

NEWS RELEASE

RIDLEY Inc.

Trading symbol: RCL on The Toronto Stock Exchange

FOR IMMEDIATE RELEASE

Ridley Inc. Reports Financial Results for Fiscal 2012 Second Quarter

MANKATO, MINNESOTA and WINNIPEG, MANITOBA – (February 9, 2012) — Ridley Inc. (TSX: RCL) today reported its financial results for the three and six months ended December 31, 2011. All currency amounts are stated in U.S. dollars unless otherwise noted.

For the three months ended December 31, 2011, Ridley's earnings before interest, taxes, depreciation and amortization (EBITDA (i)) were \$8.3 million compared to \$9.8 million last year. Net profit after income taxes (NPAT) was \$4.0 million (31 cents per share) compared to \$4.9 million (38 cents per share) last year.

Ridley's revenues grew by 11.3% to \$177.2 million in the second quarter this year, primarily a result of an elevated level of raw material prices relative to the same period last year and a continuing shift in product mix towards higher value added products. Overall tonnage volumes were even with the same period last year as positive sales results under generally favourable economic conditions for livestock and poultry producers were offset by unseasonably mild weather. Gross profits decreased by 8.2% in the quarter to \$20.1 million as average unit margins were pressured by the negative effect of declining commodity prices since the start of the current fiscal year on raw materials held in inventory. Operating expenses of \$13.9 million were materially unchanged from last year. Operating income before interest and taxes of \$6.2 million was lower by \$1.7 million from the previous year.

Ridley Block Operations' \$4.7 million in operating income in the second quarter of fiscal 2012 was unchanged from last year as unfavourable weather conditions offset stronger private label sales. U.S. Feed Operations contributed \$1.8 million in the second quarter, compared to \$2.4 million last year, as declining commodity prices and increased operating expenses more than offset growth in tonnage volumes. Ridley Feed Ingredients' contribution of \$0.3 million in the quarter compared to \$0.9 million last year reflects lower volume from a discontinued product, declining commodity prices and higher operating costs. Canadian Feed Operations contributed operating income of \$0.2 million for the quarter compared to \$0.8 million last year as product mix improvements and good cost controls were offset by lower volumes and declining commodity prices. Corporate overhead expenses were in line with the same period last year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis dated as at February 9, 2012 and the accompanying interim consolidated financial statements for the three and six months ended December 31, 2011 have been prepared to reflect the adoption of International Financial Reporting Standards ("IFRS") by the Company, with effect from July 1, 2010. Note 22 to the interim consolidated financial statements contains a detailed description of the Company's conversion to IFRS, including a line-by-line reconciliation of its consolidated financial statements previously prepared under Canadian GAAP to those prepared under IFRS for the three and six months ended December 31, 2010 and for the year ended June 30, 2011. Although the adoption of IFRS resulted in adjustments to Ridley's financial statements, it did not materially impact the underlying cash flows or profitability of the Company's operations.

For the fiscal year 2012, the Company has modified its reporting segments. Prior to fiscal 2012 Ridley Feed Operations (RFO) was comprised of Ridley's traditional Canadian and U.S. feed businesses. The RFO segment has now been divided into two reporting segments: Canadian Feed Operations (CFO) and U.S. Feed

Operations (USFO). Prior to fiscal 2012, Ridley Nutrition Solutions (RNS) was a combination of Ridley's feed supplement block business and McCauley Bros., a premium equine feed business. Starting in fiscal 2012 the McCauley equine business is reported within the results of U.S. Feed Operations while the block business of RNS is renamed Ridley Block Operations (RBO). The Ridley Feed Ingredients (RFI) reporting segment, which produces and distributes vitamin and trace mineral premixes, small packaged specialty products, medicated and non-medicated feed additives and micro feed ingredients, is unchanged from prior years. Corporate overhead expenses were in line with the same period last year.

Second Quarter Results

The following summary data is presented to assist in understanding the fiscal 2012 second quarter results.

Summary of Results	Three months ended		Six months ended	
	December 31		December 31	
(\$ million except for EPS)	2011	2010	2011	2010
Revenue	\$177.2	\$159.3	\$333.7	\$286.8
Gross profit	20.1	21.9	36.1	37.4
Operating income	6.2	7.9	7.7	10.7
Net earnings before exceptions	4.0	4.9	4.9	6.6
Exceptions, net of income taxes (noted below (ii))	-	-	0.2	-
Net earnings	4.0	4.9	4.7	6.6
Diluted earnings per share (EPS)	\$0.31	\$0.38	\$0.37	\$0.51
EBITDA (i)	\$8.3	\$9.8	\$12.1	\$14.5

(i) EBITDA – Operating income before depreciation, amortization and exceptions. EBITDA does not have a standardized meaning prescribed by IFRS 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.

(ii) Exceptions – In the preceding summary data, net earnings were reported before exceptions. Exceptions in the six months ended December 31, 2011 were comprised of a \$0.2 million loss net of taxes from the sale of a previously closed facility in Syracuse, Indiana.

Consolidated Second Quarter Results

Revenue of \$177.2 million in the second quarter of fiscal 2012 was higher by \$18.0 million from the same period last year. A comparison of revenue is not necessarily indicative of the strength of Ridley's business because revenue is influenced by fluctuating commodity prices. Raw material prices were generally higher this year than the same period last year, which had the effect of increasing average unit selling prices for the Company's feed products. Overall sales volumes were not significantly changed from last year; consequently, the 11.3% increase in sales revenues in the second quarter was largely the result of higher raw material prices relative to last year and continually improving product mix.

Consolidated gross profit in the second quarter of fiscal 2012 was \$20.1 million compared to \$21.9 million in the same period last year. Gross profit is comprised of the margin of sales revenues over ingredient costs less the costs of manufacturing and delivery. 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. Most of the \$1.8 million reduction in consolidated gross profits was the result of declining feed ingredient prices since the start of the current fiscal year from elevated levels last year. In the second quarter last year the Company recorded a credit of \$0.5 million to cost of goods sold for the market valuation of unrealized gains in the second quarter associated with open sales contracts with customers. Because of declining commodity prices this year, the unrealized gain on open sales contracts was less than \$0.1 million. Increased manufacturing costs in the second quarter also reduced gross profits.

Operating expenses include selling, marketing and administration, as well as depreciation of property, plant and equipment. In the second quarter of fiscal 2012, operating expenses of \$13.9 million were largely unchanged from last year. While selling and marketing expenses were even with last year, lower administration expenses reflected improved operating efficiencies.

EBITDA is comprised of operating income before depreciation, amortization and exceptions. For the three months ended December 31, 2011 EBITDA was \$8.3 million compared to \$9.8 million for the same period last year. There were no material exceptions in the second quarter of this year or the prior year.

Net earnings after taxes for the second quarter of fiscal 2012 were \$4.0 million (earnings per share of \$0.31) compared to \$4.9 million (earnings per share of \$0.38) in the same period of fiscal 2011.

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. Other comprehensive income (OCI) is comprised primarily of unrealized gains and losses on translation of financial statements of related entities with foreign functional currency to U.S. dollar reporting currency. Comprehensive income in the second quarter of fiscal 2012 was \$4.5 million which was comprised of net income of \$4.0 million, as reported above, plus unrealized gains of \$0.5 million on the translation of the financial statements of Canadian entities to U.S. currency.

Consolidated Six Months Results

For the six months ended December 31, 2011, revenue of \$333.7 million was \$46.9 million higher than the same period last year. Generally higher raw material prices this year had the effect of increasing average unit selling prices for the Company's feed products. As tonnage volumes this year were approximately even with last year, the 16.4% increase in sales revenues in the current year-to-date mostly reflects the higher level of raw material costs over last year and continued improvements in product mix. Factors bearing on tonnage volumes in the first half of fiscal 2012 included positive sales results under good economic conditions for livestock and poultry producers, combined with favourable weather conditions for block sales in the first quarter this year, which more than offset by unfavourable, unseasonably mild weather in the second quarter.

Consolidated gross profit of \$36.1 million for the first half of fiscal 2012 was \$1.2 million lower from the prior year due to generally declining prices for feed ingredients during fiscal 2012. Increased manufacturing costs in the first half this year also contributed to reduced gross profits.

Operating expenses in the first half of fiscal 2012 were \$28.4 million, an increase of \$1.7 million over last year. Selling and marketing expenses were higher by \$0.7 million in the first half this year while administration expenses were higher by \$0.5 million due to the reallocation of certain expenses from manufacturing overhead, and consulting fees related to the implementation of lean manufacturing initiatives. The loss on sale of facility of \$0.3 million (before income taxes) recorded in the first quarter of fiscal 2012 related to the disposal of a previously closed facility in Syracuse, Indiana.

EBITDA in the first six months of fiscal 2012 was \$12.1 million compared to \$14.5 million for the same period last year. EBITDA is comprised of operating income before amortization and exceptions. Exceptions in fiscal 2012 consisted of the \$0.2 million loss (net of income taxes) on the sale of a redundant facility recorded in the first quarter this year. There were no exceptions of material significance in the first six months of the prior year.

Net earnings after taxes for the six months ended December 31, 2011 were \$4.7 million (earnings per share of \$0.37) compared with net earnings after taxes of \$6.6 million (earnings per share of \$0.51) in the same period last year.

Comprehensive income of \$3.3 million in the six months year-to-date of fiscal 2012 was comprised of net income of \$4.7 million, as reported above, less unrealized losses of \$1.3 million on the translation to U.S. currency of financial statements of Canadian entities.

International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) requires all public companies to adopt International Financial Reporting Standards (IFRS) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company has commenced reporting its financial results in accordance with IFRS for the year ended June 30, 2012 and its quarterly unaudited interim results starting with the

quarter ending September 30, 2011. The notes accompanying the interim financial statements provide comparative data on an IFRS basis, including an opening balance sheet as at July 1, 2010.

