



Ridley Corporation Limited

(ABN 33 006 708 765)

Notice Of Annual General Meeting

Notice is hereby given that the 19th Annual General Meeting of Ridley Corporation Limited will be held in **The Fort Macquarie Room** at the **Intercontinental Hotel, 117 Macquarie Street, Sydney** on **Monday, 30 October 2006** at 10.00am. Registration will commence at 9.00am.

Important ***This Notice should be read in conjunction with the Explanatory Memorandum that follows.***

Items of Business

1 **Financial Statements and Reports**

To receive and consider the financial statements for the year ended 30 June 2006 together with the consolidated accounts of Ridley Corporation Limited and its controlled entities and the reports of the directors and the auditor.

2 **Remuneration Report**

To consider and if thought fit, pass the following resolution as an ordinary resolution:

"THAT the Remuneration Report be adopted."

The Remuneration Report is set out on pages 34 to 45 of the 2006 annual report.

Please note that the vote on this item is advisory only and does not bind the directors or the company.

3 **Re-Election of Director**

Ms Elizabeth Bryan retires as a director by rotation in accordance with Ridley's constitution and, being eligible, has offered herself for re-election. Shareholders are asked to consider and, if thought fit, pass the following resolution as an ordinary resolution:

"THAT Ms Elizabeth Bryan be re-elected as a director of Ridley."

4 **Re-Election of Director**

Mr Richard Lee retires as a director by rotation in accordance with Ridley's constitution and, being eligible, has offered himself for re-election. Shareholders are asked to consider and, if thought fit, pass the following resolution as an ordinary resolution:

"THAT Mr Richard Lee be re-elected as a director of Ridley."

5 **Grant of Performance Rights to the Managing Director**

Shareholders are asked to consider and, if thought fit, pass the following resolution as an ordinary resolution:

"THAT approval is given, for the purpose of Rule 10.14 of the Listing Rules of the Australian Stock Exchange and for all other purposes, to the grant to Mr Matthew Bickford-Smith of 450,000 Performance Rights under the Ridley Corporation Long-Term Incentive Plan and, upon exercise of those rights, to issue or allocate ordinary shares in Ridley subject to the satisfaction of the performance criteria and other terms set out in the Explanatory Memorandum accompanying this Notice of Meeting."

Voting Notes:

Ridley will disregard any votes cast on this resolution by any of Ridley's directors, and their associates. However, Ridley need not disregard a vote if:

- it is cast by a director as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on a proxy form to vote as the proxy decides.

A detailed explanation of the background and reasons for the proposed Resolutions is set out in the attached Explanatory Memorandum.

Pursuant to regulation 7.11.37 of the Corporations Regulations the directors have determined that the shareholdings of each member for the purposes of ascertaining voting entitlements for the Annual General Meeting will be as they appear on the share register at 7.00pm on Friday, 28 October 2006. This means that if you are not the registered holder of a relevant share at that time, you will not be entitled to vote in respect of that share.

By order of the Board

GP Watts

Secretary

Date: 21 September 2006

Notes

1. If you cannot attend the meeting, you may appoint a proxy to attend and vote for you. A proxy may be a person or a company, and need not be a shareholder of Ridley. Your personalised proxy form is enclosed. Proxy voting instructions are provided on the back of the proxy form.
2. Proxies must be received not less than 48 hours before the meeting by Ridley's Share Registry:
 - Computershare, GPO Box 242, Melbourne, Victoria 3001 or
 - Computershare, Level 2, 60 Carrington Street, Sydney NSW 2000 or
 - Fax your proxies to: 03 9473 2118 or
 - Ridley's registered office in Sydney: Level 10, 12 Castlereagh Street, Sydney 2000

EXPLANATORY MEMORANDUM

This Explanatory Memorandum and the attachments to it are important documents. They should be read carefully.

Item 1 Financial Statements and Reports

As required by section 317 of the Corporations Act, the Financial Report, Directors' Report and Auditor's Report of Ridley for the most recent financial year will be laid before the meeting.

Item 3 Election of Director

Non-executive director Ms Elizabeth B Bryan retires by rotation and offers herself for re-election.

