associated with abnormal weather patterns by marketing a diversified product line, which – besides beef cattle feed – includes feed for other livestock (e.g. dairy cattle, hogs, poultry, horses, sheep, etc.). It also manages this risk by geographically distributing its operations and, hence, the market for its products. As a result, regional variations in weather affect only a portion of the Company's earnings at any one time.

Livestock Industry Risks

The Company's principal markets are livestock and poultry producers including farmers of beef and dairy cattle, hogs, poultry, equine, and other animal species, including some exotic species. The Company is subject to risks associated with the outbreak of disease in livestock and poultry, which may include, but is not limited to, foot-and-mouth disease, transmissible spongiform encephalopathy diseases ("mad-cow" disease) and avian influenza. The outbreak (or public fear of an outbreak) of a livestock or poultry disease on a large scale could adversely affect demand for the Company's feed products, which could adversely affect the Company's revenues and operating results.

Relatively open trade between Canada and the United States in the hog and beef cattle sectors has created an industry supply chain structure that transcends the shared border and functions as an integrated North American industry. Consequently, the hog and beef cattle sectors may be vulnerable to exchange rate fluctuations, tariff and non-tariff barriers to trade and protectionist actions by national governments.

Interest Rates

The Company finances a portion of its business using long-term variable rate credit facilities, which exposes the Company to some risk of loss due to interest rate movement.

The Company has implemented a strategy to hedge interest rates when bank debt is significant. Expected interest rates, estimated cash flows, and the level of debt are factors in the hedging decision process. This strategy may utilize several hedging instruments, but primarily involves the use of interest rate swaps.

Credit

The Company is subject to potential credit risk in the event of non-performance by its customers. This risk is minimized by a number of factors. The Company deals with a large customer base consisting of both individuals and corporations, with no single customer representing more than 5% of the Company's revenues. The Company's customer base is geographically dispersed and comprised of livestock and poultry producers representing several different animal species. This tends to minimize the risk posed to the Company by economic downturns that originate from specific animal species or regional market factors.

The Company has entered into loans and collateral agreements to facilitate growth and strengthen long-term relationships with certain customers. The Company's policy requires secured collateral from the customer and appropriate signed contractual documentation. Generally, the acquired security is subordinate to a primary commercial lender. No individual loan is material and the aggregate loan portfolio does not pose any unusual credit risk.

Insurance

The Company has significant investments in manufacturing and distribution facilities and inventory and is subject to the risk of loss or impairment of earnings due to the partial or complete destruction of one or more of these facilities. The Company manages this risk in several ways. First, the Company's facilities are geographically distributed across the continental United States. The risk of multiple facilities being lost because of a single peril is thus minimized. Second, regular inspections of the Company's facilities are conducted by both management and representatives of the Company's insurance carrier in order to minimize potential safety hazards. Finally, the Company maintains insurance coverage sufficient to cover foreseeable material losses.

Foreign Exchange

Foreign currency exchange risk is the risk that the fair value will fluctuate because of changes in foreign exchange rates. The Company operates primarily in the U.S. and its operations are subject to volatility in foreign currency exchange differences when entering into contracts denominated in currencies other than U.S. dollars. The Company's U.S. entities enter into some sales contracts in Canadian dollars; however, these contracts are not material. The Company manages the risk associated with holding U.S. and Canadian currencies by monitoring its net position and entering into forward exchange contracts when warranted for material net positions. Any gains or losses realized on foreign exchange differences on U.S. or Canadian dollar denominated transactions are recorded in other expense (income). The Company at times maintains inter-company loans between U.S. and Canadian entities. In these situations, forward exchange contracts are utilized to hedge fluctuations in foreign currency translation rates. Any gains or losses realized on foreign exchange differences related to U.S. dollar denominated inter-company loan transactions are recorded in finance expense.

CHANGES IN ACCOUNTING STANDARDS

Future Accounting Changes

As more fully described in the Consolidated Financial Statements, Note 5 – Accounting Standards Development, various new or amended accounting standards have been issued by the International Accounting Standards Board (IASB). The following standard changes are effective for the annual periods beginning on or after the date indicated:

- Amended IAS 19 Employee Benefits – January 1, 2013
- IFRS 9 Financial Instruments – January 1, 2015
- Amended IAS 32 Financial Instruments Presentation – January 1, 2013
- Amended IFRS 7 Financial Instruments: Disclosures – January 1, 2013
- Amended IFRS 13 Fair Value Measurement- January 1, 2013

The Company is currently assessing the impact of these standard changes, but does not expect the changes to significantly affect the Company's consolidated financial statements other than the amendment to IAS 19 Employee Benefits. The Company will adopt amended IAS 19 Employee Benefits for its fiscal year beginning July 1, 2013. The Company estimates the impact of the restatement of fiscal 2013 comparable results is a decrease to net income of \$0.8 million and a corresponding increase in other comprehensive income.

In May 2011, the IASB issued a set of five new and revised standards that address the scope of the reporting entity. The new standards are: IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 27 "Separate Financial Statements" and amended IAS 28 "Investments in Associates and Joint Ventures". Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. These changes will not significantly affect the Company's consolidated financial statements.

Critical accounting estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent liabilities. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis and revisions to accounting estimates are recognized in the period that the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions that are critical to the determination of carrying value of asset and liabilities are as follows:

a) Impairment of property plant and equipment, investment in associates, intangibles, and goodwill

A critical component of impairment testing is determining the asset's recoverable value. Determining recoverable value involves significant management judgment including projections of future cash flows and appropriate discount rates. Qualitative factors include market presence and trends, customer relations, strength of local management, debt and capital markets, variability in cash flows, and other factors considered in the development of cash flow projections and selection of discount rates. The discounted cash flow projections used in determining recoverable value are subject to sensitivity in discount rates, expected cash flows, and assumed growth rates used for extrapolation purposes. A change in any significant assumption or estimate may result in a material change in the recoverable value.

b) Income taxes

Significant management judgment is required to determine deferred tax balances. Management is required to determine the amount of deferred tax assets and liabilities that can be recognized based on their best estimate of the likely timing that the temporary differences will be realized and the

likelihood that taxable profits will exist in the future. If the assessment of the Company's ability to utilize the underlying deferred income tax deductions changes, then an increase in income tax would occur in the period in which the change is determined.

The Company maintains provisions for uncertain income tax positions with respect to income tax matters under discussion, dispute, or appeal with tax authorities or otherwise considered to involve uncertainty. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. However, it is possible that the outcome of these matters is different from the amounts initially recorded; such difference will affect income tax in the period in which such determination is made.

c) Employee benefit plans

Accounting for pension and post-retirement benefit plan obligations requires the use of actuarial assumptions. These assumptions depend on underlying economic conditions, government regulations, discount rates, investment performance, and mortality rates. These assumptions can change in the future and may result in a material change to employee benefit plan expense.

DISCLOSURE CONTROLS AND PROCEDURES

The CEO and the CFO have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Company has been made known to them; and
- information required to be disclosed in the Company's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

An evaluation was carried out, under the supervision of the CEO and the CFO, of the effectiveness of the Company's disclosure controls and procedures. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures are effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The CEO and the CFO have designed internal controls over financial reporting, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS as incorporated in Canadian GAAP.

An evaluation was carried out, under the supervision of the CEO and the CFO, of the design and effectiveness of the Company's internal controls over financial reporting. Based on this evaluation, the CEO and the CFO concluded that the internal controls over financial reporting are effective, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework.

FORWARD-LOOKING INFORMATION

This report contains "forward-looking" information. The forward-looking information includes statements concerning the Company's outlook for the future, as well as other statements of beliefs, plans and strategies or anticipated events, and similar expressions concerning matters that are not historical facts. Forward-looking information and statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, contemplated or implied by, such statements. These risks and uncertainties include the ability to make effective acquisitions and successfully integrate newly acquired businesses into existing operations, the availability and prices of raw materials and supplies, livestock disease, product pricing, the competitive environment and related market conditions, operating efficiencies, access to capital, the cost of compliance with environmental and health standards and other regulatory requirements affecting the Company's business, adverse results from ongoing litigation, and actions of

domestic and foreign governments. Other risks are outlined in the Risk Management section above. Unless otherwise required by applicable securities law, the Company disclaims any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. The Company cautions readers not to place undue reliance upon forward-looking statements.

OUTLOOK

Ridley's business is heavily influenced by the structural and economic dynamics of the commercial livestock and poultry production industry, which comprises the Company's most significant customer base.

On a long-term basis, projected growth in world human population and an increasing affluence in developing countries will lead to an ever-increasing demand for improved diets that include complex proteins like meat, milk, and eggs. That demand, in turn, will be favourable to livestock and poultry producers in the United States and Canada.

While demand for commercial feed is correlated to long-term trends in animal populations, in the mid-term, disruptions can arise from the prevailing financial circumstances for livestock and poultry producers, which have historically been cyclical. Some of the key factors affecting profitability include variability in farm gate prices for meat, milk, and eggs, the level and degree of volatility in feed prices, and weather conditions.

Ridley's business is sensitive to any changes in the economic environment for livestock and poultry producers and animal populations. Generally speaking, most sectors of livestock and poultry production in North America were profitable throughout Ridley's fiscal 2013 despite high and volatile feed prices, which comprise the majority of the cost of animal production. Severe drought conditions at the start of the fiscal year contributed to higher commodity prices and increased costs to producers from replacing normal forage sources with commercial feed supplements. Drought and rising raw material prices were a positive factor for Ridley's volumes and unit margins in fiscal 2013. However, current conditions are markedly changed: drought persists in the cattle growing regions of the Western and Southwestern U.S., but in much of Ridley's trading area in the Midwest there has been excessive moisture, an abundance of forage supplies for livestock producers and expectations of improved grain crops this fall.

Grain prices have decreased significantly in recent months, which will be beneficial to the economic prospects of producers and a positive influence for the rebuilding of herd populations. However, lower commodity prices in the coming year would be a negative factor for Ridley's unit margins. Market prices for feed ingredients, which generally move in tandem with commodities, directly impact the value of Ridley's raw materials inventories and the margin between ingredient cost and market driven prices realized on the sale of finished feed products. Consequently, the potential for continuing volatility in feed ingredient prices and the abundance of livestock forage in much of the Midwest will be amongst the more significant drivers of Ridley's results in fiscal 2014.

In the face of these external uncertainties, the Company continues to improve its cost competitiveness through a number of initiatives to improve operating efficiencies including additional manufacturing automation, using lean manufacturing techniques and better utilization of information technology. The Company's strategy calls for a continued shift in product mix to higher value-added, generally lower inclusion premix, supplement, and specialty products and segments, such as growing lifestyle markets, which are more sustainable in the long term and less susceptible to bulk commodity volatility. A strong balance sheet and available debt capacity also provide Ridley with the flexibility necessary to capitalize on acquisition opportunities that fit the Company's strategic goals.

OTHER

Additional information relating to Ridley Inc., including the Company's Annual Information Form (AIF), can be found on SEDAR at www.sedar.com, or on Ridley's web site at www.ridleyinc.com.

RIDLEY Inc.

2013 CONSOLIDATED FINANCIAL STATEMENTS

(Audited, expressed in U.S. dollars)

Year ended June 30, 2013 and 2012

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MANAGEMENT REPORT

The accompanying consolidated financial statements of Ridley Inc. and all the information in this annual report are the responsibility of management and have been reviewed and approved by the Board of Directors.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards and include certain amounts based on management's estimates and judgments. The financial information presented throughout the annual report is consistent with that contained in the consolidated financial statements.