Differences between Canadian GAAP and IFRS in the method for the determination of impairment of assets resulted in the Company realizing an impairment of certain assets in its conversion to IFRS. The impairment amount of \$12.7 million is reflected as a decrease in property, plant and equipment in the opening transition balance sheet as at July 1, 2010. IFRS and Canadian GAAP also differ on the recognition of actuarial gains/losses associated with long-term employee obligations such as defined benefit pensions and post-retirement medical benefits. Canadian GAAP allows for deferral and subsequent amortization of actuarial gains/losses while IFRS recognize gains/losses immediately through comprehensive income. The opening transition entries include an increase in liabilities of \$11.4 million associated with long-term employee benefits. Deferred tax benefits of \$8.3 million are recorded under IFRS for the income tax effects of the aforementioned transition entries. Combined, these changes realized from the conversion to IFRS resulted in a net reduction to equity of \$15.8 million in the opening transition balance sheet as at July 1, 2010.

The Company elected to reclassify all cumulative translation differences as of January 1, 2010 from a separate component of equity to retained earnings. The effect of this reclassification was a reduction in the balance sheet account of accumulated other comprehensive income, and an increase in retained earnings, of \$11.2 million.

The Company has performed an evaluation of its financial information systems and the financial reporting impact of divergences identified to-date and concluded that transition to IFRS did not require material modifications to information and reporting systems. The Company concluded that its internal controls over financial reporting, disclosure controls and procedures are appropriately designed and properly functioning for an IFRS reporting environment. The design includes new controls over the transition accounting.

Reconciliation of Non-IFRS Financial Measures

The Company reports its financial results according to IFRS. However, included in this management discussion and analysis are certain non-IFRS financial measures and ratios which the Company's management believes provide useful information in measuring the financial performance and financial condition of the Company. 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.

The following table is a reconciliation of EBITDA to net earnings, the most closely comparable IFRS measure to EBITDA. For purposes of this table, operating income is defined as net earnings before finance costs, interest income and provision for income taxes. EBITDA is defined as operating income before depreciation, amortization and exceptions.

EBITDA (\$ million)	Three months ended December 31		Six months ended December 31	
	2011	2010	2011	2010
Net earnings	\$4.0	\$4.9	\$4.7	\$6.6
Provision for income taxes	2.3	2.9	3.0	4.0
Interest income	(0.1)	(0.1)	(0.1)	(0.1)
Finance costs	0.1	0.1	0.2	0.2
Operating income	\$6.2	\$7.9	\$7.7	\$10.7
Amortization of property, plant and equipment	1.8	1.7	3.7	3.5
Other amortization	0.2	0.2	0.4	0.4
Loss on sale of facilities	-	-	0.3	-
EBITDA	\$8.3	\$9.8	\$12.1	\$14.5

SEGMENT RESULTS

The following is a summary of operating income (loss) of Ridley's reporting segments.

Operating Income (Loss) (\$ million)	Three months ended December 31		Six months ended December 31	
	2011	2010	2011	2010
Canadian Feed Operations (CFO)	\$0.2	\$0.8	\$(0.9)	\$1.0
U.S. Feed Operations (USFO)	1.8	2.4	2.2	3.3
Ridley Feed Ingredients (RFI)	0.3	0.9	0.9	1.7
Ridley Block Operations (RBO)	4.7	4.7	7.0	6.5
Corporate	(0.7)	(0.9)	(1.5)	(1.8)
Consolidated Operating Income	\$6.2	\$7.9	\$7.7	\$10.7

Canadian Feed Operations (CFO)

The Canadian Feed Operations (CFO) segment consists of eight full-line production facilities producing and marketing products for the core animal nutrition market. CFO 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 Prairie Provinces and Ontario.

Approximately 70% of CFO's total volumes are of complete feed products which typically carry lower unit margins within the product mix. Although CFO's tonnage volumes in the second quarter of fiscal 2012 declined by 5.0% compared to last year, the decline was concentrated in lower margin complete swine feeds and, therefore, had a less proportionate impact on total margins. For the year-to-date, CFO volumes were lower by 5.5%, mainly in complete swine feeds.

CFO gross profits in the second quarter this year were \$2.6 million compared to \$3.3 million in the same period last year. Reduced complete feed volumes and declining feed ingredient prices were the primary drivers of the \$0.7 million decline in gross profits in the second quarter compared to last year. For the six months year-to-date gross profit was lower by \$1.3 million.

Operating expenses were higher by \$0.5 million for the year-to-date, largely a result of first quarter investments in lean manufacturing improvements. Operating income for the quarter was \$0.2 million, a decrease of \$0.6 million over last year. For the year-to-date, CFO recorded an operating loss of \$0.9 million compared to operating income of \$1.0 million last year.

U.S. Feed Operations (USFO)

The U.S. Feed Operations (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.

Tonnage volume was higher by 4.0% in the second quarter of fiscal 2012 compared to last year. For the year-to-date volumes were higher by 3.6% over last year. The increase in volumes in fiscal 2012 reflected a stronger performance in sales of higher value added supplements and generally favourable producer economics despite unseasonably mild winter conditions in the second quarter.

Gross profits in the second quarter this year were \$8.8 million compared to \$9.3 million in the same period last year. Average unit margins were slightly lower in fiscal 2012 as a consequence of declining feed ingredient prices, which more than offset improved product mix. Gross profits for the six months year-to-date were lower by \$0.2 million. Operating expenses in the second quarter were higher by \$0.2 million and were \$0.9 million higher for the year-to-date. Operating income for the quarter was \$1.8 million, a decrease of \$0.7 million from last year. For the year-to-date operating income was \$2.2 million compared to \$3.3 million for the same period last year.

Ridley Feed Ingredients (RFI)

The Ridley Feed Ingredients (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.

Tonnage volumes in the second quarter of fiscal 2012 were lower by 11.8% compared to last year, primarily as a result of the discontinuance of a private-label toll-milled product. For the same reason, tonnage volumes for the year-to-date were lower by 10.9%.

Gross profit in the second quarter was lower by \$0.6 million or 34.8% from last year as a result of lower volumes and unit margins combined with higher manufacturing costs. Average unit margins in the second quarter were lower than last year but were slightly above last year for the first six months. Unit margins reflected declining market prices of ingredient this year. Variable production costs were lower in the first half of fiscal 2012 as plant staffing levels were adjusted to lower volumes; however, manufacturing overhead expenses in the second quarter were higher. For the year-to-date gross profit was lower by \$0.5 million or 16.0%.

Operating expenses in the second quarter were even with the prior year but higher by \$0.2 million for the year-to-date on increased consulting fees related to lean manufacturing initiatives. Operating income for the quarter was \$0.3 million, a decrease of \$0.6 million over last year. For the year-to-date, operating income was \$0.9 million compared to \$1.7 million last year.

Ridley Block Operations (RBO)

The Ridley Block Operations (RBO) segment manufactures and markets a complete range of block supplements, including low moisture, pressed, compressed, composite and poured blocks, and loose minerals from seven U.S. facilities. Tonnage volumes in the second quarter of fiscal 2012 were 4.2% lower relative to last year and reflected the unusually mild winter conditions this year, which were less favourable to cattle feed supplementation. For the year-to-date, RBO volumes were 5.6% ahead of last year as a result of a favourable beef cattle economy, growth in private label sales and drought in the south-central U.S. that supported higher tonnage volumes earlier in the current year.

Gross profits of \$7.4 million in the second quarter this year were unchanged from last year as reduced volumes were offset by higher average unit margins resulting from continuing improvements in product mix. For the six months year-to-date, gross profits were ahead of last year by \$0.9 million on increased tonnage volumes and improved average unit margins, which more than offset increased manufacturing expenses.

Operating expenses in the second quarter of fiscal 2012 were unchanged from \$2.7 million last year. Six months year-to-date operating expenses increased by \$0.3 million, which reflected a \$0.3 million loss (before income taxes) on the sale of the previously closed facility in Syracuse, Indiana. Operating income for the quarter was \$4.7 million, unchanged from last year, while operating income for the year-to-date of \$7.0 million was ahead of last year by \$0.5 million.

Liquidity/Capital Resources/Cash Flow

Ridley's working capital and debt-to-equity positions are summarized below.

	December 31 2011	September 30 2011	June 30 2011
Balances (\$000) as of:			
Working capital (i)	\$45,595	\$45,961	\$40,967
Net debt (cash surplus) (ii)	(2,624)	2,432	(1,606)
Equity	144,344	139,866	141,016
Net debt-to-equity ratio	n/a	1.7%	n/a

(i) Working capital is defined as current assets less current liabilities, excluding the following items: cash; short term deposits; short-term debt; and current portion of long-term debt.

(ii) Net debt (cash surplus) is defined as bank obligations and capital leases, less cash and short-term deposits. A cash surplus is defined as an excess of cash and short term deposits over bank obligations and capital leases.

Working capital balances decreased by \$0.4 million in the three months between September 30, 2011 and December 31, 2011. Increased accounts receivable and inventories, reflective of the seasonal increase in sales volumes, and a decrease in the amount of outstanding cheques were offset by a \$5.3 million increase in advances from mainly U.S. customers who prepay their feed accounts for tax reasons. Working capital balances since the start of the current year were higher by \$4.6 million as accounts receivable and inventory balances were higher by \$6.3 million reflecting the seasonal increase in sales volumes. Turnover rates for accounts receivable and inventories were improved in the second quarter and for the year-to-date as the Company continues to focus on more efficient asset management.

Cash surplus of \$2.6 million as at December 31, 2011 was comprised of \$4.1 million of cash and short term deposits, less long term debt of \$0.5 million and a \$1.0 million balance in revolving credit. The Company funded all capital expenditures in the current year from operating cash flows.

The following is a summary of cash generated or utilized by business operations, net of capital expenditures on plant and equipment and other intangibles, excluding business acquisitions.