Elizabeth B Bryan BA MA (Econ) FAICD
Independent Non-Executive Director, Age 60

A director since 2001, Elizabeth has more than 20 years' executive experience in the financial services industry and on the boards of companies and statutory bodies. She is a director of Caltex Australia Limited, UniSuper Limited and Australasian Medical Insurance Limited.

Elizabeth is President of the NSW Council of the Australian Institute of Company Directors and on the National Board of the Institute.

Recommendation

The Directors recommend that you vote in favour of Ms Bryan's election

Item 4 Election of Director

Non-executive director Mr Richard Lee retires by rotation and offers himself for re-election.

Richard J Lee BEng (Chem) (Hons) MA (Oxon) FAICD
Independent Deputy Chairman, Age 56

A director since 2001, Rick is Chairman of Salmat and Inteq, a Director of CSR and Australian Rugby Union and a member of Graincorp's Trading Risk Management Committee. He is also a member of the NSW Council of the Australian Institute of Company Directors. He was formerly Chief Executive of NM Rothschild Australia Group and prior to that spent 16 years in the CSR sugar division.

Recommendation

The Directors recommend that you vote in favour of Mr Lee's election

Item 5 Grant of Performance Rights to the Managing Director

Background

Since 1993, when it was first approved by shareholders, the Company has used the Ridley Corporation Incentive Option Plan (*the IOP*) as a mechanism to attract prospective employees, to encourage the retention of key employees and to strengthen the link between employee performance and the delivery of reward, with improvements and increases in shareholder value.

Under the IOP, the Managing Director and other senior executives were issued options to acquire ordinary shares in the Company at specific prices and times in the future, subject to certain performance criteria.

Recently, the Board has obtained expert advice and conducted an extensive review of the most desirable way to continue to enhance the relationships between the Company and its executives and to further focus executives on the creation of shareholder value in the medium to long-term. The IOP was reviewed with respect to corporate governance considerations, commercial need, motivational impact on executives and market practice. The review found that the IOP was not in line with current and emerging market practice and no longer met the commercial needs of the business. As a result, the Board has decided to cease to use the IOP and instead implement the Ridley Corporation Long-Term Incentive Plan (*the Plan*) offering Performance Rights.

The Performance Rights to be offered under the Plan give the participant the right to acquire ordinary shares in the Company in the future if the necessary Performance Criteria are satisfied. One Performance Right entitles the participant to one ordinary share, subject to the conditions for allocation being satisfied, which are explained below.

No amount is payable for the grant or exercise of Performance Rights.

The Managing Director's employment contract was renewed on 22 September 2006. As part of that agreement, the Company has agreed to offer to the Managing Director 450,000 Performance Rights under the Plan (subject to receipt of shareholder approval), which can be exercised in 3 years' time if certain vesting and performance criteria are satisfied.

This Resolution is designed to allow the Company to fulfil that contractual obligation to the Managing Director and approve the granting of 450,000 Performance Rights to him as described above. The Board believes that this Resolution presents a significant opportunity for the Company to update the way it provides long-term incentives to the Managing Director, and subsequently to other strategically important employees, and for those long-term incentives to be provided in a manner that meets the commercial needs of the business and is in line with current and emerging market practice.

If this Resolution is approved, the Managing Director will be entitled to participate in the Plan on the terms summarised in this Notice of Meeting. The grant of Performance Rights will be awarded within 14 days after the AGM, if the Resolution is passed. The Board also intends to implement the Plan to a wider group of executives in substitution for the IOP.

If this Resolution is not approved, the Company will need to pursue alternative avenues in order to fulfil its contractual obligations to the Managing Director.

The Plan is consistent with current market practice for equity based incentive schemes in Australia. The Plan provides the flexibility for the Company to choose whether to issue new shares or to

acquire existing shares on market in order to allocate shares under the Plan at the end of the Performance Period. The Board's current preference is for the Company to acquire shares on market, so as to prevent dilution of existing shareholders.

Summary of terms of the Plan and Offer to the Managing Director

Resolution 5 proposes that Mr Matthew Bickford-Smith, Managing Director, participate in the Plan. For the purposes of ASX Listing Rule 10.14 (and all other purposes required by law), by way of Resolution 5, the Company seeks approval to grant 450,000 Performance Rights to the Managing Director.