To assist management in fulfilling its responsibilities, a system of internal controls has been established to provide reasonable assurance that assets are safeguarded and that the financial records are accurate and reliable.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Audit Committee is appointed by the Board, and all of its members are independent directors. The Committee meets with management, as well as external auditors, on a regular basis throughout the year to review internal accounting controls, audit results and other financial reporting issues. In addition, the Audit Committee considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the external auditors and reviews the consolidated financial statements with management and the external auditors prior to recommending their approval by the Board.

The consolidated financial statements as of June 30, 2013 and 2012 and the years then ended have been audited on behalf of the shareholders by the external auditors, PricewaterhouseCoopers LLP, in accordance with Canadian generally accepted auditing standards. PricewaterhouseCoopers LLP has full and free access to the Audit Committee.

(signed)

*S.J. VanRoekel
President & Chief Executive Officer*

(signed)

*G. Hildebrand
Chief Financial Officer*

September 11, 2013



September 11, 2013

Independent Auditor's Report

To the Shareholders of Ridley Inc.

We have audited the accompanying consolidated financial statements of Ridley Inc. and its subsidiaries, which comprise the consolidated balance sheets as at June 30, 2013 and June 30, 2012 and the consolidated statements of income and retained earnings, comprehensive income, changes in equity and cash flows for the years ended June 30, 2013 and June 30, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ridley Inc. and its subsidiaries as at June 30, 2013 and June 30, 2012 and their financial performance and their cash flows for the years ended June 30, 2013 and June 30, 2012 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

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CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of U.S. dollars)

	Note	June 30 2013	June 30 2012
ASSETS			
Current assets			
Cash		329	1,676
Accounts receivable	12	25,133	32,971
Inventories	6	41,978	47,783
Prepays and other current assets		841	1,124
Current portion of loans receivable	14	355	852
Total current assets		68,636	84,406
Non-current assets			
Loans receivable	14	64	307
Assets-held-for-sale	8	330	330
Property, plant and equipment	15	64,188	69,623
Deferred income tax asset	19	7,407	8,489
Investment in associate	11	17,218	-
Intangible assets	16	8,676	7,392
Goodwill	16	38,928	37,982
Total non-current assets		136,811	124,123
TOTAL ASSETS		205,447	208,529
LIABILITIES and SHAREHOLDERS' EQUITY			
Current liabilities			
Outstanding cheques in excess of bank balances		4,234	4,217
Accounts payable and accrued liabilities	17	30,676	37,052
Advances from customers		667	943
Income taxes payable		1,793	1,451
Current portion of long-term debt	20	-	59
Total current liabilities		37,370	43,722
Non-current liabilities			
Long-term debt	20	12,026	10,973
Deferred income tax liability	19	16,989	16,768
Other accrued liabilities		1,028	492
Post-employment benefit obligations	18	17,110	17,252
Total non-current liabilities		47,153	45,485
Total liabilities		84,523	89,207
Shareholders' equity			
Share capital	22	53,159	53,159
Retained earnings		69,178	68,982
Accumulated other comprehensive loss	21	(1,413)	(2,819)
		67,765	66,163
Total shareholders' equity		120,924	119,322
TOTAL LIABILITIES and SHAREHOLDERS' EQUITY		205,447	208,529

Refer to accompanying notes to the consolidated financial statements.
 Approved by the Board of Directors

(signed) B. P. Martin, Director

(signed) W. Harden, Director

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(Expressed in thousands of U.S. dollars)

		Year Ended June 30	
	Note	2013	2012
Revenue		574,750	528,000
Cost of sales	6	494,931	459,613
Gross profit		79,819	68,387
Operating (income) expenses			
Technical services, selling and administrative		49,270	47,765
Other expense (income)		(288)	293
Loss on sale of facilities	8	-	611
Research and development		685	710
Restructuring and plant impairment	8	-	1,877
Net operating expenses		49,667	51,256
Operating income		30,152	17,131
Share of income of associate	11	595	-
Finance expense		(342)	(251)
Finance income		137	178
Income before income taxes		30,542	17,058
Income tax expense	19	11,881	7,694
Net income from continuing operations		18,661	9,364
Net income (loss) from discontinued operations	10	579	(412)
Net income for the year		19,240	8,952
Retained earnings, beginning of year		68,982	88,912
Net income for the year		19,240	8,952
Dividend		(19,129)	(25,322)
Actuarial gain (loss) on defined benefit plans net of income taxes		85	(3,560)
Retained earnings, end of year		69,178	68,982
Net income per share from continuing operations, basic and diluted		1.46	0.73
Net income (loss) per share from discontinued operations, basic and diluted		0.04	(0.03)
Net income per share, basic and diluted		1.50	0.70

Refer to accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in thousands of U.S. dollars)

	Notes	Year Ended June 30	
		2013	2012
Net income for the year		19,240	8,952
Unrealized loss on translation of financial statements of related entities with foreign functional currency to U.S. dollar reporting currency		(736)	(1,764)
Reclassification to net income of accumulated currency translation losses upon disposal of Canadian business unit	10	2,142	-
Deferred actuarial gain (losses) on employee benefit obligations net of tax		85	(3,560)
Other comprehensive income (loss) for the year		1,491	(5,324)
Comprehensive income for the year		20,731	3,628

Refer to accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in thousands of U.S. dollars)

	Note	Share Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
Balance at June 30, 2011		53,159	88,912	(1,055)	141,016
Change in currency translation	21	-	-	(1,764)	(1,764)
Actuarial loss on defined benefit plans net of income taxes		-	(3,560)	-	(3,560)
Other comprehensive loss		-	(3,560)	(1,764)	(5,324)
Net income for the year		-	8,952	-	8,952
Dividend paid	22	-	(25,322)	-	(25,322)
Balance at June 30, 2012		53,159	68,982	(2,819)	119,322

	Note	Share Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
Balance at June 30, 2012		53,159	68,982	(2,819)	119,322
Change in currency translation	21	-	-	1,406	1,406
Actuarial gain on defined benefit plans net of income taxes		-	85	-	85
Other comprehensive gain		-	85	1,406	1,491
Net income for the year		-	19,240	-	19,240
Dividend paid	22	-	(19,129)	-	(19,129)
Balance at June 30, 2013		53,159	69,178	(1,413)	120,924

Accumulated other comprehensive loss is comprised entirely of the unrealized loss on translation of financial statements of related entities with foreign functional currency to U.S. dollar reporting currency.

Refer to accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of U.S. dollars)

	Notes	Year Ended June 30	
		2013	2012
Cash flow from operating activities			
Net income for the year		19,240	8,952
Add (deduct) items not affecting cash:			
Depreciation of property, plant and equipment	15	6,373	7,228
Deferred income taxes	19	1,038	(734)
Asset impairment loss	8	-	1,292
Share of income of associate	11	(595)	-
Loss on sale of property, plant and equipment		202	220
Loss on sale of facilities	8	-	643
Gain on disposal of Canadian business unit	10	(3,803)	-
Amortization of intangible assets	16	901	772
Other items not affecting cash		28	32
		23,384	18,405
Net change in non-cash working capital balances			
Accounts receivable		(3,008)	1,145
Inventories		(2,184)	(652)
Prepays and other current assets		113	(89)
Accounts payable and accrued liabilities		3,448	(2,664)
Advances from customers		(194)	(196)
Income taxes payable and recoverable		342	3,005
		(1,483)	549
Net cash from operating activities		21,901	18,954
Cash flow from investing activities			
Proceeds on disposal of property, plant and equipment and facilities		56	2,142
Proceeds on disposal of Canadian business unit	10	1,919	-
Purchase of property, plant and equipment	15	(9,665)	(8,357)
Purchase of intangible assets	16	(335)	(198)
Decrease in loans receivable, net		726	98
Business acquisitions	9	(5,732)	-
Distributions from associate	11	7,944	-
Net cash utilized for investing activities		(5,087)	(6,315)
Cash flow from financing activities			
Repayment of short- and long-term debt		(22,367)	(21,074)
Proceeds from short- and long-term debt		23,342	30,774
Payment of finance costs		-	(76)
Dividends paid	22	(19,129)	(25,322)
Net cash utilized for financing activities		(18,154)	(15,698)
Effect of exchange rate changes on cash		(24)	50
Decrease in cash and cash equivalents		(1,364)	(3,009)
Cash and cash equivalents - beginning of year		(2,541)	468
Cash and cash equivalents - end of year		(3,905)	(2,541)
Cash and cash equivalents are comprised of:			
Cash		329	1,676
Outstanding cheques in excess of bank balances		(4,234)	(4,217)
		(3,905)	(2,541)

Refer to accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. Dollars unless otherwise indicated)

1. Nature of business

Ridley Inc. (the Company) manufactures and distributes a full range of animal nutrition products including formulated complete feeds, premixes, feed blocks, animal care products, supplements, feed ingredients, and animal health products. The Company's customers are located primarily in North America. The Company is incorporated in the province of Manitoba, with its registered office at c/o Aikins, MacAulay & Thorvaldson LLP, 30th Floor, 360 Main Street, Winnipeg, Manitoba, R3C 4G1.

The Company's corporate office and principal place of business is located at 424 North Riverfront Drive, Mankato, Minnesota, U.S.A., 56001. The ultimate controlling party of Ridley Inc. is Fairfax Financial Holdings Limited (Fairfax), a publicly listed company.

The Company's financial statements include the accounts for its wholly owned subsidiary Ridley US Holdings Inc., a U.S. entity. The financial statements of Ridley US Holdings Inc. herein include its wholly owned subsidiary Ridley USA Inc., a U.S. entity. The Company applies the equity method to record changes in its 30% equity investment in Masterfeeds Limited Partnership (Masterfeeds).

The Company is organized into four business units as described in Note 30 Segment Information. These business units are: U.S. Feed Operations (USFO), Ridley Feed Ingredients (RFI), Ridley Block Operations (RBO) and Corporate.

The beef cattle feed sector of Ridley's business is seasonal, with a higher percentage of feed sold and earnings generated during the winter months. This seasonality is driven largely by weather conditions. If the weather is particularly cold and snowy during the winter, sales of feed for cattle increase as compared with normal seasonal patterns because the cattle are unable to graze under those conditions and have high energy requirements. If the weather is relatively warm during the winter, sales of feed for cattle may decrease as compared with normal seasonal patterns because the cattle may be better able to graze under those conditions. Other product lines are affected only marginally by seasonal conditions.

2. Basis of presentation

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants (CICA), which incorporates International Financial Reporting Standards (IFRS).

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, revenue, and expenses during the applicable reporting periods. Critical accounting estimates and judgments are described in Note 4.

The consolidated financial statements are prepared under the historical-cost convention, except certain financial instruments, post-employment benefits plans and provisions are measured at their fair value.

The consolidated financial statements are presented in U.S. dollars, which is the U.S. subsidiaries' functional currency and the presentation currency of the consolidated Company. The U.S. dollar is the presentation currency as significantly all of the Company's revenue is denominated in U.S. dollars. Reporting in U.S. dollars increases transparency by significantly reducing the volatility of results due to fluctuation in the rate of exchange between the U.S. and Canadian currencies. The Canadian dollar is the functional currency of the Company's related entities in Canada.

3. Significant accounting policies

Principles of consolidation

These consolidated financial statements include the assets and liabilities and results of operations of the Company and all wholly owned subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting periods as the Company, using consistent accounting policies. The consolidated financial statements do not include purchases and sales made between plants. Intercompany and intersegment balances and transactions including unrealized income or expense arising from such transactions are eliminated upon preparation of the consolidated financial statements.

Business combinations

Business combinations are accounted for by using the acquisition method of accounting. The consideration transferred for the acquisition of a business is the sum of the fair values of the assets transferred, liabilities to the former owners of the acquired business and any equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition costs incurred are recorded in technical services, selling, and administration expense. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized either in the consolidated statement of income and retained earnings or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is less than the fair value of the net assets of the business acquired, the difference is recognized directly in the consolidated statements of income and retained earnings.