Summary of Changes in Cash Available	Three months ended		Six months ended	
	December 31		December 31	
(\$ million)	2011	2010	2011	2010
Cash flow from operating activities	\$6.1	\$7.6	\$9.0	\$11.3
Net decrease (increase) in non-cash working capital balances	4.0	1.3	(1.4)	(0.9)
Increase in loans receivable, net	(0.1)	(0.1)	(0.6)	(0.0)
Proceeds on disposal of property, plant and equipment	0.1	0.3	0.5	0.3
Capital expenditures, excluding business acquisitions	(1.9)	(1.8)	(4.0)	(3.9)
Increase in cash available	\$8.2	\$7.3	\$3.4	\$6.7

For the second quarter of fiscal 2012, cash flows from operations net of capital expenditures were \$8.2 million compared to \$7.3 million in the same three-month period last year. Cash flows from decreased working capital balances were \$4.0 million in the second quarter of fiscal 2012. A \$5.3 million increase in customer advances between September 30, 2011 and December 31, 2011 offset higher accounts receivable and inventory balances in the period.

Capital Expenditures

Capital expenditures in the second quarter of fiscal 2012 were \$1.9 million compared to \$1.8 million in the same period a year ago. Capital expenditures for the year-to-date were \$4.0 million compared to \$3.9 million last year. Capital expenditures in fiscal 2012 were mainly on a variety of routine equipment and facility upgrades and continuing automation projects.

Outstanding Share Data

Ridley's share capital consists of an unlimited number of common shares, with no par value. On December 12, 2011 Ridley received approval from the Toronto Stock Exchange (the "TSX") to initiate a normal course issuer bid for the Company's shares through the facilities of the TSX. The shares repurchase program permits the Company to purchase for cancellation up to 639,499 of its common shares over the twelve month period ending December 14, 2012. As at December 31, 2011 the Company had repurchased no shares under the current normal course issuer bid. The number of shares outstanding as at December 31, 2011 and as at February 9, 2012 was 12,789,978.

Seasonality and Commodity Variability

The Company experiences seasonal variations in volumes. Historically, volume is strongest in the second and third fiscal quarters when colder weather increases demand for feed. Certain of the raw materials comprising the Company's products incorporate commodities. Fluctuating commodity prices may therefore influence revenues and the associated cost of sales as the Company's selling prices are adjusted to reflect current commodity markets.

Selected Quarterly Financial Information (i)

(US \$ millions except per share data)	Fiscal Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	2012	156.5	177.2	-	-
	2011	127.5	159.3	154.2	146.5
	2010	135.7	150.0	141.6	120.3
Net earnings (loss) (before exceptions (ii) net of income taxes).	2012	0.9	4.0	-	-
	2011	1.6	4.9	3.4	(0.4)
	2010	1.1	5.0	2.5	(1.5)
Net earnings (loss)	2012	0.7	4.0	-	-
	2011	1.6	4.9	3.4	(0.4)
	2010	1.1	5.0	2.5	(3.9)
Net earnings (loss) per share (EPS)	2012	0.06	0.31	-	-
	2011	0.13	0.38	0.27	(0.04)
	2010	0.08	0.37	0.19	(0.28)

(i) Financial information presented above for all quarters of fiscal 2010 was prepared in accordance with Canadian Generally Accepted Accounting Principles. Fiscal 2012 and 2011 were prepared in accordance with International Financial Reporting Standards.

(ii) Exceptions include: asset impairment loss, restructuring charges, and gain or loss on sale of facilities.

Internal Control Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer have each signed form 52-109F2 – *Certification of Interim Filings* and filed it with the appropriate securities regulators in Canada in compliance with National Instrument 52-109: *Certification of Disclosure in Issuers' Annual and Interim Filings* issued by the Canadian Securities Administrators. There has been no change in Ridley's internal controls over financial reporting or disclosure controls and procedures that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, Ridley's internal control over financial reporting.

Forward-Looking Information

This report contains "forward-looking" information. The forward-looking information includes statements concerning Ridley'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 Ridley's business, adverse results from ongoing litigation, and actions of domestic and foreign governments. Other risks are outlined in the Risk Management section of the MD&A included in Ridley's Annual Report. Unless otherwise required by applicable securities law, Ridley disclaims any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. Ridley cautions readers not to place undue reliance upon forward-looking statements.

OUTLOOK

At the present time, most sectors of livestock and poultry production in North America, with the notable exception of the U.S. broiler industry, are operating profitably because of improved prices for meat, milk and eggs. Since 2008, high feed ingredient prices have limited herd and flock expansion. The potential for continuing volatility in feed ingredient prices will remain one of the more significant drivers for Ridley's results. Ridley's business will be sensitive to any changes in the economic environment for producers and herd or flock populations. Ridley's growing lifestyle markets and higher-value added products tend to be more stable in market demand. 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.

Ridley Inc., headquartered in Mankato, Minnesota and Winnipeg, Manitoba, is one of North America's leading commercial animal nutrition companies. Ridley employs more than 800 people in the United States and Canada in the manufacture, sales and marketing of a full range of animal nutrition products under highly regarded trade names. Ridley's common shares are listed on The Toronto Stock Exchange (trading symbol: RCL). Additional information, including the notes to the interim financial statements and Ridley's Annual Information Form (AIF), are available at www.sedar.com. Visit our website at www.ridleyinc.com.

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RIDLEY Inc.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in U.S. dollars) (unaudited)

Three and six months ended December 31, 2011 and 2010



CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of U.S. dollars) (unaudited)

	December 31 2011	June 30 2011	July 1 2010
ASSETS			
Current assets			
Cash and short-term deposits	4,137	3,148	902
Accounts receivable	37,170	34,719	28,074
Inventories (Note 10)	51,490	47,642	47,731
Income taxes recoverable	253	1,554	864
Prepays and other current assets	1,955	1,056	925
Current portion of loans receivable	1,462	830	797
Total current assets	96,467	88,949	79,293
Non-current assets			
Loans receivable	388	433	365
Assets held-for-sale (Note 6)	-	708	786
Property, plant and equipment (Note 12)	72,597	72,921	72,330
Deferred income tax asset	8,589	8,763	7,816
Other assets	-	60	279
Intangible assets (Note 11)	7,669	7,966	8,166
Goodwill (Note 11)	37,982	37,982	37,982
Total non-current assets	127,225	128,833	127,724
TOTAL ASSETS	223,692	217,782	207,017
LIABILITIES and SHAREHOLDERS' EQUITY			
Current liabilities			
Outstanding cheques in excess of bank balances	167	2,680	3,250
Short-term debt (Note 15)	1,000	1,000	2,259
Accounts payable and accrued liabilities	40,687	41,021	34,189
Advances from customers	5,881	1,133	838
Current portion of long-term debt	58	57	54
Total current liabilities	47,793	45,891	40,590
Long-term liabilities			
Long-term debt	455	485	5,308
Deferred income tax liability	19,780	19,606	17,008
Pension and post-employment obligation	10,810	10,232	11,437
Other accrued liabilities	510	552	515
Total long-term liabilities	31,555	30,875	34,268
Total liabilities	79,348	76,766	74,858
Shareholders' equity			
Share capital (Note 16)	53,159	53,159	53,229
Retained earnings	93,584	88,912	79,782
Accumulated other comprehensive income (loss) (Note 9)	(2,399)	(1,055)	(852)
Total shareholders' equity	144,344	141,016	132,159
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	223,692	217,782	207,017

The accompanying notes constitute an integral part of 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) (unaudited)

	Three Months Ended December 31		Six Months Ended December 31	
	2011	2010	2011	2010
Revenue	177,223	159,260	333,740	286,834
Cost of sales (Note 10)	157,127	137,372	297,600	249,479
Gross profit	20,096	21,888	36,140	37,355
Operating (income) expenses				
Selling, general and administration	13,857	13,884	27,699	26,585
Other expense (income)	(150)	(44)	75	(172)
(Gain)/loss on sale of facilities (Note 6)	-	(56)	314	(56)
Research and development	169	226	315	331
Net operating expenses	13,876	14,010	28,403	26,688
Operating income	6,220	7,878	7,737	10,667
Finance costs	(55)	(110)	(157)	(245)
Interest income	41	59	94	122
Income before income taxes	6,206	7,827	7,674	10,544
Provision for income taxes (Note 8)	2,256	2,893	3,002	3,979
Net income for the period	3,950	4,934	4,672	6,565
Retained earnings, beginning of period	89,634	81,413	88,912	79,782
Net income for the period	3,950	4,934	4,672	6,565
Retained earnings, end of period	93,584	86,347	93,584	86,347
Net income per share, basic and diluted	0.31	0.38	0.37	0.51

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in thousands of U.S. dollars) (unaudited)

	Three Months Ended December 31		Six Months Ended December 31	
	2011	2010	2011	2010
Net income for the period	3,950	4,934	4,672	6,565
Actuarial gains on defined benefit plans	-	121	-	121
Income taxes related to actuarial gains	-	(48)	-	(48)
Unrealized gain (loss) on translation of financial statements of related entities with foreign functional currency to U.S. dollar reporting currency (Note 9)	528	(54)	(1,344)	(102)
Other comprehensive income (loss) for the period	528	19	(1,344)	(29)
Comprehensive income (loss) for the period	4,478	4,953	3,328	6,536

The accompanying notes constitute an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in thousands of U.S. dollars) (unaudited)

	Share capital	Retained earnings	Accumulated other comprehensive income	Total Equity
Balance at June 30, 2010	53,229	79,782	(852)	132,159
Comprehensive income (loss) for the period				
Actuarial gains on defined benefit plans net of income taxes	-	73	-	73
Change in currency translation (<i>Note 9</i>)	-	-	(102)	(102)
Other comprehensive income (loss)		73	(102)	(29)
Net income for the period	-	6,565	-	6,565
Balance at December 31, 2010	53,229	86,420	(954)	138,695

	Share capital	Retained earnings	Accumulated other comprehensive income	Total Equity
Balance at June 30, 2011	53,159	88,912	(1,055)	141,016
Comprehensive income (income) for the period				
Change in currency translation (<i>Note 9</i>)	-	-	(1,344)	(1,344)
Other comprehensive income (loss)	-	-	(1,344)	(1,344)
Net income for the period	-	4,672	-	4,672
Balance at December 31, 2011	53,159	93,584	(2,399)	144,344

The accompanying notes constitute an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of U.S. dollars) (unaudited)

	Three Months Ended December 31		Six Months Ended December 31	
	2011	2010	2011	2010
Operating activities				
Net income for the period	3,950	4,934	4,672	6,565
Add (deduct) items not affecting cash:				
Depreciation of property, plant and equipment	1,840	1,777	3,659	3,479
Deferred income taxes	111	552	(130)	611
(Gain)/loss on sale of plant and equipment	(16)	37	15	37
(Gain)/loss on sale of facilities (<i>Note 6</i>)	-	(27)	314	(56)
Other amortization	193	193	386	386
Actuarial gains on defined benefit plans, net of income taxes	-	73	-	73
Other items not affecting cash	10	105	42	158
	6,088	7,644	8,958	11,253
Net change in non-cash working capital				
Accounts receivable	(1,487)	(1,552)	(3,513)	(7,028)
Inventories	(795)	(58)	(4,349)	303
Prepays and other current assets	165	761	(925)	(953)
Accounts payable and accrued liabilities	90	(1,602)	819	2,611
Advances from customers	5,765	3,429	5,228	3,041
Income taxes payable and recoverable	289	304	1,301	1,160
Net cash from/(used in) operating activities	10,115	8,926	7,519	10,387
Investing activities				
Proceeds on disposal of facilities, property, plant and equipment	90	260	478	314
Purchase of property, plant and equipment	(1,845)	(1,814)	(3,923)	(3,913)
Purchase of other intangibles	(90)	-	(90)	-
Increase in loans receivable, net	(74)	(107)	(593)	(48)
Net cash from/(used in) investing activities	(1,919)	(1,661)	(4,128)	(3,647)
Financing activities				
Repayment of short- and long-term debt	(2,277)	(13,377)	(7,261)	(19,583)
Proceeds from short- and long-term debt	1,014	5,339	7,307	14,548
Net cash from/(used in) financing activities	(1,263)	(8,038)	46	(5,035)
Effect of exchange rate changes on cash	(4)	(50)	65	(82)
Increase (decrease) in cash and cash equivalents	6,929	(823)	3,502	1,623
Cash and cash equivalents - beginning of period	(2,959)	98	468	(2,348)
Cash and cash equivalents - end of period	3,970	(725)	3,970	(725)
Cash and cash equivalents are comprised of:				
Cash and short-term deposits	4,137	1,081	4,137	1,081
Outstanding cheques in excess of bank balances	(167)	(1,806)	(167)	(1,806)
	3,970	(725)	3,970	(725)

The accompanying notes constitute an integral part of the 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 17 Speers Road, Winnipeg, Manitoba, Canada R3J 1M1.

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 unaudited consolidated financial statements of the Company for the three and six months ended December 31, 2011 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting and International Financial Reporting Standard 1 First-time Adoption of International Financial Reporting Standards. The accounting policies used to prepare the unaudited consolidated financial statements comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and effective as at February 9, 2012, the day the financial statements were approved for issue by the Company's Board of Directors.

The Company as a first time adopter of IFRS is adopting later than its parent company, Fairfax Financial Holdings Limited. The Company elected to measure assets and liabilities at the carrying amounts that are included in the parent's consolidated financial statements based on the parent's date of transition to IFRS, which is January 1, 2010. Subject to certain transition elections disclosed in Note 22, the Company has consistently applied the same accounting policies in its transition and opening balance sheet and throughout the periods presented as if these policies had always been in effect. In these financial statements, the term "Canadian GAAP" refers to Canadian generally accepted accounting principles (GAAP) before the adoption of IFRS. Reconciliations and explanations of the impact of the transition from Canadian GAAP to IFRS on the financial position and financial results of the Company are provided in Note 22.

The interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual consolidated financial statements for the year ended June 30, 2011. The Canadian GAAP financial statements are not comparable in all material aspects, therefore certain information is provided in Note 23 to disclose material additional information for the year ended June 30, 2011.

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 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 more than 80% of the Company's business is conducted 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. All amounts reported are in thousands of U.S. dollars unless otherwise stated.

The Audit Committee on behalf of the Board of Directors approved the interim consolidated financial statements on February 9, 2012.

3. Significant accounting policies

Principles of consolidation

These interim 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 interim consolidated financial statements do not include purchases and sales made between plants. Intercompany and intersegment transactions are eliminated upon consolidation of financial results.

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. Customer prepayments are recorded as advances from customers and revenue is not recorded until the shipment of goods occurs.

Cash and cash equivalents

Cash and cash equivalents include unrestricted cash and short-term deposits with maturities up to three months when purchased less outstanding cheques in excess of bank balances and outstanding deposits.

Accounts receivable

Accounts receivable includes trade customer receivables net of allowance for doubtful accounts, and other receivables. The Company makes an allowance to reduce the carrying value of accounts receivable identified as uncollectible to their estimated realizable amount. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in its existing accounts receivable. The Company conducts reviews periodically, and accordingly determines the allowance for doubtful accounts based on specifically identified accounts. 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 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 if, in management's view, collection is unlikely. Estimated realizable amounts are 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. 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

Assets within construction in progress (CIP) are capitalized upon the specific asset being ready for use and at which time become subject to depreciation.

Intangible assets

Intangibles include software, trademarks, trade names, product certifications, non-compete agreements, patents and 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 and technology are amortized on a straight-line basis ranging from three to fifteen years.

Trade names and trademarks have infinite useful lives; therefore 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, intangibles and goodwill 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 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, employee-related obligations, and accrued expenses, all payable within twelve months.

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. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the liability. Provisions are recorded in accounts payable and accrued liabilities.

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.

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 contributions. The expense is recorded in the period in which the benefit is provided. The Company contributes to the respective plans either monthly or bi-weekly. 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 plans assets and adjusted for unrecognized prior service costs and pension asset limitations, if any, are accrued in the interim financial statements as pension and post-retirement liability. 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 income, 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 plans assets is calculate 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 plans 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 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. Changes in the amount of pension asset 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. 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 on the income for the periods presented comprises current and deferred tax. Income tax is recorded in the statement of income and retained earnings except to the extent it relates to items recognized in other comprehensive income or equity, in which case it also is recorded directly in other comprehensive income 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 balance sheet 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 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, relate to income taxes levied by the same taxation authority and intend 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.

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 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. Exchange gains or losses arising on translation are deferred and included as a component of shareholders' equity included in accumulated other comprehensive income (loss) (Note 9).

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 statement of income as a component of the net gain or loss on disposition.

Earnings per share

Basic earnings per share are calculated using the daily weighted average number of shares outstanding during the year.

Financial instruments

Financial instruments are designated as fair value through profit or loss, loans and receivables, other liabilities, and available for sale. All financial instruments are measured initially at fair value. Derivative financial instruments are measured at fair value even when they are part of a hedging relationship.

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 profit or loss 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 costs with income or expense recognized in net income using the effective interest 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 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 interest rates, ingredient prices, and foreign exchange rates through the use of 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 income.

The Company enters into derivative commodity instruments such as future contracts, put options and similar instruments which are used to manage the prices on commodities such as corn, soy meal, grains, and other proteins (“ingredients”) used in the production of animal feeds. The derivative activity is limited to the volume of commodities used in manufactured products that are supported by firm sale price commitments. The derivatives associated with ingredients do not meet the definition of derivative financial instruments, and therefore do not qualify for hedge accounting. Accordingly, the 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 market valuation 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 interest income.

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 costs.

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 assumption that are critical to the determination of carrying value of asset and liabilities are as follows:

a) Allowance for doubtful accounts and loan impairments

The Company estimates allowances for potential losses resulting from the inability of customers to make required payments on accounts receivable and loans receivable. Additional allowances may be necessary if financial conditions deteriorate for any customer.

b) Inventory reserves

The Company estimates potential losses resulting from net realizable value exceeding the value of ingredients within inventory. Actual market replacement costs could vary from estimates.

c) Impairment of property plant and equipment, 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.

d) 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, investment performance, and mortality rates. These assumptions can change in the future and may result in a material change to employee benefit plan expense.

e) Legal and other disputes

The Company provides for anticipated settlement costs where an outflow of resources is considered probable and an estimate can be made of the likely outcome of a dispute. Provisions when required consider relevant facts and circumstances of each matter and the consideration of any legal advice obtained.

f) Income taxes

Income taxes are accrued by applying estimates of the effective income tax rates based on existing tax laws for each taxing jurisdiction. Estimates include evaluating the recoverability of deferred tax assets including accumulated loss carry forward positions. If the assessment of the Company's ability to utilize the underlying future income tax deductions changes, then an increase or decrease 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 audit 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.

5. Accounting standards development

The following are new or amended standards issued by the International Accounting Standards Board (IASB) that are not yet effective. 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.

Amendment to IFRS 7 Financial Instruments: Disclosure

The IASB amended IFRS 7 requiring additional disclosure on transferred financial assets. It is applied prospectively for annual periods beginning on or after July 1, 2011. This amendment is not material to the Company's consolidated financial statements.

Amendment to IAS 1 Presentation of Financial Statements

In June 2011, the IASB amended IAS 1 "Financial Statement Presentation" changing the presentation of items in the consolidated statement of other comprehensive income. This amendment requires presenting components of other comprehensive income in two groups, based on whether or not they may be recycled to the statement of income in the future. Entities presenting other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. This amendment is effective for annual periods beginning on or after July 1, 2012. Early adoption is permitted and full retrospective application is required. The Company has not yet determined whether to early adopt this amendment.

Amendment to IAS 19 Employee Benefits

In June 2001, 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. Actuarial gains and losses are renamed remeasurements and recognized immediately

in other comprehensive income. Remeasurements are not recycled through the statement of income 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 amendment is effective for periods beginning on or after January 1, 2013, is applied retrospectively and early adoption is permitted.

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. These new and amended standards will not materially affect the Company’s consolidated financial statements. 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 to 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.