Foreign currency translations

Monetary assets and liabilities denominated in currencies other than U.S. dollars are translated at exchange rates at the balance sheet date. Revenue and expenses denominated in foreign currencies are translated at exchange rates prevailing at the transaction date. All exchange gains and losses are reflected in income during the period in which they occurred.

The Company's investments in entities with Canadian dollar functional currency differ from the consolidated group U.S. dollar presentation currency. Accordingly, their accounts are translated into U.S. dollars whereby assets and liabilities are translated at the exchange rate prevailing at the balance sheet date, and revenues and expenses are translated on the basis of weighted average exchange rates during the period. Equity items are translated at their historical rates. Exchange gains or losses arising on translation are deferred and included as a component of shareholders' equity included in accumulated other comprehensive loss (Note 21).

On consolidation, translation gains and losses arising from the translation of a monetary item that forms part of the net investment in a foreign subsidiary are recognized in accumulated other comprehensive income. Upon disposal of an investment in a foreign entity, the related net translation gain or loss is reclassified from accumulated other comprehensive income to the consolidated statements of income and retained earnings as a component of the net gain or loss on disposition.

Revenue recognition

Revenues from the sale of livestock, poultry, and equine feed, animal health supplies and farm supplies are recorded upon shipment from the plant or facility; the price is fixed or determinable, and collection is

reasonably assured. Revenue is measured at the fair value of consideration received or receivable. Customer prepayments are recorded as advances from customers and revenue is not recorded until the shipment of goods occurs.

Cash and cash equivalents

Cash includes cash on hand and unrestricted cash balances on deposit with financial institutions. For purposes of cash flow presentations, cash and cash equivalents include cash and outstanding cheques in excess of bank balances and outstanding deposits. Cash and cash equivalents are carried at fair value.

Accounts receivable

Accounts receivable includes trade customer receivables net of allowance for doubtful accounts, and other receivables. Accounts receivable are classified as loans and receivables. The Company makes an allowance to reduce the carrying value of specifically identified accounts receivable when there is objective evidence of deterioration in credit quality that indicates the Company no longer has reasonable assurance as to the collectability of the amount due. Account balances are written off after all means of collection are exhausted and the potential for recovery is considered remote.

Inventories

Inventories include raw materials and finished goods recorded at the lower of actual cost or net realizable value on a first-in, first-out (FIFO) basis. Significant portions of inventories consist of commodities. Costs include the purchase costs net of supplier allowances, transportation expenses incurred to bring inventories to their present location and an allocation of production costs incurred in converting raw materials into finished goods. Out bound delivery expense, administrative overheads and selling expenses related to inventories are expensed in the period the costs are incurred. Net realizable value is based on valuing the ingredient component at current prices and deducting costs of realization.

Inventories are written down to net realizable value when the cost of inventories is estimated to be greater than the anticipated selling price. Materials held for further use in the production of finished inventory are written down to the extent the material cost and estimated cost to complete exceeds net realizable value. When circumstances that previously required inventories to be written down below cost no longer exist, the amount of the write-down is reversed.

Loans receivable

The Company enters into loans and collateral agreements with specific customers to facilitate growth and strengthen long-term relationships. Loans receivable are financial assets with fixed or determinable payments that are not quoted in an active market. Loans require secured collateral from the customer and appropriate signed contractual documentation. Generally, the acquired security is subordinate to a primary commercial lender. Certain receivables are converted to loans in order to obtain a security position. Any associated trade receivable allowance transfers accordingly. The Company records an allowance to reduce the carrying value of specifically identified loans to their estimated realizable value. Loans are considered impaired when there is objective evidence of deterioration in credit quality that indicates the Company no longer has reasonable assurance as to the collectability of the principal and interest. Estimated realizable value is determined by estimating the fair value of security underlying the loans and deducting the cost of realization.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. All costs directly attributable to bringing the asset to the location and in the condition for its intended use are included in the carrying value of the asset. Replacement costs are capitalized when incurred and it is probable that associated future economic benefits will flow to the Company. All repairs and maintenance expenses are recognized in the consolidated statement of income and retained earnings during the period incurred.

Depreciation is provided on a straight-line basis at the following annual rates:

Buildings	40 years
Machinery and equipment	10-30 years
Computer equipment	3-5 years
Furniture and fixtures	7-10 years
Trucks, trailers and automobiles	5-10 years
Leasehold improvements	Term of lease

Land is not subject to depreciation and is carried at cost. Assets within construction in progress (CIP) are capitalized upon the specific asset being ready for use and at which time become subject to depreciation.

Assets held for sale

Facilities or land are classified as assets held for sale if they are available for immediate sale in their present condition and the Company plans to sell or dispose the assets. They are recorded at the lower of carrying amount or fair value less cost to sell.

Associate

Associates are entities in which an investor has significant influence but not control; this generally accompanies an equity interest between 20% and 50%. Accordingly, the Company applies the equity method of accounting regarding its investment in Masterfeeds. The equity method initially recognizes investments at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of profit or loss of the investee. Losses from associates are recognized until the interest in the associate is written down to nil; after which, losses are recognized only to the extent the investor is committed to providing financial support to the investee. Masterfeeds prepares its financial statements in accordance with accounting standards for private enterprises set out in Part 2 of the Handbook of the CICA and reports with a fiscal year ends of August 31st. The Company records its share of Masterfeeds results using their most recent annual or interim financial statements with applicable restatements to meet IFRS requirements. The carrying value of the investment in associate is the cost of the investment, less distributions, a share of income or other comprehensive income, less any impairment losses. At the end of each interim or annual reporting period, the Company assesses whether there is any objective evidence that its investment in the associate is impaired.

Intangible assets

Intangible assets include software, trademarks, trade names, product certifications, non-compete agreements, patents, acquired non-patented technology and license agreements. After initial recognition, intangible assets are carried at their respective cost less any accumulated amortization and any accumulated impairment losses.

Software, product certifications, non-compete agreements, patents, license agreements and acquired non-patented technology are amortized on a straight-line basis ranging from three to fifteen years.

Trade names and trademarks have infinite useful lives and are not amortized, but are subject to annual impairment tests or when events and circumstances indicate that the carrying amount of an asset may not be recoverable.

Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the identifiable net assets in a business combination, less accumulated impairment losses. At the date of acquisition, goodwill is allocated to the cash-generating unit (CGU) for the purposes of impairment testing. A CGU

is the smallest group of assets that generate cash inflows largely independent from the cash inflows of other groups of assets.

Goodwill is tested for impairment at the CGU level on an annual basis or more frequently if events or circumstances indicate that goodwill could be impaired.

Impairment of non-financial assets

Property, plant and equipment, and finite lived intangibles are reviewed at each reporting period to determine if events and circumstances indicate that the carrying amount of an asset may not be recoverable. If such an indication exists, the applicable asset's recoverable amount is estimated. Additionally, any indefinite useful life intangible asset and goodwill are tested for impairment at least annually.

The recoverable amount of the Company's assets are calculated as the value-in-use, being the present value of future cash flows discounted on a pre-tax basis, or the fair value less costs to sell, if greater. This estimate requires the use of long-term projections and assumptions regarding industry specific economic conditions that are outside the Company's control. Impairment losses are measured as the amount by which the carrying amount of the asset exceeds its recoverable value and is recorded in the period of impairment. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the CGU for which it belongs. The respective CGUs for property, plant and equipment and intangibles may differ from the respective CGUs as defined for goodwill impairment purposes.

Impairment losses in respect of property, plant and equipment and other intangible assets are reversed if there is a change in the estimates used to determine the recoverable amount. Impairment losses are only reversed to the extent that the asset's carrying value does not exceed the carrying amount that would otherwise have been determined net of depreciation or amortization had no impairment loss been previously recorded. Impairment losses in respect to goodwill are not reversed.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include trade payables, certain employee-related obligations, and accrued expenses, all payable within twelve months. Accounts payable and accrued liabilities are classified as other financial liabilities and are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method.

Provisions

Provisions are recorded if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of resources will be required to settle the obligation. Provisions are determined by discounting expected future cash flows that reflect the current market assessment of the time value of money and the risks specific to the obligation.

When the Company has a legal right or constructive obligation to restore a site on which an asset is located either through make-good provisions in lease agreements or decommissioning of environmental risks, the present value of the estimate costs of dismantling and removing the asset and restoration of the site is recognised as a provision with a corresponding increase to the related item of property, plant and equipment. At each reporting date, the obligation is re-measured in line with changes in discount rates, estimated cash flows and the timing of cash flows. Any changes in the obligation are added or deducted from the related assets. The change in the present value of the obligation due to time value is recognized as a finance expense.

At each reporting date, other provisions are re-measured in line with changes in discount rate, estimated cash flows and the timing of those cash flows.

Any changes in provisions are recognised in the consolidated statement of income and retained earnings.

A contingent liability is disclosed if there is a possible future obligation as a result of a past event or if there is a present obligation but a payment is not probable or an amount cannot be reasonably determined.

Employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recorded for amounts estimated to be paid under short-term cash bonus or profit-sharing plans, wages, vacation pay, and sales incentives resulting from past services provided by the employee.

The Company maintains a long-term incentive plan for select management personnel. Incentives are based on the Company achieving specified returns on equity over three-year incremental periods. Expenses and related liabilities are recorded over the three-year period in which the incentive pertains. Certain amounts are guaranteed for the initial year of a three-year incremental period if target returns on equity are achieved.

Termination benefits are recorded as an expense when the Company is committed to a formal detailed plan to terminate employment before the normal retirement age, or offer a settlement in exchange for voluntary termination. Benefits for voluntary termination are recorded as an expense if it is probable that the offer will be accepted and a reliable estimate of the number of acceptances is determined. Any obligation associated with termination settlements is recorded as a liability until settled.

The Company maintains defined contribution plans for almost all employees. A defined contribution plan is a pension plan that the Company pays fixed amounts. The expense is recorded in the period in which the benefit is provided. The Company funds the plans on a bi-weekly basis. There is no further obligation once the contributions are paid.

The Company has arrangements with some U.S. employees that provide defined benefits for pension and post-retirement health care and life insurance costs. A defined benefit plan is a plan that defines the amount of pension or other post-retirement benefit that an employee will receive upon retirement. The benefits are usually dependant on factors such as age, years of service, and salary.

The post-retirement obligations cover health care benefits and life insurance for retirees. Retirees upon reaching Medicare coverage eligibility cease to be covered under the plan, but are covered under a Medicare Supplemental Plan (MSP). Retirees contribute the full MSP premium, therefore, no liability is assumed for Medicare eligible retirees.

For defined benefit pensions and post-retirement benefit plans, the benefit obligation, net of the fair value of plan assets and adjusted for unrecognized prior service costs and pension asset limitations, if any, are accrued in the consolidated financial statements as post-employment benefit obligations. The Company has adopted the following policies:

- a) Actuarial valuations of benefit liabilities for pension and post-retirement benefits are performed annually for all benefit plans using the projected benefit method prorated on service, based on management's assumption of the discount rate, rate of compensation increase, retirement age, mortality and trend in the health care cost rate. The discount rate is determined by management with reference to market conditions at fiscal year-end. Other assumptions are determined with reference to long-term expectations.
- b) Expected return on plan assets is calculated based on the fair value of those assets.
- c) Actuarial gains and losses arise from the difference between the actual rate of return and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the benefit obligation. Actuarial gains and losses are recorded in other comprehensive income (OCI) and subsequently included in retained earnings.