6. Sale of facilities and assets held-for-sale

In fiscal 2012, operating results include pre-tax losses of \$314,000 on the sale of facilities. This includes a \$282,000 loss on net proceeds of \$224,000 reported within Ridley Block Operations segment and \$32,000 loss on net proceeds of \$162,000 reported within the Canadian Feed Operations segment.

In the second quarter of fiscal 2011, operating results included pre-tax gains of \$56,000 on net proceeds of \$215,000 for the sale of property in Arborg, Manitoba.

At June 30, 2011 and July 1, 2010, these properties were classified as assets held-for sale. Assets held for sale are accounted for at the lower of cost and fair value less costs to sell.

7. 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.

As of December 31, 2011 (\$000)	Assets (Liabilities)		Financial Instruments Category
	Carrying Value	Fair Value	
Cash and short-term deposits	4,137	4,137	Held for trading
Accounts receivable	37,170	37,170	Loans & receivables
Loans receivable	1,850	N/A	Loans & receivables
Financial derivative instruments included in accounts payable and accrued liabilities	454	454	Held for trading
Outstanding cheques in excess of bank balance	(167)	(167)	Other liabilities
Accounts payable and accrued liabilities	(41,141)	(41,136)	Other liabilities
Advances from customers	(5,881)	(5,881)	Other liabilities
Short-term and Long-term debt	(1,513)	(1,513)	Other liabilities
Financial liabilities included in other accrued liabilities	(510)	(510)	Other liabilities

In the three and six months ended December 31, 2011, the Company recorded credits of \$87,000 and \$97,000 (2010 – \$514,000 and \$995,000) to cost of goods sold associated with market valuations of derivatives. In the three and six months ended December 31, 2011, the Company recorded credits of \$47,000 and \$89,000 (2010 – \$62,000 and \$132,000) to finance costs 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 instrument within the fair value hierarchy as of December 31, 2011.

As of December 31, 2011 (\$000)	Level 1	Level 2	Level 3
Financial asset (liability)			
Cash and short-term deposits	4,137	-	-
Commodities derivative contracts	454	-	-

8. Income tax

Income tax is impacted by the geographic distribution of income and losses within the Company. U.S. entities generated taxable income that is taxed at a higher rate than the Canadian statutory tax rate. The Canadian entity reported pre-tax losses to which an income tax benefit is recorded, but at a lower rate than taxes on U.S. income.

9. Accumulated other comprehensive income (loss)

(\$000)	Three Months Ended December 31		Six Months Ended December 31	
	2011	2010	2011	2010
Balance, beginning of period	(2,927)	(900)	(1,055)	(852)
Other comprehensive income (loss) for the period	528	(54)	(1,344)	(102)
Balance, end of period	(2,399)	(954)	(2,399)	(954)

The accumulated balances of other comprehensive income are comprised entirely of the unrealized loss on translation of financial statements of related entities with foreign functional currency to U.S. dollar reporting currency.

10. Inventories

(\$000)	December 31	June 30	December 31
	2011	2011	2010
Raw materials	38,462	34,604	35,042
Finished goods	13,028	13,038	12,914
Total	51,490	47,642	47,956

Cost of sales consists of the following:

(\$000)	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2011	2010	2011	2010
Raw materials and products purchased	139,943	120,091	267,854	214,225
Direct labour and fringe benefits	5,331	5,444	10,453	10,417
Other production costs	7,895	7,351	14,770	16,205
Net change in inventories	(795)	(58)	(4,349)	303
Inventories recognized as expense	152,374	132,828	288,728	241,150
Non allocated costs	4,753	4,544	8,872	8,329
Cost of sales	157,127	137,372	297,600	249,749

11. Goodwill and other intangibles

The Goodwill value of \$37,982,000 remained unchanged during fiscal 2012 and 2011.

The Company performs annual testing for impairment of goodwill after its annual budgeting process. No impairment of goodwill was required in fiscal 2011, or through the first six months of fiscal 2012.

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 six months ending December 31, 2011

(\$000)	Balance at June 30, 2011	Additions	Disposals	Foreign	Balance at Dec. 31, 2011
				Currency Translation	
Initial Cost					
Other intangibles – finite useful lives	2,437	-	-	-	2,437
Other intangibles – infinite useful lives	2,850	-	-	-	2,850
Software	5,766	22	-	(1)	5,787
Software – in progress	-	68	-	-	68
Total cost	11,053	90	-	(1)	11,142

(\$000)	Balance at June 30, 2011	Amortization	Disposals	Foreign	Balance at Dec. 31, 2011
				Currency Translation	
Accumulated amortization					
Other intangibles – finite useful lives	1,005	119	-	-	1,124
Software	2,082	267	-	-	2,349
Total accumulated amortization	3,087	386	-	-	3,473
Net book value	7,966				7,669

12. Property, plant and equipment

Activity for the six months ending
December 31, 2011

(\$000)	Balance at June 30, 2011	Additions	Disposals	Foreign Currency Translation	Balance at Dec. 31, 2011
Initial Cost					
Land	5,103	-	-	(48)	5,055
Buildings	49,435	672	(63)	(724)	49,320
Machinery and equipment	95,066	2,550	(272)	(869)	96,475
Computer equipment	1,433	136	-	(17)	1,552
Furniture and fixtures	1,818	16	(19)	(21)	1,794
Trucks, trailers and automobiles	5,726	219	(244)	(90)	5,611
Leasehold improvements	1,157	-	-	-	1,157
Subtotal	159,738	3,593	(598)	(1,769)	160,964
Construction in progress – net change	1,927	330	-	(17)	2,240
Total cost	161,665	3,923	(598)	(1,786)	163,204

(\$000)	Balance at June 30, 2011	Depreciation	Disposals	Foreign Currency Translation	Balance at Dec. 31, 2011
Accumulated depreciation and impairment					
Buildings	17,290	885	(25)	(293)	17,857
Machinery and equipment	50,568	2,364	(224)	(442)	52,266
Computer equipment	1,063	113	-	(16)	1,160
Furniture and fixtures	1,371	72	(21)	(14)	1,408
Trucks, trailers and automobiles	4,197	188	(221)	(69)	4,095
Leasehold improvements	656	37	-	-	693
Impairment	13,599	-	-	(471)	13,128
Total accumulated depreciation and impairment	88,744	3,659	(491)	(1,305)	90,607
Net book value	72,921				72,597

13. Statement of cash flow disclosures

Interest and income taxes paid are as follows:

(\$000)	Three Months Ended December 31		Six Months Ended December 31	
	2011	2010	2011	2010
Interest	103	137	245	309
Income taxes, net of refund	1,329	2,069	1,837	2,193

14. Pensions and post-employment 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 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 Enrolled Actuary (Gallagher Benefit Services, Inc.) 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, 2011.

The Company's recorded estimated costs related to its non-contributory pension plans and defined contribution plans are as follows:

(\$000)	Three Months Ended December 31		Six Months Ended December 31	
	2011	2010	2011	2010
Non-contributory pension plan	291	347	582	694
Defined contribution plan	380	389	828	801

15. Debt

The Company's secured credit agreement with the Bank of Nova Scotia that provides a revolving term facility of C\$30,000 and US\$20,000 was extended to January 31, 2012.

16. Share capital

(\$000)	Three Months Ended December 31		Six Months Ended December 31	
	2011	2010	2011	2010
Authorized				
Unlimited number of common shares, no par value				
Share capital				
Common stock beginning of period	53,159	53,229	53,159	53,229
Purchases for cancellation	-	-	-	-
Common stock end of period	53,159	53,229	53,159	53,229

Fiscal:	Three Months Ended December 31		Six Months Ended December 31	
	2011	2010	2011	2010
Shares outstanding				
Common stock beginning of period	12,789,978	12,806,778	12,789,978	12,806,778
Purchases for cancellation	-	-	-	-
Common stock end of period	12,789,978	12,806,778	12,789,978	12,806,778
Weighted average common shares outstanding	12,789,978	12,806,778	12,789,978	12,806,778

On December 12, 2011, 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, 2011 and will terminate on December

14, 2012, 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, 2011.

17. 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 to meet production requirements. 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. As of December 31, 2011 and June 30, 2011, the Company has no significant debt, therefore is not subject to fluctuations in interest rates.

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 in Canada and the U.S. and its operations are subject to volatility in foreign currency exchange ("FX") differences between currencies of these countries.

The Company's Canadian entities enter into some purchase contracts and sales contracts denominated in U.S. dollars; and to a lesser extent, the Company's U.S. entities enter into some sales contracts in Canadian dollars. 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. 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 on U.S. dollar denominated transactions are recorded in interest expense.

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. The Company has a borrowing capacity equivalent to \$48,845,000 under a loan agreement with the Bank of Nova Scotia. The Company is well positioned to fund acquisitions and capital investments through this loan agreement. The Company also has borrowing capability up to \$8,808,000 used in its daily cash management program.

Credit risk

Credit risk is the potential that customers or 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 2% of the Company's total gross sales. The Company's customer base is geographically dispersed and comprised 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 regular review of their credit limits and timely collection or follow-up of customer balances. Pursuant to their respective terms, trade accounts receivable and other receivables before allowances for doubtful accounts are aged as follows at December 31, 2011:

(\$000)	
Current	33,979
Under 30 days past due	2,586
30-60 days past due	505
61-90 days past due	238
Over 90 days past due	918
	<hr/>
	38,226

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 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 or previously written off accounts are credited against the other expense (income). Activity in the allowance for doubtful accounts as of December 31, 2011 is summarized as follows:

(\$000)	
Balance, beginning of period	952
Bad debt expense (recovery)	107
Accounts written off during period	-
Foreign currency translation	(3)
Balance, end of period	<hr/> 1,056

18. 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 during the period was to maintain its ability to secure access to financing at a reasonable cost.

19. Related party transactions

As of December 31, 2011, Fairfax Financial Holdings Limited (Fairfax) is the majority shareholder controlling 78.2% of the Company's outstanding shares.

20. Expenses by nature

General nature of expenses: (\$000)	Three Months Ended December 31		Six Months Ended December 31	
	2011	2010	2011	2010
Net raw materials and products consumed	139,148	120,033	263,505	214,528
Personnel expenses	15,986	16,235	31,694	31,425
Depreciation and amortization	2,034	1,970	4,045	3,865
Freight	4,776	4,310	8,779	7,977
All other costs	9,059	8,834	17,980	18,372
	171,003	151,382	326,003	276,167

21. 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 five reportable segments as: U.S. Feed Operations (USFO), Canadian Feed Operations (CFO), Ridley Feed Ingredients (RFI), Ridley Block Operations (RBO), and Corporate. New segment definitions in fiscal 2012 are the result of organization changes effective July 1, 2011. Prior year's segment results are reclassified to conform to current year reporting. Previously, the USFO and CFO were combined as one segment as Ridley Feed Operations. Additionally, the equine nutrition business was transferred to USFO from the former Ridley Nutrition Solutions (RNS) segment.

The Canadian Feed Operations (CFO) segment consists of eight full-line production facilities producing and marketing products for the core animal nutrition market. CFO 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 Prairie Provinces and Ontario.

The U.S. Feed Operations (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 Ridley Feed Ingredients (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 Ridley Block Operations (RBO) segment manufactures a complete range of block supplements, including low moisture, pressed, compressed, composite and poured blocks and loose minerals from seven 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.

The Company evaluates performance based on operating income. Operating income is defined as income before finance costs, interest income, and income taxes.

An analysis of segment information is as follows:

Three Months Ended December 31, 2011 (\$000)	CFO	USFO	RFI	RBO	Corporate & Eliminations	Consolidated
Revenue						
Revenue from unaffiliated customers	31,971	103,523	17,257	24,472	-	177,223
Intersegment revenues	11	2,261	13,784	12,538	(28,594)	-
Revenue	31,982	105,784	31,041	37,010	(28,594)	177,223
Cost of sales	29,335	96,952	29,843	29,591	(28,594)	157,127
Gross profit	2,647	8,832	1,198	7,419	-	20,096
Net operating expenses	2,463	7,058	917	2,728	710	13,876
Operating income (loss)	184	1,774	281	4,691	(710)	6,220

Three Months Ended December 31, 2010 (\$000)	CFO	USFO	RFI	RBO	Corporate & Eliminations	Consolidated
Revenue						
Revenue from unaffiliated customers	30,194	84,785	20,745	23,536	-	159,260
Intersegment revenues	125	1,942	12,198	10,055	(24,320)	-
Revenue	30,319	86,727	32,943	33,591	(24,320)	159,260
Cost of sales	26,978	77,418	31,105	26,191	(24,320)	137,372
Gross profit	3,341	9,309	1,838	7,400	-	21,888
Net operating expenses	2,577	6,872	908	2,736	917	14,010
Operating income (loss)	764	2,437	930	4,664	(917)	7,878

Six Months Ended December 31, 2011 (\$000)	CFO	USFO	RFI	RBO	Corporate & Eliminations	Consolidated
Revenue						
Revenue from unaffiliated customers	62,256	193,183	34,004	44,297	-	333,740
Intersegment revenues	68	3,730	26,194	20,414	(50,406)	-
Revenue	62,324	196,913	60,198	64,711	(50,406)	333,740
Cost of sales	57,802	180,623	57,398	52,183	(50,406)	297,600
Gross profit	4,522	16,290	2,800	12,528	-	36,140
Net operating expenses	5,437	14,072	1,919	5,494	1,481	28,403
Operating income (loss)	(915)	2,218	881	7,034	(1,481)	7,737
Total assets	28,535	98,262	24,556	60,237	12,102	223,692
Property, plant & equipment	8,604	37,879	4,394	21,720	-	72,597
Goodwill	-	14,298	4,327	19,357	-	37,982

Six Months Ended					Corporate &	
December 31, 2010 (\$000)	CFO	USFO	RFI	RBO	Eliminations	Consolidated
Revenue						
Revenue from unaffiliated customers	56,204	155,842	37,081	37,707	-	286,834
Intersegment revenues	145	3,051	23,475	16,410	(43,081)	-
Revenue	56,349	158,893	60,556	54,117	(43,081)	286,834
Cost of sales	50,481	142,387	57,221	42,471	(43,081)	249,479
Gross profit	5,868	16,506	3,335	11,646	-	37,355
Net operating expenses	4,890	13,182	1,673	5,151	1,792	26,688
Operating income (loss)	978	3,324	1,662	6,495	(1,792)	10,667
<hr/>						
Total assets	30,484	88,349	25,978	60,044	8,477	213,332
Property, plant & equipment	8,947	38,579	4,341	21,319	-	73,186
Goodwill	-	14,298	4,327	19,357	-	37,982

22. Transition to IFRS

As described in Note 2, the Company's consolidated financial statements for fiscal 2012 and related interim periods are the first reporting periods prepared in accordance with IFRS. These accounting policies are consistently applied for the comparative three-month and six-month periods ending December 31, 2011 and 2010 and for the twelve months ending June 30, 2011 and in the preparation of an opening IFRS statement of financial position at July 1, 2010 (the date of transition).

Certain adjustments or classifications from previously reported financial statements under Canadian GAAP are made in the transition to IFRS. An explanation of the transition to IFRS is described below.

Transition Elections:

IFRS 1 sets out the requirements for first time adoption of IFRS. IFRS requires a company to determine its IFRS accounting policies and apply these retrospectively in order to determine its opening balance sheet under IFRS. Due to the cost or practical considerations, retrospective application is not always possible. Accordingly, IFRS allows first time adopters to take certain exemptions from the full requirement of IFRS in the transition period.

The Company as a first time adopter of IFRS is adopting later than its parent company, Fairfax. The Company elected to measure assets and liabilities at the carrying amounts that are included in the parent's consolidated financial statements based on the parent's date of transition to IFRS, which is January 1, 2010. This excludes any adjustments made by the parent for its consolidation purposes and for the effects of the business combination in which Fairfax acquired a controlling interest in the Company. Based on electing this optional exemption, the following are the most relevant exemptions applied at the date of our parent's date of transition:

Business combinations:

An exemption is available under IFRS 1 allowing the carry forward of previous Canadian GAAP accounting for business combinations prior to the transition date. The exemption is optional and is applied to all acquisitions prior to the transition date. The Company elected to apply this exemption and as a result, acquisitions prior to January 1, 2010 have not been adjusted to comply with IFRS 3 Business Combinations.

Employee benefits:

IFRS 1 provides options to apply IAS 19 Employee Benefits retrospectively for the recognition of actuarial gains and losses or to recognize all actuarial gains and losses deferred under Canadian GAAP in the opening retained earnings at the transition date. The Company elected to recognize all unamortized actuarial gains and losses from its pension and postretirement benefit plans in the opening retained earnings as of January 1, 2010. In addition, the Company applied an exemption to employee benefit plans historical disclosure requirements under IAS 19, which allows providing only the fiscal year subsequent to the transition to IFRS.

Currency translation differences (CTD):

IAS 21 The Effects of Changes in Foreign Currency Exchange Rates requires the determination of cumulative currency translation differences from the date a subsidiary or equity method investment was formed or acquired. IFRS 1 provides an option to recognize all cumulative currency translation differences deferred under Canadian GAAP in opening retained earnings at the transition date (CTD is deemed at zero). The Company elected to recognize all cumulative translation gains and losses in opening retained earnings as of January 1, 2010.

Fair value or revaluation as deemed cost:

IFRS 1 allows a Company to revalue property, plant and equipment (PP&E) at fair value at its transition and use the fair value as the deemed cost. This election applies to individual assets. The Company did not apply this election.

Estimates:

In accordance with IFRS 1, estimates at the transition date must be consistent with estimates made for the same date as under previous Canadian GAAP (after adjustments to reflect any difference in accounting policies) unless there is objective evidence that those estimates were in error. The Company did not use hindsight in its estimates upon transition to IFRS, nor did it find evidence that any of its previous estimates were in error.

Terminology:

Certain terminology differences exist between IFRS and Canadian GAAP. The most noticeable changes in terminology within the financial statements include:

- IFRS uses the term “depreciation” in regards to the property, plant and equipment; this replaces the term “amortization” under Canadian GAAP. The term amortization of intangibles remains the same for both accounting standards in regards to intangible assets.
- The term “deferred” replaces “future” in regards to income taxes.

**Reconciliation of the Consolidated Balance Sheet and Equity
as of June 30, 2011**

(\$000)	Canadian GAAP	IFRS 1 CTD	Employee Benefits	Impairment PP&E	Reclass.	Ref.	IFRS
Assets							
Current assets							
Cash and short-term deposits	3,148	-	-	-	-		3,148
Accounts receivable	34,719	-	-	-	-		34,719
Inventories	47,642	-	-	-	-		47,642
Income taxes recoverable	1,554	-	-	-	-		1,554
Prepays and other current assets	1,056	-	-	-	-		1,056
Current portion of loans receivable	830	-	-	-	-		830
Deferred income tax asset	1,378	-	-	-	(1,378)	(i)	-
	90,327	-	-	-	(1,378)		88,949
Non-current assets							
Loans receivable, less current portion	433	-	-	-	-		433
Assets held-for-sale	708	-	-	-	-		708
Property, plant and equipment	85,676	-	-	(12,755)	-		72,921
Other assets	4,603	-	-	-	(4,543)	(ii)	60
Deferred income tax asset	6,410	-	-	2,353	-		8,763
Other intangibles	7,966	-	-	-	-		7,966
Goodwill	37,982	-	-	-	-		37,982
	143,778	-	-	(10,402)	(4,543)		128,833
Total Assets	234,105	-	-	(10,402)	(5,921)		217,782
Equity and Liabilities							
Current liabilities							
Outstanding cheques in excess of bank	2,680	-	-	-	-		2,680
Short-term debt	1,000	-	-	-	-		1,000
Accounts payable and accrued	41,021	-	-	-	-		41,021
Advances from customers	1,133	-	-	-	-		1,133
Current portion of long-term debt	57	-	-	-	-		57
	45,891	-	-	-	-		45,891
Non-current liabilities							
Long-term debt, less current portion	485	-	-	-	-		485
Deferred income tax liability	27,026	-	(4,579)	(1,463)	(1,378)	(i)	19,606
Other accrued liabilities	3,735	-	-	-	(3,183)	(ii)	552
Post-employment benefit obligation	-	-	11,592	-	(1,360)	(ii)	10,232
	31,246	-	7,013	(1,463)	(5,921)		30,875
Total Liabilities	77,137	-	7,013	(1,463)	(5,921)		76,766
Equity							
Share capital	53,159	-	-	-	-		53,159
Retained earnings	92,997	11,228	(7,013)	(8,300)	-		88,912
Accumulated other comprehensive income (loss)	10,812	(11,228)	-	(639)	-		(1,055)
Total Equity	156,968	-	(7,013)	(8,939)	-		141,016
Total Liabilities and Equity	234,105	-	-	(10,402)	(5,921)		217,782