- d) Prior service costs arising from plan amendments are amortized on a straight-line basis over the remaining period of service until such benefits vest. The costs of providing additional benefits that vest on their introduction are recognized immediately.
- e) When a restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligation, the curtailment is accounted for prior to the settlement.
- f) Defined benefit plans in a surplus position recognize a pension asset subject to meeting any minimum funding requirements of such plans. Any recognized asset is limited to the present value of economic benefits available from any future refunds from the plan or reduction in future contributions. To the extent there is uncertainty regarding entitlement to the surplus, no asset is recorded. Changes in the amount of pension assets recognized are recorded in other comprehensive income and subsequently included in retained earnings.

Post-retirement benefits covering health care and life insurance coverage are funded internally.

Operating leases

The Company and its subsidiaries are lessees under various operating leases relating to premises, automobiles, and equipment. The Company as lessee has determined that its lease agreements do not retain any of the significant risks and rewards of ownership of these properties; therefore accounts for them as operating leases. Operating lease assets are not capitalized and rental payments are charged to income on a straight-line basis over the period of the lease, unless another systematic basis is representative of the time pattern of the economic benefit of the leased asset.

Income taxes

Income tax expense is comprised of current and deferred tax. Income tax is recorded in the consolidated statement of income and retained earnings except to the extent it relates to items recognized in other comprehensive loss or equity, in which case it also is recorded directly in other comprehensive loss or equity, respectively.

Current income tax expense is the expected income tax payable or recoverable on the taxable income or loss for the period using the tax rates and laws enacted or substantively enacted in the jurisdictions the Company is required to pay income tax at the reporting date and any adjustments to income taxes payable in respect to prior periods.

Deferred income tax expense or benefit is recorded using the liability method. Under this method, the Company calculates all temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes and for certain carry-forward items, such as tax losses not utilized from prior years. Deferred income tax expense or benefit is calculated at the income tax rates expected to be applied when the temporary differences reverse or are settled, based on enacted or substantively enacted income tax rates at the reporting date.

Deferred income tax assets are recorded only to the extent that it is probable that future taxable income will be available to which the temporary differences can be utilized. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates, on the date the changes in tax law and rates have been enacted, or substantially enacted.

Current tax assets and liabilities are offset when the Company and its subsidiaries have a legally enforceable right to do so, they relate to income taxes levied by the same taxation authority and the Company intends to either settle on a net basis, or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to do so and the deferred tax balances relate to income taxes levied by the same taxation authority of either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Earnings per share

Basic earnings per share are calculated by dividing net income by the daily weighted average number of shares outstanding during the period.

Financial instruments

Financial instruments are designated into one of the following categories: loans and receivables, other liabilities, or available for sale. All financial instruments are measured initially at fair value. Derivate financial instruments are measured at fair value even when they are part of a hedging relationship. All transactions related to financial instruments are recorded on a trade date basis.

Fair values of assets and liabilities approximate amounts at which they could be exchanged in a transaction between knowledgeable parties. Fair value is based on available public information, or when not available, are estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates at the appropriate credit risk.

Financial assets and liabilities designated as fair value through profit or loss which meet the definition of held for trading are subsequently measured at fair value with periodic changes in fair value recognized in net income in the period in which it arises.

Financial assets designated as loans and receivables or other liabilities consisting of held to maturity financial liabilities are subsequently measured at amortized cost with income or expense recognized in net income using the effective interest rate method.

Transaction costs are incremental costs directly attributable to the acquisition, issuance, or disposal of a financial asset or liability. Transaction costs are expensed as incurred for financial instrument designated as held for trading. For all other financial instruments, these costs are capitalized on initial recognition and measured at amortized cost using the effective interest rate method.

Changes in interest rates and credit risk are the primary causes of changes in the fair value of the Company's financial instruments.

Derivative instruments

The Company manages its exposure to changes in ingredient prices, foreign exchange rates, and interest rates, using financial and non-financial derivative instruments. The Company's policy is not to utilize derivative instruments for trading or speculative purposes. Hedge accounting is not applied; therefore, all financial derivative instruments are recorded at fair value in the consolidated balance sheet with changes in fair value recorded in net income.

The Company enters into derivative commodity instruments such as forward contracts and similar instruments which are used to manage the price risk on commodities such as corn, soy meal, grains, or other ingredients used in the production of animal feeds. The derivative activity is limited to the volume of commodities required to manufacture products which the Company has entered into a fixed-price sales contract. The derivatives associated with ingredients are not designated as effective hedges; therefore do not qualify for hedge accounting. Accordingly, the derivative commodity instruments are recorded at fair value in the consolidated balance sheet with changes in fair value recorded in cost of sales.

In the normal course of business, the Company enters into various contracts to purchase commodities. These contracts qualify as normal purchases and are exempt from fair value accounting treatment as the Company expects to use or sell the commodities over a reasonable period in its normal course of business. For contracts that qualify as normal purchases, no recognition of the contract's fair value is required until settlement of the contract.

Interest rate swap agreements are used as part of the Company's program to manage the fixed and floating interest rate mix of the Company's total debt portfolio and related overall cost of borrowing. The interest rate swap agreements involve the periodic exchange of payments without the exchange of the

notional principal amount upon which the payments are based. The Company carries the derivative on the balance sheet at its fair value, and changes in fair value are recorded in finance expense.

The Company enters into foreign currency swap agreements to manage the foreign exchange effect on any intercompany loans between the Company's U.S. and Canadian entities. The Company carries the derivative on the balance sheet at its fair value, and changes in fair value are recorded in finance expense.

Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of operations is identified as the President and Chief Executive Officer.

4. Critical accounting estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and disclosure of contingent liabilities. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis and revisions to accounting estimates are recognized in the period that the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions that are critical to the determination of carrying value of asset and liabilities are as follows:

a) Impairment of property plant and equipment, investment in associates, intangibles, and goodwill

A critical component of impairment testing is determining the asset's recoverable value. Determining recoverable value involves significant management judgment including projections of future cash flows and appropriate discount rates. Qualitative factors include market presence and trends, customer relations, strength of local management, debt and capital markets, variability in cash flows, and other factors considered in the development of cash flow projections and selection of discount rates. The discounted cash flow projections used in determining recoverable value are subject to sensitivity in discount rates, expected cash flows, and assumed growth rates used for extrapolation purposes. A change in any significant assumption or estimate may result in a material change in the recoverable value. The significant estimates underlying the fair value determination are disclosed in Note 16.

b) Income taxes

Significant management judgment is required to determine deferred tax balances. Management is required to determine the amount of deferred tax assets and liabilities that can be recognized based on their best estimate of the likely timing that the temporary differences will be realized and the likelihood that taxable profits will exist in the future. If the assessment of the Company's ability to utilize the underlying deferred income tax deductions changes, then an increase in income tax would occur in the period in which the change is determined. Significant estimates as to the utilization of non-capital loss carry forward amounts are disclosed in Note 19.

The Company maintains provisions for uncertain income tax positions with respect to income tax matters under discussion, dispute, or appeal with tax authorities or otherwise considered to involve uncertainty. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. However, it is possible that the outcome of these matters is different from the amounts initially recorded; such difference will affect income tax in the period in which such determination is made.

c) Employee benefit plans

Accounting for pension and post-retirement benefit plan obligations requires the use of actuarial assumptions. These assumptions depend on underlying economic conditions, government regulations, discount rates, investment performance, and mortality rates. These assumptions can change in the future and may result in a material change to employee benefit plan expense. Further information on the methodology and assumptions involved in estimating employee benefit plan liabilities, including sensitivity analysis, are disclosed in Note 18.

5. Accounting standards development

The following are new or amended standards issued by the IASB that are not yet effective, unless otherwise stated. The Company is currently evaluating these new and amended standards to determine the potential impact, if any, on its consolidated financial statements and disclosures.

IFRS 9 Financial Instruments

The IASB issued IFRS 9 in November 2009 and issued amendments in October 2010 and November 2011. IFRS 9 uses a single approach to determine when a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instrument in the context of its business model and contractual cash flow characteristics of the financial asset. The new standard also requires the use of a single impairment method, compared to multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in the Company's credit risk are presented in other comprehensive income, instead of net income. The new pronouncement is effective for annual periods beginning on or after January 1, 2015; early adoption is permitted.

Amendments to IAS 32 Financial Instruments Presentation and IFRS 7 Financial Instruments: Disclosures

In December 2011, the IASB amended IAS 32 "Financial Instruments: Presentation" clarifying the requirements for offsetting financial assets and financial liabilities. As a result, the IASB also amended IFRS 7 "Financial Instruments: Disclosures". Currently, IAS 32 requires an entity to offset a financial asset and financial liability only when the entity currently has a legally enforceable right to offset and intends to settle on a net basis or realize the asset and settle the liability simultaneously. The amendment clarifies that the right of offset must be available today and legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency, or bankruptcy. The amended disclosures require more extensive disclosure than are currently required under IFRS. The disclosures focus on quantitative information regarding financial instruments that are offset in the statement of financial position, as well as financial instruments that are subject to master netting or similar arrangements whether they are offset or not. Changes to IAS 32 are retrospectively applied with an effective date of annual periods beginning on or after January 1, 2014. The offsetting disclosures in IFRS 7 are effective for annual periods beginning on or after January 1, 2013.

Amendment to IAS 19 Employee Benefits

In June 2011, the IASB amended IAS 19 "Employee Benefits" significantly changing the recognition and measurement of defined benefit pension and post-retirement expense, and to the disclosure of all employee benefits. The most significant change for the Company is the requirement to calculate the expected return on plan assets using the same interest rate used in calculating the defined benefit plan obligation. Actuarial gains and losses are renamed remeasurements and recognized immediately in other comprehensive income. Remeasurements are not recycled through the consolidated statement of income and retained earnings in subsequent periods. Past service costs are recognized in the period of a plan amendment. The annual expense for a defined benefit plan is computed based on the application of the discount rate to the net defined benefit plan asset or liability. IAS 19 also impacts the presentation of

pension expense as benefit costs split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past service cost, settlements and curtailments); and (ii) finance expense or income. The Company will adopt this standard for its fiscal year beginning on July 1, 2013. The Company estimates the impact on the restatement of fiscal 2013 comparable numbers is a decrease to net income of \$842,000 and a corresponding increase in other comprehensive income.

Amendment to IFRS 13 Fair Value Measurement

In May 2011, the IASB amended IFRS 13 “Fair Value Measurement” a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies the definition of fair value as the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. The new standard requires disclosures similar to those in IFRS 7 “Financial Instruments: Disclosures”, but applies to all assets and liabilities measured at fair values, whereas IFRS 7 applies only to financial assets and liabilities measured at fair value. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, and applied prospectively to the beginning of the annual period in which it is adopted with early adoption permitted.

New and Revised Standards

In May 2011, the IASB issued a set of five new and revised standards that address the scope of the reporting entity. The new standards are: IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements”, IFRS 12 “Disclosure of Interests in Other Entities”, IAS 27 “Separate Financial Statements” and amended IAS 28 “Investments in Associates and Joint Ventures”. Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The following is a brief summary of these five new standards:

Consolidated Financial Statements

IFRS 10 “Consolidated Financial Statements” establishes a single consolidation model using the same criteria to determine control of entities of all types, regardless of whether control is through voting rights or other contractual arrangements. The principle of consolidation in which the parent entity and its subsidiaries are presented as single entity remains unchanged as do the mechanics of consolidation. IFRS 10 replaces SIC (Standing Interpretations Committee) 12 “Consolidation – Special Purpose Entities” and parts of IAS 27 “Consolidated and Separate Financial Statements”.