**Reconciliation of the Consolidated Balance Sheet and Equity
as of July 1, 2010**

(\$000)	Canadian GAAP	IFRS 1 CTD	Employee Benefits	Impairment PP&E	Reclass	Ref.	IFRS
Assets							
Current assets							
Cash and short-term deposits	902	-	-	-	-		902
Accounts receivable	28,074	-	-	-	-		28,074
Inventories	47,731	-	-	-	-		47,731
Income taxes recoverable	864	-	-	-	-		864
Prepays and other current assets	925	-	-	-	-		925
Current portion of loans receivable	797	-	-	-	-		797
Deferred income tax asset	1,533	-	-	-	(1,533)	(i)	-
	80,826	-	-	-	(1,533)		79,293
Non-current assets							
Loans receivable, less current portion	365	-	-	-	-		365
Assets held-for-sale	786	-	-	-	-		786
Property, plant and equipment	85,045	-	-	(12,715)	-		72,330
Other assets	3,470	-	-	-	(3,191)	(ii)	279
Deferred income tax asset	5,542	-	-	2,274	-		7,816
Other intangibles	8,166	-	-	-	-		8,166
Goodwill	37,982	-	-	-	-		37,982
	141,356	-	-	(10,441)	(3,191)		127,724
Total Assets	222,182	-	-	(10,441)	(4,724)		207,017
Equity and Liabilities							
Current liabilities							
Outstanding cheques in excess of bank	3,250	-	-	-	-		3,250
Short-term debt	2,259	-	-	-	-		2,259
Accounts payable and accrued	34,189	-	-	-	-		34,189
Advances from customers	838	-	-	-	-		838
Current portion of long-term debt	54	-	-	-	-		54
	40,590	-	-	-	-		40,590
Non-current liabilities							
Long-term debt, less current portion	5,308	-	-	-	-		5,308
Deferred income tax liability	24,610	-	(4,501)	(1,568)	(1,533)	(i)	17,008
Other accrued liabilities	3,748	-	-	-	(3,233)	(ii)	515
Post-employment benefit obligation		-	11,395	-	42	(ii)	11,437
	33,666	-	6,894	(1,568)	(4,724)		34,268
Total Liabilities	74,256	-	6,894	(1,568)	(4,724)		74,858
Equity							
Share capital	53,229	-	-	-	-		53,229
Retained earnings	84,321	11,228	(6,894)	(8,873)	-		79,782
Accumulated other comprehensive income (loss)	10,376	(11,228)	-	-	-		(852)
Total Equity	147,926	-	(6,894)	(8,873)	-		132,159
Total Liabilities and Equity	222,182	-	-	(10,441)	(4,724)		207,017

Reconciliation of Consolidated Retained Earnings as of June 30, 2011

(\$000)	Canadian GAAP	IFRS 1 CTD	Employee Benefits	Impairment PP&E	IFRS
Retained earnings, beginning of year	84,321	-	-	-	84,321
Opening IFRS transition at July 1, 2010	-	11,228	(6,894)	(8,873)	(4,539)
IFRS retained earnings July 1, 2010	84,321	11,228	(6,894)	(8,873)	79,782
Net income for the year	8,727	-	-	-	8,727
Fiscal 2011 IFRS transition entries	-	-	177	573	750
IFRS net income for the year	8,727	-	177	573	9,477
Other comprehensive income (loss) attributed to actuarial losses on employee benefit obligations net of income tax	-	-	(296)	-	(296)
Excess over stated value of shares purchased for cancellation	(51)	-	-	-	(51)
Retained earnings end of year	92,997	11,228	(7,013)	(8,300)	88,912

Principal differences between Canadian GAAP and IFRS and their respective reference within the above reconciliation include:

Reclassifications:

- i. Deferred taxes: IFRS requires all deferred taxes to be classified as non-current regardless of the classification of the underlying assets or liabilities to which they relate, or the expected reversal of temporary differences. Balances previously classified as current assets are now classified as a long-term assets.
- ii. Employee benefits: IFRS requires balances pertaining to long-term employee benefits to be reported separately within the balance sheet. Liabilities related to defined benefit plans and post-retirement benefits classified under Other accrued liabilities are now within Post-employment benefit obligations. Under Canadian GAAP, an employee benefit plan asset in excess of the economic benefit it can expect to receive in the form of a refund or reduction in future contributions was recorded within Other assets. Upon transition to IFRS, this plan no longer qualifies as an asset and is included within post-employment benefit obligations.

Adjustments:

CTD: The Company elected to recognize all cumulative translation gains and losses in the opening retained earnings as of January 1, 2010. Accordingly, \$11,228,000 was reclassified to retained earnings and is reflected in the balance sheet at July 1, 2010. There is no income tax effect related to this adjustment.

Employee benefits: Under IFRS, the Company's policy is to recognize all actuarial gains and losses immediately in other comprehensive income. Under Canadian GAAP, unrecognized actuarial gains and losses in excess of 10% of the greater of the benefit obligation or the value of plan assets were amortized to income on straight-line basis over the expected average remaining service lives of active plan members. IFRS permits only the unvested portion of past service costs to be deferred and recognized as an expense on a straight-line basis over the average period until the benefits become vested. All vested past service costs are expensed immediately under IFRS. Under Canadian GAAP, vested past service costs were recognized as an expense over the expected average remaining service period of eligible employees. At the transition date, previous unrecognized cumulative actuarial gains and losses and cumulative unrecognized vested past service costs were recognized in retained earnings.

Impairments: IFRS determines the recoverable amount of the Company's non-financial assets as calculated by 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. Under Canadian GAAP, the carrying value amount is not recoverable when it exceeds the sum of the undiscounted cash flows expected to result from the asset's use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount exceeds the asset's fair value. Additionally, goodwill impairment testing under IFRS, allocates goodwill to cash-generating units, while Canadian GAAP allocates goodwill at the operating unit level. IFRS measures fair value based on the recoverable amount that is the greater of value in use (pre-tax measure) and fair value less costs to sell (after-tax measure), while Canadian GAAP measures fair value based on after-tax discounted future cash flows.

Impairment reserves within PP&E totalling \$12,715,000 were recorded under IFRS related to the Company's Canadian feed manufacturing plants (\$8,746,000) and an equine feed manufacturing plant (\$3,969,000) in the U.S. These result from using discounted cash flow models under IFRS compared to undiscounted cash flow models under Canadian GAAP. The recoverable amounts of these CGUs were estimated based on value-in-use calculations. The calculations use cash flow projections based on the annual budget and four additional years of forecast. Extrapolated cash flow projections beyond five years assume no growth. Pre-tax discount rates of 13% and 18% were applied to cash projections for the Canadian feed manufacturing plants and equine feed manufacturing plant, respectively.

The Company tested for goodwill impairment under both IFRS and Canadian GAAP. Differences in fair value exist between the two methodologies, however, the fair value in both cases exceed the respective carrying value of the related assets.

Deferred income taxes: The above adjustments, excluding CTD, change the carrying value of the associated assets and liabilities while the respective tax basis does not change. This results in a decrease in deferred tax liabilities associated with U.S. tax entities and an increase in deferred tax assets associated with Canadian tax entities.

Reconciliation of the Consolidated Statement of Income (Loss)
Twelve months ending June 30, 2011

(\$000)	CGAAP	PP&E	Pension	Post Retirement	Subtotal	Reclass	Ref.	IFRS Total
Revenue	587,531	-	-	-	587,531	-		587,531
Cost of sales	509,105	-	-	-	509,105	6,536	(ii)	515,641
Gross Profit	78,426	-	-	-	78,426	(6,536)		71,890
Operating (income) expenses								
Selling, general and administrative	52,129	-	(626)	335	51,838	2,083	(i)	53,921
Other expense (income)	-	-	-	-	-	(759)	(i)	(759)
Amortization of property, plant and equipment	7,932	(823)	-	-	7,109	(7,109)	(ii)	-
Gain on sale of facilities	(56)	-	-	-	(56)	-		(56)
Research and development	743	-	-	-	743	-		743
Other amortization	751	-	-	-	751	(751)	(ii)	-
Net operating expenses	61,499	(823)	(626)	335	60,385	(6,536)		53,849
Operating income (loss)	16,927	823	626	(335)	18,041	-		18,041
Finance costs	(783)	-	-	-	(783)	-		(783)
Interest income	265	-	-	-	265	-		265
Income (loss) before income taxes	16,409	823	626	(335)	17,523	-		17,523
Provision for income taxes	7,682	250	246	(132)	8,046	-		8,046
Net income (loss) for the period	8,727	573	380	(203)	9,477	-		9,477
Net income per share, basic and diluted	0.68	-	-	-	0.74	-		0.74

Reconciliation of Consolidated Comprehensive Income (Loss)
Twelve months ending June 30, 2011

(\$000)	CGAAP	PP&E.	Pension	Post Retirement	IFRS
Net income (loss)	8,727	573	380	(203)	9,477
Unrealized gain (loss) on translation of financial statements of related entities with foreign functional currency to U.S. dollar reporting currency	436	(639)	-	-	(203)
Deferred actuarial gain (loss) on employee benefit obligations	-	-	(510)	22	(488)
Income tax relating to applicable components of comprehensive income (loss)	-	-	201	(9)	192
Other comprehensive income (loss)	436	(639)	(309)	13	(499)
Comprehensive income (loss)	9,163	(66)	71	(190)	8,978