Joint Arrangements

IFRS 11 “Joint Arrangements” establishes principles for financial reporting by venturers to a joint arrangement as a joint venture or joint operations. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturers recognize their respective share of the assets, liabilities, revenue, and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 “Interests in Joint Ventures” and SIC 13 “Jointly Controlled Entities – Non-monetary Contributions by Venturers”.

Disclosure of Interests in Other Entities

IFRS 12 “Disclosure of Interests in Other Entities” establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and introduces additional disclosure requirements addressing the nature of, and risks associated with interests in other entities. Entities are permitted to include any of the disclosure requirements in IFRS 12 into their consolidated financial statements without early adopting IFRS 12.

Separate Financial Statements

IAS 27, “Separate Financial Statements” is amended to provide guidance on the accounting and disclosure requirements for investments in subsidiaries, associates and joint ventures when an entity prepares separate financial statements. The amended standard requires an entity preparing separate financial statements to account for investments at cost or in accordance with IFRS 9 “Financial Instruments”.

Investment in Associates and Joint Ventures

IAS 28, “Investment in Associates and Joint Ventures” is amended in line with IFRS 11, “Joint Arrangements”. The amended standard provides guidance on the application of the equity method in accounting for investments in joint ventures and associates.

Annual Improvements 2009 – 2011 Cycle

Annual Improvements 2009 – 2011 Cycle was issued in May 2012 by the IASB, and includes minor amendments to five IFRS’s. The annual improvements process is used to make necessary but non-urgent changes to IFRS’s that are not included in other projects. The amendments issued are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

The Company is currently assessing the impact of these amendments or standards, but does not expect the standards to have a significant impact on the Company’s consolidated financial statements other than the amendment to IAS 19 Employee Benefits.

6. Inventories

	June 30 2013	June 30 2012
(\$000)		
Raw materials	30,277	34,904
Finished goods	11,701	12,879
Total	41,978	47,783

Cost of sales consists of the following:

	Year Ended June 30	
	2013	2012
(\$000)		
Raw materials and products purchased	440,199	406,770
Direct labour and fringe benefits	18,128	17,398
Other production costs	24,591	23,503
Net change in inventories	(2,078)	(948)
Inventories recognized as expense	480,840	446,723
Non allocated costs	14,091	12,890
Cost of sales	494,931	459,613

Net change in inventories excludes changes associated with discontinued operations and inventory acquired as a result of business acquisitions.

7. Statement of cash flow disclosures

Interest and income taxes paid are as follows:

	Year Ended June 30	
	2013	2012
(\$000)		
Interest	355	324
Income taxes, net of refund	11,421	4,028

8. Restructuring, impairment loss, loss on sale of facilities

Assets-held-for-sale of \$330,000 at June 30, 2013 and June 30, 2012 consist of land associated with a closed production facility in Castleton, Indiana. On July 10, 2013, the property was sold on net proceeds of \$741,000. The gain on sale of property will be recorded in the first quarter of fiscal 2014.

In fiscal 2012, the Company's U.S. Feed Operations recorded an impairment loss of \$1,292,000 upon the closure of its Castleton, Indiana facility. The value was reduced to the carrying cost of the associated land. This segment also recorded a loss of \$329,000 on the sale of its Bushnell, Illinois facility on proceeds of \$1,548,000. Restructuring charges of \$585,000 consisting of severance and benefit costs, inventory write-downs, and shut down or demolition costs were incurred upon facility closure or sale. The decision to discontinue each respective facility was made after the Company determined its feed products could be manufactured more efficiently at its other locations.

Fiscal 2012 includes a loss on sale of facilities of \$282,000 on net proceeds of \$224,000 reported within the Ridley Block Operations segment and a \$32,000 loss on net proceeds of \$162,000 reported within discontinued operations.

9. Business acquisitions

On November 28, 2012, the Company acquired substantially all of the assets and assumed certain liabilities of Stockade Brands Inc. (Stockade) for cash consideration of \$5,732,000. The Company determined the acquisition constitutes a business combination and applied the acquisition method to record the transaction. Stockade is a manufacturer of blocks, loose minerals, and dried molasses products for livestock and equine markets operating from one plant located in Pittsburg, Kansas. The business was integrated and reported within the RBO segment. The integration includes the control of the manufacture of dried molasses, which is a key ingredient in various products manufactured by other RBO plants.

The initial purchase price allocation determined, pending completion of the final valuation of the fair value of net assets acquired, is as follows:

(\$000)	
Accounts receivable	882
Inventories	856
Accounts payable and accrued liabilities	(582)
Property, plant and equipment	1,780
Other intangibles	1,850
Goodwill	946
Consideration paid	5,732

The fair value of accounts receivables approximates their related contractual amounts receivable. No indemnification is expected to be required regarding the acquired accounts receivable. There is no contingent consideration associated with the Stockade transaction. Goodwill associated with the acquisition is attributed to anticipated future profitability and synergies from the combination. The goodwill is deductible for tax purposes. Stockade contributed \$5,103,000 of revenue since the date of acquisition. It is not practical to estimate the profit generated from the acquisition due to its integration within RBO.

There were no acquisitions in the prior fiscal year.

10. Discontinued operations

On November 30, 2012, the Company entered into an agreement with Masterfeeds Inc., a subsidiary of Omaha-based Ag Processing Inc. to combine Masterfeeds Inc. and the Company's respective Canadian animal nutrition businesses into a new limited partnership entity operating as Masterfeeds Limited Partnership (Masterfeeds), headquartered in London, Ontario. The new entity operates, among other things, 22 feed manufacturing plants and employs over 500 people in a business spanning across Quebec, Ontario and the Prairie Provinces. Masterfeeds Inc. and Ridley Inc. each contributed essentially all of their respective Canadian feed operating assets and operating liabilities in exchange for their relative unit holdings in Masterfeeds.

The following chart describes the disposal of the net assets of the Company's Canadian business unit, and related pre-tax gain.

(\$000)

Investment in associate	25,562
Net cash proceeds on disposal of Canadian business unit	1,919
Fair value of consideration received	27,481
Net assets of Canadian business unit disposed	21,536
Gain on disposal of Canadian business unit net assets	5,945
Recognized accumulated currency translation losses upon disposal of Canadian business unit	(2,142)
Gain on disposal of Canadian business unit	3,803

The disposal of the net assets of the Company's Canadian business unit required the accumulated currency translation differences related to these net assets to be reclassified from equity to net income. This resulted in the recognition of a currency translation loss in discontinued operations of \$2,142,000 and a related reclassification within comprehensive income. There was no income tax benefit recorded on the recognition of the currency translation loss.

The Company determined the activity of its Canadian business unit prior to disposal constituted a discontinued operation. Results of the Canadian business unit through November 30, 2012 and any residual on-going expenses are re-presented as a separate component within the consolidated statement of income and retained earnings. Results are presented on an after income tax expense or benefit basis. Additionally, certain notes are re-presented to meet disclosure requirements.

Discontinued operation results are summarized as follows:

	Year Ended June 30	
(\$000)	2013	2012
Revenue	56,351	125,080
Cost of Sales	52,682	114,149
Expenses	5,937	11,488
Loss before tax on discontinued operations	(2,268)	(557)
Income tax benefit	590	145
Net loss on discontinued operations	(1,678)	(412)
Pre-tax gain on disposal of Canadian business unit	3,803	-
Income tax expense	(1,546)	-
Net profit from disposal of Canadian business unit	2,257	-
Net income (loss) from discontinued operations	579	(412)

Net cash flows attributed to discontinued operations are summarized as follows:

(\$000)	Year Ended June 30	
	2013	2012
Net cash for operating activities	(2,377)	911
Net cash from (for) investing activities	215	(1,102)

11. Investment in associate

Activity of the investment in associate from date of acquisition of November 30, 2012 is:

(\$000)	
Investment in Masterfeeds	25,562
Distribution received	(7,944)
Share of net income	595
Foreign currency adjustment	(995)
At June 30, 2013	17,218

As a limited partnership, the associate is not subject to income taxes. Any taxable income is allocated to the respective partners.

The aggregate and the Company's share of Masterfeeds results and balance sheet components as of June 30, 2013 are summarized as follows:

(\$000)	Year Ended June 30, 2013	
	Aggregate:	Company's Share of:
Revenue	231,995	69,599
Income before taxes	1,984	595

(\$000)	Balance at June 30, 2013	
	Aggregate:	Company's Share of:
Current assets	64,967	19,490
Non-current assets	55,191	16,557
Total assets	120,158	36,047
Current liabilities	31,693	9,508
Non-current liabilities	33,296	9,989
Total liabilities	64,989	19,497

12. Accounts receivable

(\$000)	June 30 2013	June 30 2012
Trade receivables	25,099	32,694
Other receivables	575	1,170
Allowance for bad debt	(541)	(893)
Total	25,133	32,971

13. Expenses by nature

General nature of expenses: (\$000)	Year Ended June 30	
	2013	2012
Net raw materials and products consumed	438,121	405,822
Personnel expenses	54,033	51,850
Depreciation and amortization	6,818	6,879
Freight	13,015	11,748
All other costs	32,611	34,570
	544,598	510,869

14. Loans receivable

The Company has entered into loans and collateral agreements with specific customers to facilitate growth and strengthen long-term relationships. Loans require secured collateral from the customer and appropriate signed contractual documentation. Generally, the acquired security is subordinate to a primary commercial lender. Certain receivables are converted to loans in order to obtain a security position. Any associated receivable allowance transfers accordingly.

The loans generally bear interest at rates between 3.0% and 5.0% with average terms of two years.

Loans receivable are presented net of allowances for impaired loans. The total loans receivable balance before allowances, as of June 30, 2013, is \$419,000 (2012 – \$1,346,000).

The following schedule provides the activity through the allowance for impaired loans during the year:

(\$000)	2013	2012
Balance, beginning of year	187	205
Impairment recovery	(186)	(16)
Change in foreign currency translation	(1)	(2)
Balance, end of year	-	187

15. Property, plant and equipment

Activity for the year ended June 30, 2013

(\$000)	Balance at June 30, 2012	Additions	Disposals	Foreign Currency Translation	Balance at June 30, 2013
Initial Cost					
Land	4,654	475	(862)	13	4,280
Buildings	47,812	1,897	(13,179)	184	36,714
Machinery and equipment	93,652	7,905	(19,433)	200	82,324
Computer equipment	1,383	276	(308)	5	1,356
Furniture and fixtures	1,711	90	(434)	6	1,373
Trucks, trailers and automobiles	5,480	456	(1,833)	24	4,127
Leasehold improvements	1,157	-	-	1	1,158
Subtotal	155,849	11,099	(36,049)	433	131,332
Construction in progress – net change	3,644	346	(381)	13	3,622
Total cost	159,493	11,445	(36,430)	446	134,954

Refer to Note 9 for additions as a result of business acquisitions.

(\$000)	Balance at June 30, 2012	Additions	Disposals	Foreign Currency Translation	Balance at June 30, 2013
Accumulated Depreciation and Impairment					
Buildings	17,987	1,490	(5,919)	82	13,640
Machinery and equipment	52,961	4,523	(9,892)	117	47,709
Computer equipment	1,169	116	(298)	3	990
Furniture and fixtures	1,414	99	(354)	4	1,163
Trucks, trailers and automobiles	3,900	316	(1,465)	17	2,768
Leasehold improvements	728	63	-	-	791
Impairment (recovery or disposal)	11,711	(234)	(7,981)	209	3,705
Total accumulated depreciation and Impairment	89,870	6,373	(25,909)	432	70,766
Net book value	69,623				64,188

Activity for the year ended June 30, 2012

(\$000)	Balance at June 30, 2011	Additions	Disposals	Foreign Currency Translation	Balance at June 30, 2012
Initial Cost					
Land	5,103	-	(400)	(49)	4,654
Buildings	49,435	1,244	(2,117)	(750)	47,812
Machinery and equipment	95,066	4,721	(5,224)	(911)	93,652
Computer equipment	1,433	145	(177)	(18)	1,383
Furniture and fixtures	1,818	16	(100)	(23)	1,711
Trucks, trailers and automobiles	5,726	486	(638)	(94)	5,480
Leasehold improvements	1,157	-	-	-	1,157
Subtotal	159,738	6,612	(8,656)	(1,845)	155,849
Construction in progress – net change	1,927	1,745	-	(28)	3,644
Total Cost	161,665	8,357	(8,656)	(1,873)	159,493

(\$000)	Balance at June 30, 2011	Additions	Disposals	Foreign Currency Translation	Balance at June 30, 2012
Accumulated Depreciation and Impairment					
Buildings	17,290	1,767	(762)	(308)	17,987
Machinery and equipment	50,568	5,252	(2,394)	(465)	52,961
Computer equipment	1,063	189	(67)	(16)	1,169
Furniture and fixtures	1,371	138	(79)	(16)	1,414
Trucks, trailers and automobiles	4,197	368	(593)	(72)	3,900
Leasehold improvements	656	72	-	-	728
Impairment (recovery)	13,599	734	(2,136)	(486)	11,711
Total accumulated depreciation and Impairment	88,744	8,520	(6,031)	(1,363)	89,870
Net book value	72,921				69,623

16. Goodwill and other intangibles

Goodwill is assigned to the following CGUs:

(\$000)	June 30 2013	June 30 2012
Equine facilities	2,005	2,005
U.S. feed facilities	12,293	12,293
Block facilities (Note 9)	20,303	19,357
Feed ingredient facility	4,327	4,327
	38,928	37,982

The Company performs annual testing for impairment of goodwill after its annual budgeting process. No impairment or impairment reversals were recorded in fiscal 2013 and fiscal 2012. For each CGU, impairment testing is conducted under the value-in-use approach using a pre-tax discount rate of 13.3% (2012-12.3%). Cash flows are projected over a five-year period. Average volume growth over the five-

year projection ranged from 0.4% to 3.3% (2012-1.1 % to 3.1%) Projections beyond year five assume a terminal growth and inflation rate of 2.0% (2012-3.0%).

With the exception of computer software, which is allocated between segments, other intangibles are all recorded within the Ridley Block Operations segment.

Activity for the year ended June 30, 2013

(\$000)	Balance at June 30, 2012	Additions	Disposals	Balance at June 30, 2013
Initial Cost				
Other intangibles – finite useful lives	2,437	1,750	-	4,187
Other intangibles – infinite useful lives	2,850	100	-	2,950
Software	5,797	34	(18)	5,813
Software – in progress net change	167	301	-	468
Total cost	11,251	2,185	(18)	13,418

Refer to Note 9 for additions as a result of business acquisitions.

(\$000)	Balance at June 30, 2012	Amortization	Disposals	Balance at June 30, 2013
Accumulated amortization				
Other intangibles – finite useful lives	1,242	369	-	1,611
Software	2,617	532	(18)	3,131
Total accumulated amortization	3,859	901	(18)	4,742
Net book value	7,392			8,676

Activity for the twelve months ending June 30, 2012

(\$000)	Balance at June 30, 2011	Additions	Disposals	Balance at June 30, 2012
Initial Cost				
Other intangibles – finite useful lives	2,437	-	-	2,437
Other intangibles – infinite useful lives	2,850	-	-	2,850
Software	5,766	31	-	5,797
Software – in progress		167	-	167
Total Cost	11,053	198	-	11,251

(\$000)	Balance at June 30, 2011	Additions	Disposals	Balance at June 30, 2012
Accumulated amortization				
Other intangibles – finite useful lives	1,005	237	-	1,242
Software	2,082	535	-	2,617
Total accumulated amortization	3,087	772	-	3,859
Net book value	7,966			7,392

17. Accounts payable and accrued liabilities

(\$000)	June 30 2013	June 30 2012
Trade payables	21,924	24,984
Employee compensation and benefits	4,302	5,873
Other accrued liabilities	4,450	6,195
Balance, end of year	30,676	37,052

There were no significant provisions recorded in fiscal 2013 or fiscal 2012.

18. Pension and post-retirement benefits

The Company has non-contributory defined benefit pension plans covering some of its U.S. employees. Benefits for salaried employees are based on years of service and the employees' level of compensation during specified periods of employment. The plan covering hourly employees generally provides benefits of stated amounts for each year of service. The Company's funding policy is consistent with statutory regulations and equals the amount deducted for income tax purposes. Unvested prior service costs are amortized over the average vesting period of active plan participants. Plan assets include equity and fixed-income securities. The measurement date of this obligation is June 30 of each year.

The Company provides post-retirement health care benefits (other benefits) for U.S. employees. These benefits are supplemental to statutory (Medicare) provided health care costs. The Company sponsors a fully insured Medicare supplement program. The fully insured product requires the retirees to pay the full cost of the insurance. Post-retirement life insurance benefits are provided for a limited period; components of this expense are not shown separately as they are not material. The costs of post-retirement health care and life insurance benefits are determined under the per capita claims cost method. Under this method, the Company's obligations are fully accrued by the date the employees attain full eligibility for such benefits. The measurement date of this obligation is June 30 of each year. The Company's funding policy is to pay covered benefits as they are incurred; these plans are unfunded.

The Company's funding policy with regard to the non-contributory defined benefit pension plans is to contribute to each plan an amount equal to or in excess of the annual Minimum Funding Requirements as determined by an independent Enrolled Actuary and in accordance with Section 412 of the Internal Revenue Code. The Company exceeded this requirement for the most recent plan year ending June 30, 2013.

The following presents the financial status of the pension plans and other post-retirement obligations and amounts recognized in the consolidated financial statements as of June 30, 2013 and 2012.

(\$000)	Pension		Other Benefits	
	2013	2012	2013	2012
Benefit obligation				
Balance, beginning of year	47,621	35,963	4,577	3,825
Current service cost	1,552	1,260	243	248
Prior service cost	76	-	-	-
Interest cost	1,878	1,956	132	190
Amendments	-	12	-	-
Actuarial (gain) loss	(1,661)	9,534	(1,158)	514
Benefits paid	(1,216)	(1,104)	(207)	(200)
Balance, end of year	48,250	47,621	3,587	4,577
Plan assets				
Fair value, beginning of year	34,946	29,557	-	-
Expected return	2,785	2,321	-	-
Actuarial gain (loss) on plan assets	(2,679)	4,163	-	-
Employer contributions	891	9	207	200
Benefits paid	(1,216)	(1,104)	(207)	(200)
Fair value, end of year	34,727	34,946	-	-
Fund status – all plans in deficit	(13,523)	(12,675)	(3,587)	(4,577)

(\$000)	Pension		Other Benefits	
	2013	2012	2013	2012
Annual pension benefit expense:				
Current year service cost	1,552	1,260	243	248
Prior service cost	76	-	-	-
Interest cost	1,878	1,956	132	190
Plan amendments	-	12	-	-
Expected return on plan assets	(2,785)	(2,321)	-	-
Plan benefit expense recognized in the year	721	907	375	438
Actuarial gains/(losses) recognized in OCI	(1,018)	(5,371)	1,158	(514)
Actual return on plan assets	106	6,484	-	-

The benefit expenses are recorded within cost of sales, and technical services, selling, and administrative expenses.

The significant actuarial assumptions used are as follows:

	Pension		Other Benefits	
	2013	2012	2013	2012
Benefit obligations as of June 30:				
Discount rate	4.5%	4.0%	4.5%	4.0%
Rate of compensation increase	3.0%	3.0%	-	-
Benefit costs for the years ended June 30:				
Discount rate	4.0%	5.5%	4.0%	5.5%
Rate of compensation increase	3.0%	3.0%	-	-
Assumed health care cost trend rates at June 30:				
Initial health care cost trend	-	-	9.5%	9.5%
Cost trends declines to	-	-	4.5%	4.5%
Year rate reaches ultimate level	-	-	2024	2023
Expected rate of return on benefit plan assets:	8.0%	8.0%	-	-

As of June 30, 2013, approximately 39% (2012 – 33%) of all pension plan assets were invested in equity mutual funds and 61% (2012 – 67%) in fixed income and other funds. The pension plan has no direct investments in the Company or any of its affiliates.

Assumed health care trend rates have a significant effect on the amounts reported for health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effect on cost components and benefit obligations:

(\$000)	One percentage point	
	Increase	Decrease
Medical service cost and interest cost	49	(42)
Accumulated benefit obligation	424	(333)

Defined contribution plans

The Company also provides defined contribution plans for substantially all U.S. and Canadian employees. The Company's expense amounted to \$1,581,000 in 2013 (2012 - \$1,594,000).

19. Income tax

The Company's provision for income tax reflects an effective income tax rate that differs from the combined Canadian federal and provincial statutory rate as follows:

(\$000)	Year ended June 30	
	2013	2012
Earnings before income taxes from continuing operations	30,542	17,058
Combined Canadian federal and provincial tax rate	26.2%	26.7%
Income taxes at Canadian statutory rate	7,987	4,555
Income tax effect relating to the following items:		
Tax rate variances of foreign subsidiaries	3,789	2,319
Foreign tax deductions	(676)	(445)
Reduction in income tax rate	(188)	(290)
Future tax rate on current year losses	(1)	11
Withholding tax on intercompany dividend	775	1,250
Adjustment of prior year estimate	(131)	45
Permanent differences and other	326	249
Provision for income taxes from continuing operations	11,881	7,694
Current	11,799	8,283
Deferred	1,038	(734)
Provision for income taxes	12,837	7,549
Included in results from discontinued operations	(956)	145
Provision for income taxes from continuing operations	11,881	7,694

Effective January 1, 2012, the Canadian Federal statutory tax rate dropped from 16.5% to 15.0% which substantially accounts for the change in the combined federal and provincial tax rate. The decrease in tax rates of 1.5% is spread over Ridley's most recent two fiscal years.

In both fiscal 2013 and 2012, the Company's U.S. entities generated taxable income, which is taxed at a higher rate than the Canadian statutory rate. The Company's Canadian entities incurred taxable losses in both fiscal 2013 and 2012 to which the income tax benefits are recorded at rates applicable to the year the losses are expected to be utilized in future years.

Income taxes in fiscal 2013 and 2012 include provision for U.S. withholding taxes on intercompany dividends by the Company's U.S. subsidiary to its Canadian parent entity. The intercompany dividend is not subject to Canadian income taxes; therefore, no foreign tax paid credit is available to the Canadian tax entity. The distributions are the result of accumulated cash flows generated by U.S. operations that were used to pay off bank debt held by the Canadian parent entity or to fund the dividends to shareholders.