Reconciliation of the Consolidated Statement of Income (Loss)
Three months ending December 31, 2010

(\$000)	CGAAP	PP&E	Pension	Post Retirement	Subtotal	Reclass.	Ref.	IFRS Total
Revenue	159,260	-	-	-	159,260	-		159,260
Cost of sales	135,531	-	-	-	135,531	1,841	(ii)	137,372
Gross Profit	23,729	-	-	-	23,729	(1,841)		21,888
Operating (income) expenses								
Selling, general and administrative	13,590	-	122	-	13,712	172	(i)	13,884
Other expense (income)	-	-	-	-	-	(44)	(i)	(44)
Amortization of property, plant and equipment	1,982	(206)	-	-	1,776	(1,776)	(ii)	-
Gain on sale of facilities	(56)	-	-	-	(56)	-		(56)
Research and development	226	-	-	-	226	-		226
Other amortization	193	-	-	-	193	(193)	(ii)	-
Net operating expenses	15,935	(206)	122	-	15,851	(1,841)		14,010
Operating income (loss)	7,794	206	(122)	-	7,878	-		7,878
Finance costs	(110)	-	-	-	(110)	-		(110)
Interest income	59	-	-	-	59	-		59
Income (loss) before income taxes	7,743	206	(122)	-	7,827	-		7,827
Provision for income taxes	2,879	63	(49)	-	2,893	-		2,893
Net income (loss) for the period	4,864	143	(73)	-	4,934	-		4,934
Net income per share, basic and diluted	0.38	-	-	-	0.38	-		0.38

Reconciliation of Comprehensive Income (Loss)
Three months ending December 31, 2010

(\$000)	CGAAP	PP&E	Pension	Post Retirement	IFRS
Net income for the period	4,864	143	(73)	-	4,934
Actuarial gains on defined benefit plans, net of income taxes	-	-	73	-	73
Unrealized gain (loss) on translation of financial statements of related entities with foreign functional currency to U.S. dollar reporting currency	176	(230)	-	-	(54)
Other comprehensive income (loss)	176	(230)	73	-	19
Comprehensive income (loss)	5,040	(87)	-	-	4,953

Reconciliation of the Consolidated Statement of Income (Loss)
Six months ending December 31, 2010

(\$000)	CGAAP	PP&E	Pension	Post Retirement	Subtotal	Reclass.	Ref.	IFRS Total
Revenue	286,834	-	-	-	286,834	-		286,834
Cost of sales	245,882	-	-	-	245,882	3,597	(ii)	249,479
Gross Profit	40,952	-	-	-	40,952	(3,597)		37,355
Operating (income) expenses								
Selling, general and administrative	26,023	-	122	-	26,145	440	(i)	26,585
Other expense (income)	-	-	-	-	-	(172)	(i)	(172)
Amortization of property, plant and equipment	3,884	(405)	-	-	3,479	(3,479)	(ii)	-
Gain on sale of facilities	(56)	-	-	-	(56)	-		(56)
Research and development	331	-	-	-	331	-		331
Other amortization	386	-	-	-	386	(386)	(ii)	-
Net operating expenses	30,568	(405)	122	-	30,285	(3,597)		26,688
Operating income (loss)	10,384	405	(122)	-	10,667	-		10,667
Finance costs	(245)	-	-	-	(245)	-		(245)
Interest income	122	-	-	-	122	-		122
Income (loss) before income taxes	10,261	405	(122)	-	10,544	-		10,544
Provision for income taxes	3,904	124	(49)	-	3,979	-		3,979
Net income (loss) for the period	6,357	281	(73)	-	6,565	-		6,565
Net income per share, basic and diluted	0.50	0.01	-	-	0.51	-		0.51

Reconciliation of Comprehensive Income (Loss)
Six months ending December 31, 2010

(\$000)	CGAAP	PP&E	Pension	Post Retirement	IFRS
Net income for the period	6,357	281	(73)	-	6,565
Actuarial gains on defined benefit plans, net of income taxes	-	-	73	-	73
Unrealized gain (loss) on translation of financial statements of related entities with foreign functional currency to U.S. dollar reporting currency	320	(422)	-	-	(102)
Other comprehensive income (loss)	320	(422)	73	-	(29)
Comprehensive income (loss)	6,677	(141)	-	-	6,536

**Reconciliation of Consolidated Equity
as of December 31, 2010**

(\$000)	Canadian GAAP	IFRS 1 CTD	Employee Benefits	Impairment PP&E	IFRS
Share capital	53,229	-	-	-	53,229
Retained earnings	90,678	11,228	(6,894)	(8,592)	86,420
Accumulated other comprehensive income (loss)	10,696	(11,228)	-	(422)	(954)
Total Equity	154,603	-	(6,894)	(9,014)	138,695

Reclassifications:

- i. Reporting format: Selling, general and administrative expense is now reflected within two line items: Selling, general, and administrative expense, and Other expense (income). Other expense (income) includes gains and losses on foreign currency transactions, gains and losses on routine disposal of PP&E, bad debt expense, restructuring costs, and other expenses. Additionally, certain items that are not significant are netted in Other expense (income).
- ii. Amortization/depreciation: Under Canadian GAAP amortization is shown separately within the income statement. IFRS does not require reporting amortization or depreciation as line items in the income statement. Under IFRS the nature and function of income and expense items determines the classification within the income statement. Accordingly, depreciation or amortization is now reflected within the functions associated with the respective expense. As previously noted, the term depreciation replaces amortization in regards to PP&E.

Adjustments:

Employee benefits: Under IFRS, all actuarial gains and losses are recognized in comprehensive income. Additionally, the amortization of unrecognized actuarial gains and losses under Canadian GAAP were reversed. Any deferral of vested past service costs under Canadian GAAP for the periods reported were recognized as expense under IFRS.

Depreciation: Impairment reserves of \$12,715,000 related to property, PP&E were established upon adoption of IFRS. These reserves reduce the carrying value of the related assets and accordingly, reduce the amount of depreciation.

23. Additional IFRS information for the year ending June 30, 2011.

Compensation of key management:

Key management is personnel having authority and responsibility for planning, directing and controlling the Company's activities. The following table details the compensation of the Company's Executive Committee and Board of Directors who are considered key management:

Compensation of key management:

(\$000)	2011
Salaries and short term-benefits	2,126
Fees	234
Post-employment benefits	51
Total	2,411

Expense by nature:

(\$000)	2011
Raw materials and products net of inventory change	442,733
Personnel expenses	61,516
Depreciation and amortization	7,860
Freight	16,368
All other costs	41,013
Total	569,490

Property, Plant and Equipment Reconciliation as of June 30, 2011

(\$000)	Balance at July 1, 2010	Additions	Disposals	Foreign Currency Translation	Balance at June 30, 2011
Initial Cost					
Land	4,941	79	-	83	5,103
Buildings	45,994	2,271	(76)	1,246	49,435
Machinery and equipment	87,908	7,389	(1,666)	1,435	95,066
Computer equipment	1,527	139	(256)	23	1,433
Furniture and fixtures	1,743	91	(53)	37	1,818
Trucks, trailers and automobiles	5,547	543	(526)	162	5,726
Leasehold improvements	1,172	-	(15)	-	1,157
Subtotal	148,832	10,512	(2,592)	2,986	159,738
Construction in progress – net change	5,316	(3,414)	-	25	1,927
Total Cost	154,148	7,098	(2,592)	3,011	161,665

(\$000)	Balance at July 1, 2010	Depreciation	Disposals	Foreign Currency Translation	Balance at June 30, 2011
Accumulated depreciation and impairment					
Buildings	15,132	1,686	(2)	474	17,290
Machinery and equipment	46,907	4,569	(1,599)	691	50,568
Computer equipment	1,047	247	(255)	24	1,063
Furniture and fixtures	1,247	148	(49)	25	1,371
Trucks, trailers and automobiles	4,174	384	(487)	126	4,197
Leasehold improvements	596	75	(15)	-	656
Impairment	12,715	-	-	884	13,599
Total accumulated depreciation and impairment	81,818	7,109	(2,407)	2,224	88,744
Net book value	72,330				72,921

Intangible Asset Reconciliation as of June 30, 2011

(\$000)	Balance at July 1, 2010	Additions	Disposals	Balance at June 30, 2011
Initial Cost				
Other intangibles – finite useful lives	2,437	-	-	2,437
Other intangibles – infinite useful lives	2,850	-	-	2,850
Software	5,495	551	(280)	5,766
Total Cost	10,782	551	(280)	11,053

(\$000)	Balance at July 1, 2010	Amortization	Disposals	Balance at June 30, 2011
Accumulated amortization				
Other intangibles – finite useful lives	761	244	-	1,005
Software	1,855	507	(280)	2,082
Total accumulated amortization	2,616	751	(280)	3,087
Net book value	8,166			7,966

Segment realignment Twelve months ending June 30, 2011

(\$000)	CFO	USFO	RFI	RBO	Corporate & Eliminations	Consolidated
Revenue						
Revenue from unaffiliated customers	120,003	323,061	74,052	70,415	-	587,531
Intersegment revenues	362	6,958	45,673	34,699	(87,692)	-
Revenue	120,365	330,019	119,725	105,114	(87,692)	587,531
Cost of sales	109,349	298,890	112,636	82,458	(87,692)	515,641
Gross profit	11,016	31,129	7,089	22,656	-	71,890
Net operating expenses	10,369	27,011	3,383	10,762	2,324	53,849
Operating income (loss)	647	4,118	3,706	11,894	(2,324)	18,041
<hr/>						
Total assets	30,834	91,738	24,494	59,553	11,163	217,782
Property, plant & equipment	9,282	38,276	4,277	21,086	-	72,921
Goodwill	-	14,298	4,327	19,357	-	37,982