In the normal course of business, the Company may take positions on its tax returns that taxing authorities could possibly challenge. Although the Company believes it has support for positions taken on its tax returns, the Company has recorded a liability of its best estimate of probable loss on certain transactions. Deferred income tax assets and liabilities consist of temporary differences between the accounting and tax basis of assets and liabilities as follows:

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2013	Balance at		Retained	Foreign	Balance at
(\$000)	June 30	Expense	Earnings	Currency	June 30
	2012			Translation	2013
Assets					
Accounts and loans receivable	340	(126)	-	-	214
Inventories and other current assets	1,627	(1,193)	-	-	434
Accounts payable	-	792	-	-	792
Non-capital loss carry forward	5,177	2,482	-	(294)	7,365
Post-employment benefit obligations	6,860	(46)	(55)	-	6,759
	14,004	1,909	(55)	(294)	15,564
Liabilities					
Accounts payable and accrued liabilities	(397)	(36)	-	15	(418)
Property, plant and equipment	(9,090)	(2,395)	-	79	(11,406)
Investment in associate	-	(116)	-	7	(109)
Goodwill and other intangibles	(12,796)	(400)	-	(17)	(13,213)
	(22,283)	(2,947)	-	84	(25,146)
Net deferred tax asset (liability)	(8,279)	(1,038)	(55)	(210)	(9,582)

2012	Balance at		Retained	Foreign	Balance at
(\$000)	June 30	Expense	Earnings	Currency	June 30
	2011			Translation	2012
Assets					
Accounts and loans receivable	346	(6)	-	-	340
Inventories and other current assets	1,664	(37)	-	-	1,627
Non-capital loss carry forward	4,820	789	-	(432)	5,177
Post-employment benefit obligations	4,267	268	2,325	-	6,860
	11,097	1,014	2,325	(432)	14,004
Liabilities					
Accounts payable and accrued liabilities	(485)	80	-	8	(397)
Property, plant and equipment	(9,128)	97	-	(59)	(9,090)
Goodwill and other intangibles	(12,327)	(457)	-	(12)	(12,796)
	(21,940)	(280)	-	(63)	(22,283)
Net deferred tax asset (liability)	(10,843)	734	2,325	(495)	(8,279)

Deferred tax assets and deferred tax liabilities are offset to the extent they relate to income taxes levied on the same taxable entity by the same tax authority. The Company's Canadian tax entity is in a net tax asset position while the U.S. entity is in a net tax liability positions. The deferred tax positions are as follows:

(\$000)	June 30 2013	June 30 2012
Deferred income tax asset	7,407	8,489
Deferred income tax liability	(16,989)	(16,768)
Net deferred income tax liability	(9,582)	(8,279)

There are \$28,329,000 (2012 - \$19,911,000) of non-capital tax loss carry-forwards for which a deferred income tax asset has been recognized. The utilization of the carry-forward positions is dependent on the Company generating future taxable profits in Canada. Currently, the investment in Masterfeeds is the only source of significant Canadian income generating potential. Upon completion of consolidating production and administrative functions within Masterfeeds, the related future taxable profits have been modeled to grow by approximately 1.0% to 2.0% annually for seven years and no growth thereafter. The Company has considered tax planning strategies and projections of future Canadian income streams on a non-discounted basis, which supports the carrying value of the loss carry-forward positions. The following reflects the amounts and related expiration period of the loss carry-forward positions.

(\$000)	Tax loss	Tax benefit
Year of expiry		
2029	8,749	2,275
2030	7,986	2,076
2031	2,230	580
2032	2,371	616
2033	6,993	1,818
	28,329	7,365

No deferred tax asset has been recognized in respect of temporary differences associated with investment in subsidiaries where the Company controls the timing of the reversal and is probable that such temporary differences will not reverse in the foreseeable future. Additionally, no amount for withholding and other taxes has been recorded for temporary difference relating to unremitted earnings of foreign subsidiaries as the Company intends for these earnings to be permanently reinvested in these subsidiaries.

20. Debt

The Company has a \$50,000,000 revolving credit agreement with U.S. Bank National Association (U.S. Bank) which expires on January 31, 2015. The borrowing limit is the lesser of \$50,000,000 or a calculated borrowing base. Borrowings are denominated in U.S. or Canadian dollars. Interest is determined at the applicable London Inter-Bank Offer Rate (LIBOR), Daily LIBOR, Canadian Deposit Offered Rate (CDOR) and Canadian Prime Rate, plus applicable margin. The credit agreement is secured by first-ranking general security agreements covering substantially all of the Company's assets and contains customary terms, conditions, and form of borrowings. The credit agreement includes a borrowing base and covenants specifying maximum ratios for debt to earnings, liabilities to net worth, and minimum ratio of earnings to fixed charges. The Company maintains an operating line of credit with Scotia Bank. Through an interbank creditor agreement with U.S. Bank, Scotia Bank shares a pro-rata share of the first-ranking security position as it pertains to operating line of credit and which applicable borrowings are applied to the borrowing limit. In fiscal 2013, the Company reduced its line of credit with Scotia Bank from C\$4,000,000 to C\$500,000.

Long-term debt at June 30, 2012 includes an economic development loan with an interest rate of 1.0%, which has been discounted at a fair value rate of 4.53%. The loan was repaid in the fourth quarter of fiscal 2013.

The following table summarizes debt by borrowing instrument.

(\$000)	June 30 2013	June 30 2012
Current:		
Economic development loan	-	59
Non-current		
U.S. Bank facility	12,066	10,616
Economic development loan	-	425
Debt issuance costs	(40)	(68)
Total non-current	12,026	10,973
Total debt	12,026	11,032

21. Accumulated other comprehensive loss

(\$000)	Year ended June 30 2013	2012
Balance, beginning of year	(2,819)	(1,055)
Unrealized loss on translation of financial statements of related entities with foreign functional currency to U.S. dollar reporting currency	(736)	(1,764)
Reclassification to net income of accumulated currency translation losses upon disposal of Canadian business unit	2,142	
Currency translation differences	1,406	(1,764)
Balance, end of year	(1,413)	(2,819)

Accumulated other comprehensive loss is comprised entirely of the unrealized loss on translation of financial statements of related entities with foreign functional currency to U.S. dollar reporting currency.

22. Share capital and dividend declared

(\$000)	2013	2012
Authorized		
Unlimited number of common shares, no par value		
Share capital		
Common stock beginning of year	53,159	53,159
Common stock end of year	53,159	53,159
	2013	2012
Shares outstanding		
Common stock beginning of year	12,789,978	12,789,978
Common stock end of year	12,789,978	12,789,978
Weighted average common shares outstanding	12,789,978	12,789,978

On December 13, 2012, the Company received approval from the Toronto Stock Exchange (TSX) to initiate a normal course issuer bid (NCIB) for the Company's shares through the facilities of the TSX. The NCIB permits the Company to purchase for cancellation up to 639,499 of its common shares. Purchases pursuant to the NCIB could commence on December 15, 2012 and will terminate on December 14, 2013, or on such earlier date as the Company may complete its purchase or otherwise terminate the bid. Pursuant to this NCIB, no shares have been purchased as of June 30, 2013. The Company did not purchase any shares pursuant to the NCIB that expired December 14, 2012.

On May 31, 2013, the Company paid a special dividend of C\$1.50 per share (C\$19,185,000 in total) to shareholders. In the prior year, the Company paid a special dividend of C\$2.00 per share (C\$25,580,000 in total) to shareholders.

23. Commitments and contingencies**Legal matters**

The Company is subject to various product liability or general claims and legal proceedings covering matters that arise in the ordinary course of business. All such matters are adequately covered by insurance or by accruals, or are without merit, or such kind, or amounts, as would not have a material adverse effect on the financial results of the Company.

Guarantees

The Company had undertaken to guarantee the debts and obligation of select customers with their respective lending institutions (banks). The customers are required to purchase animal feed for the livestock maintained in the facilities associated with the respective guarantee. Generally, the Company obtains a security interest on the customers' farm assets. This security is subordinated to the position held by the banks. At June 30, 2012, the Company had a series of unsecured guarantees of one major U.S. customer totalling \$565,000 with varying expiration dates up to December 2012. There are no outstanding guarantees of customers' debt at June 30, 2013.

24. Financial instruments

The following table presents the carrying amount and the fair value of the Company's financial instruments. Amortized cost is calculated using the effective interest rate method. Fair value is based on quoted market prices when available. However, when financial instruments lack an available trading market, fair value is determined using management's estimates and is calculated using market factors for instruments with similar characteristics and risk profiles. These amounts represent point-in-time estimates and may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties, and are a matter of significant judgment.

Assets (Liabilities) (\$000)	Carrying / Fair Value	
	June 30 2013	June 30 2012
Cash	329	1,676
Accounts receivable	25,133	32,971
Loans receivable	419	1,159
Financial derivative instruments included in accounts payable and accrued liabilities	88	352
Outstanding cheques in excess of bank balance	(4,234)	(4,217)
Accounts payable and accrued liabilities	(30,764)	(37,460)
Advances from customers	(667)	(943)
Short-term and Long-term debt	(12,026)	(11,032)
Financial liabilities included in other accrued liabilities	(1,028)	(492)

The carrying values of financial instruments are equivalent to their respective fair value, except loans receivable, which do not have a readily available fair value. Cash, accounts receivable, and loans receivable are classified as loans and receivables. Financial derivative instruments are classified as fair value through profit and loss. Financial instruments which are classified as other liabilities are measured at amortized cost.

In the year ended June 30, 2013, the Company recorded income of \$36,000 (2012 – income of \$95,000) within cost of goods sold associated with market valuations of derivatives. In the year ended June 30, 2013, the Company recorded nil (2012 – income of \$89,000) to finance expense associated with market valuations of derivatives.

The carrying value of the Company's recognized financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, advances from customers and short and long-term debt, approximate their fair value due to their current maturities, or are subject to variable interest rates.

The fair value of loans receivable is not readily determinable as replacement financing is not available in the market place.

The fair value of commodity derivatives generally reflects the estimated amounts that the Company would have to pay, or would receive, upon termination of the contracts at the reporting date, thereby taking into account the current unrealized gains or losses of open contracts. The financial derivative instruments are valued at market using rates provided by the financial institution, which is the counter party to these contracts.

The inputs used for fair value measurements are as follows:

- Level 1- quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, and;
- Level 3 - inputs for the asset or liability that are not based on observable market data.

The following table presents the classification of held for trading financial instruments within the fair value hierarchy.

As of June 30, 2013

(\$000)	Level 1	Level 2	Level 3
Commodities derivative contracts	-	88	-

As of June 30, 2012

(\$000)	Level 1	Level 2	Level 3
Commodities derivative contracts	-	352	-

There have been no transfers between levels in either year.

25. Financial risk management

The Company is subject to a number of risk factors including ingredient prices, interest rates, foreign currency translation rates, liquidity, and customer credit performance. The Company manages risk and risk exposures through a combination of insurance, derivative financial instruments, a system of internal and disclosure controls, adherence to approved policies and sound business practices. The Company may use certain derivative financial instruments to manage risks of fluctuation in commodity prices, interest rates, and foreign exchange rates. The Company does not purchase any derivative financial instruments for speculative purposes.

The Company's Executive Management Committee, which is comprised of the senior officers of the Company, establishes and reviews strategic and operational plans and policies, considers key business issues and makes determinations on their future direction. The Committee identifies risks, takes corrective actions, and encourages a proactive approach in risk management. In addition, these risks and related controls are reviewed with the Company's Board of Directors.

Ingredient price risk

Ingredient price risk is the risk that the prices of the raw materials used in the manufacturing of animal feeds will fluctuate. A significant component of the Company's complete feed production consists of grain and protein meal (commodities). Complete feed is sold either through spot orders, or to a lesser extent, through longer-term, fixed-price sales contracts. In order to meet short-term production requirements, the Company maintains inventories of commodities. The Company is subject to this risk during the time that commodities are purchased and the time they are sold as part of a feed product. The Company also manufactures and distributes premixes that consist of significant components of vitamins and trace minerals. Vitamin and trace mineral prices are subject to volatility created by world demand and tight supplies; moreover, they require long lead times for delivery and large minimum order sizes. The Company mitigates its price risk exposure to the extent practical through several methods, including inventory management, the use of long-term purchase contracts, back-to-back buying, and selling and, to a lesser extent, hedging on regulated futures and options markets.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company finances a portion of its business using long-term variable rate credit facilities, thus exposing the Company to some risk of loss as a result of interest rate movement. The Company's strategy is to hedge, on an economic basis, its exposure to interest rates on total bank debt outstanding by utilizing interest rate hedges. The Company's debt level and projected debt levels do not warrant hedging; therefore, no applicable hedges are outstanding at June 30, 2013.

Considering all major exposures to interest rates, a 100 basis point increase in floating interest rates would have caused a decrease in fiscal 2103 net income of \$48,000. Conversely, a 100 basis point decrease in floating interest rates would have increased fiscal 2013 net income by \$48,000.

Foreign currency exchange risk

Foreign currency exchange risk is the risk that the fair value will fluctuate because of changes in foreign exchange rates. The Company operates primarily in the U.S. and its operations are subject to volatility in foreign currency exchange (FX) differences when entering into contracts denominated in currencies other than U.S. dollars.

The Company's U.S. entities enter into some sales contracts in Canadian dollars; however, these contracts are not material. The Company manages the risk associated with holding U.S. and Canadian currencies by monitoring its net position and entering into forward exchange contracts when warranted for material net positions. Any gains or losses realized on FX differences on U.S. or Canadian dollar denominated transactions are recorded in other expense (income).

The Company at times maintains inter-company loans between U.S. and Canadian entities. In these situations, forward exchange contracts are utilized to hedge fluctuations in foreign currency translation rates. Any gains or losses realized on FX differences related to U.S. dollar denominated inter-company loan transactions are recorded in finance expense.

Translation of Canadian dollar denominated revenues and expenses into U.S. dollars are subject to FX at the time the transaction occurs. When the U.S. dollar changes relative to the Canadian dollar, income reported in U.S. dollars will change. A five-cent depreciation of the FX rate from Canadian dollars to U.S. dollars on the weighted average FX rate during fiscal 2013 would have decreased net income by \$92,000 for the year ending June 30, 2013. Conversely, a five-cent appreciation of the FX rate from Canadian dollars to U.S. dollars would have increased fiscal 2013 net income by \$92,000.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company manages liquidity risk by maintaining adequate credit facilities to fund operational requirements and sustaining growth related capital expenditures, and by regularly monitoring actual and forecasted cash flow and debt levels. As of June 30, 2013, the Company's borrowing capacity under its loan agreement with U.S. Bank was \$45,558,000, with available funds to borrow of \$33,532,000.

The following table summarizes the Company's financial liabilities with corresponding maturity dates:

(\$000)	Total	2014	2015	2016	2017	2018+
Outstanding cheques in excess of bank balance	4,234	4,234	-	-	-	-
Accounts payable and accrued liabilities	30,676	30,676	-	-	-	-
Advances from customers	667	667	-	-	-	-
Long-term debt	12,026	-	12,026	-	-	-
Purchase obligations	25,942	25,942	-	-	-	-
Operating leases	3,861	1,450	976	367	215	853
Other long-term obligations	1,028	39	698	45	50	196
Total	78,434	63,008	13,700	412	265	1,049

Credit risk

Credit risk is the potential that customers or a counterparty to a financial instrument fails to meet their obligations to the Company. The Company's financial assets exposed to credit risk consist primarily of trade accounts receivable and loans receivable. Trade accounts receivable are primarily short-term receivables from customers that arise in the normal course of business. The Company has entered into certain loans and collateral agreements with customers. Generally, the acquired security is subordinate to a primary commercial lender.

The Company reduces its exposures to credit risk by a number of factors. The Company deals with a large customer base consisting of both individuals and corporations, with no single customer representing more than 5% of the Company's revenue. The Company's customer base is geographically dispersed and comprised of customers requiring feed and supplements for several different animal species. This tends to minimize the risk posed to the Company by economic downturns that are either species or regionally based. The Company performs regular credit evaluations on all of its customers including review of their credit limits and timely collection or follow-up of customer balances.

(\$000)	June 30 2013
Current	21,438
Under 30 days past due	3,283
30-60 days past due	255
61-90 days past due	235
Over 90 days past due	463
	25,674

The carrying amount of trade accounts receivable are reduced by the use of an allowance for doubtful accounts. The amount of loss is recognized in the consolidated statement of income and retained earnings within other expense (income). When trade receivable balances are considered uncollectible, they are written off against the allowance for doubtful accounts. Any recoveries of previously written off accounts are credited against the other expense (income).

(\$000)	2013
Balance, beginning of year	893
Bad debt expense	228
Accounts written off during year	(574)
Changes in foreign currency translation	(6)
Balance, end of year	541

26. Capital management

The Company's objective in managing capital is to strive to maintain sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to deploy capital to provide an appropriate return on investment to its shareholders.

The Company includes funded debt (short-term and long-term debt) and shareholders' equity in the management of capital. The Board of Directors has established a quantitative return on equity criteria for management. The Company's strategy is to maintain its ability to secure access to financing at a reasonable cost.

There are restrictions to the level of capital available and covenants requirements as defined in the Company's credit facility agreements. The key bank covenant that also determines the bank margin is the debt to earnings ratio. This is calculated as funded debt over the rolling twelve months EBITDA (earnings before: finance income, finance costs, income taxes, depreciation, amortization and any transactions not expected to occur regularly). A ratio of under 2.0 is to be maintained. As of June 30, 2013 and 2012, this ratio was 0.35 and 0.44, respectively.

27. Director and officer indemnification

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their services to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for its directors and officers, as well as those of certain affiliated companies.

28. Related parties

As of June 30, 2013 and 2012, Fairfax Financial Holdings Limited, the majority shareholder controlled 78.2% of the Company's outstanding shares.

Sales of product to Masterfeeds for the seven months ended June 30, 2013 total \$3,291,000 (2012-nil). Sales transactions with Masterfeeds are carried out in commercial terms and conditions at market prices.

29. Key management compensation

(\$000)	Year ended June 30	
	2013	2012
Salaries and short term-benefits	2,230	2,220
Long-term incentive benefits	193	-
Post-employment benefits	76	89
Director fees	243	259
Total	2,742	2,568

Key management consists of individuals who serve on the Company's executive committee or board of directors. There were no loans or advances to any key management personnel during the periods reported.

30. Segment information

The Company reports information about its operating segments based on the way management organizes and reports the segments within the organization for making operating decisions and evaluating performance. The Company's operations are conducted in four reportable segments as U.S. Feed Operations (USFO), Ridley Feed Ingredients (RFI), Ridley Block Operations (RBO), and Corporate. Previous to the December 31, 2012 reporting period, the Company reported a fifth segment, Canadian Feed Operations (CFO). Upon disposal of the Canadian business unit, CFO no longer constitutes a reportable segment. CFO's results of operations have been re-presented as a component within discontinued operations.

The USFO segment consists of twenty-one full-line production facilities producing and marketing products for the core animal nutrition market. USFO manufactures and markets a broad range of complete feeds, supplements and premixes to meat, milk and egg producers, and owners of equine and companion animals located mostly in the Midwestern United States.

The RFI segment produces and distributes vitamin and trace mineral premixes, small packaged specialty products, medicated and non-medicated feed additives and micro feed ingredients to customers throughout North America from its production facility in Mendota, Illinois.

The RBO segment manufactures a complete range of block supplements, including low moisture, pressed, compressed, composite and poured blocks and loose minerals from eight U.S. facilities.

Corporate contains no substantial revenue and is comprised of corporate costs and other activities not specific to reportable segments and is shown separately. For presentation purposes, Corporate & Eliminations include the total assets and property, plant & equipment associated with discontinued operations.

The Company evaluates performance based on operating income. Operating income is defined as income before share of income of associate, finance expense, finance income, and income taxes.

An analysis of segment information follows on the next page:

2013 FINANCIAL STATEMENTS

Year Ended June 30, 2013 (\$000)	USFO	RFI	RBO	Corporate & Eliminations	Consolidated
Revenue					
Revenue from unaffiliated customers	420,895	61,581	92,274	-	574,750
Intersegment revenues	10,306	52,041	51,132	(113,479)	-
Revenue	431,201	113,622	143,406	(113,479)	574,750
Cost of sales	388,718	106,696	112,996	(113,479)	494,931
Gross profit	42,483	6,926	30,410	-	79,819
Net operating expenses	31,077	3,852	11,941	2,797	49,667
Operating income (loss)	11,406	3,074	18,469	(2,797)	30,152

Balances as at June 30, 2013

Total Assets	93,451	22,539	64,504	24,953	205,447
Property, plant & equipment	35,831	4,156	24,201	-	64,188
Goodwill	14,298	4,327	20,303	-	38,928

Year Ended June 30, 2013

(\$000)					
Depreciation	3,601	433	1,883	-	5,917
Amortization	278	93	530	-	901

Year Ended June 30, 2012

(\$000)	USFO	RFI	RBO	Corporate & Eliminations	Consolidated
Revenue					
Revenue from unaffiliated customers	380,909	67,299	79,792	-	528,000
Intersegment revenues	8,831	51,915	40,940	(101,686)	-
Revenue	389,740	119,214	120,732	(101,686)	528,000
Cost of sales	352,784	113,033	95,482	(101,686)	459,613
Gross profit	36,956	6,181	25,250	-	68,387
Net operating expenses	33,267	3,589	11,083	3,317	51,256
Operating income (loss)	3,689	2,592	14,167	(3,317)	17,131

Balances as at June 30, 2012

(\$000)					
Total Assets	88,554	22,605	58,323	39,047	208,529
Property, plant & equipment	34,907	4,348	21,497	8,871	69,623
Goodwill	14,298	4,327	19,357	-	37,982

Year Ended June 30, 2012

(\$000)					
Depreciation	3,933	423	1,755	-	6,111
Amortization	479	-	293	-	772

The investment in associate is included in corporate and the related share of income in associate is shown as a separate line item within the consolidated statement of income and retained earnings. Total assets and property, plant and equipment within discontinued operations at June 30, 2012 are included in Corporate. Depreciation associated with discontinued operations of \$456,000 and \$1,117,000 for fiscal 2013 and fiscal 2012, respectively, is not reflected above.

CORPORATE DIRECTORY

CORPORATE OFFICE

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Chairman

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Steven J. VanRoekel
President & C.E.O.

Gordon Hildebrand
Chief Financial Officer

K. Bruce Campbell
Corporate Secretary

Robert E. Frost
Executive Vice President, Ridley Inc.
President, Ridley Block Operations

Michael J. Hudspith
Executive Vice President, Ridley Inc.
President, Ridley Feed Ingredients

Mark D. Nelson
Vice President, Ridley Inc.,
Chief Operating Officer, U.S. Feed
Operations

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FINANCIAL CALENDAR 2013 – 2014*

Following are the anticipated dates on which the
Company will announce its results of operations:
First quarter report to Sep 30 November 5, 2013
Second quarter report to Dec 31 February 6, 2014
Third quarter report to Mar 31 May 8, 2014
Year-end results to Jun 30 September 11, 2014
* Subject to change

ANNUAL GENERAL MEETING

Fairmont Royal York Hotel, November 5, 2013
100 Front Street West, Toronto, Ontario
4:00 p.m. in the Library Room

COMPANY INFORMATION

For investment analyst inquiries, please contact our Chief
Financial Officer at (507) 388-9577.

For copies of annual and quarterly reports, annual
information forms and other disclosure documents, please
contact our Corporate Secretary at (507) 388-9421.

Trading Symbol: RCL on The Toronto Stock Exchange

The following trade names are owned or licensed by
Ridley Inc. and its subsidiaries:

*Show-Rite® • Ridley Specialty Products • Crystalyx®
Ridley Feed Ingredients • Ridley Block Operations
Hubbard Feeds • McCauley's® • Sweetlix®*



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