Each of these Performance Rights will give the Managing Director the right to be allocated an ordinary Share if the vesting and performance criteria have been satisfied, as measured over a three year performance period.

This number of Performance Rights that are to be granted to the Managing Director also represents the maximum number of Shares that he may acquire under the Plan on exercise of the Performance Rights. The actual number of Shares that could be acquired by the Managing Director on exercise of the Performance Rights depends on the achievement of performance targets by the Company and on continued employment by the Managing Director (explained below). Therefore the number of Shares allocated to the Managing Director under the Plan may be lower, but cannot be higher, than the number of Performance Rights specified.

Please note, because the Plan is a new plan, there are no Directors or associates of Directors who have previously received Performance Rights under the Plan.

When do Performance Rights vest so that Shares can be allocated?

The Performance Period for the grant of Performance Rights begins on the Date of Offer and ends 3 years after that date (**the Test Date**). Therefore, if the Resolution is approved, the Performance Period for the grant proposed for the Managing Director will begin within 14 days of this year's AGM (**the Date of Offer**) and the Test Date will be the date that is 3 years later (ie November 2009).

The Company's performance as at the Test Date will be tested in accordance with the Performance Criteria (set out below), and the Company will determine the number of Shares that are then to be allocated to the Managing Director (if any) in accordance with the Performance Criteria.

Once the Company has determined the number of Shares that it is required to allocate, it will make that allocation as soon as reasonably practicable.

Performance Criteria

In order for the Managing Director's Performance Rights to vest, so that Shares can be allocated to him, the following criteria will need to be satisfied:

(a) Employment Condition

Either the Managing Director must still be employed by the Company at the Test Date, or his employment with the Company will need to have ceased prior to that date for a Qualifying Reason.

In general terms, if the Managing Director's employment ceased because of death, disability or redundancy and the date of cessation of employment was at least 12 months after the Performance Rights had been granted to him, he will be entitled to have Shares allocated to him in respect of the Performance Period (in an amount to be determined in the Board's discretion, but generally involving a combination of time, measured from Date of Offer until employment ceases, and performance pro-rata).

However, if the Managing Director's employment ceased:

- (i) for any reason within the first 12 months of the Performance Period; or
- (ii) at any time for a reason which was not a Qualifying Reason,

the Performance Rights will be cancelled and the Managing Director will not be entitled to have any Shares allocated to him in respect of the Performance Rights.

(b) Company Performance Condition

A second requirement for Shares to be allocated under the Plan is that, measured over the 3 year Performance Period, the Company must have achieved a target performance level, as measured by reference to Ridley's Total Shareholder Return (*TSR*), as compared against a Comparator Group.

What is TSR and how is it measured?

TSR indicates Ridley's performance as compared to companies in the Comparator Group (which is discussed below). The measure is calculated having regard to, broadly, the movement in share price over the Performance Period, on the assumption that all dividends are reinvested.

Comparator Group

The Board has determined that the Comparator Group for Ridley is that group of companies comprising the ASX 100 – 300 on the Date of Offer.

(c) The number of shares to be allocated to the Managing Director

The number of Shares to be allocated to the Managing Director at the end of the Performance Period is to be determined by the following schedule:

Ridley's TSR percentile ranking measured from Date of Offer to Test Date against the Comparator Group	Proportion of the maximum number of Shares available that will be allocated
0 – 50%	0%
51%	50%
51 – 75%	Pro-rata between 50% and 100%
75% or greater	100%

(d) When will the Managing Director receive his full share entitlement?

As can be seen from the above, in order for the Managing Director to receive all 450,000 Shares that are available with respect to the Performance Period, he must be employed by the Company at the Test Date (with some exceptions described above) and the Company's TSR must be ranked at the 75th percentile or higher against the Comparator Group. If the Company's TSR was ranked lower than 75th percentile at that time, he will receive a correspondingly lower number of Shares in accordance with the schedule above. If the Company's TSR is ranked at the 50th percentile or lower against the Comparator Group the Managing Director will receive no Shares.

Valuation of the Managing Director's Performance Rights

The grant of 450,000 Performance Rights to the Managing Director is not proposed to occur until after this year's AGM (if shareholders approve the Resolution). The actual valuation of those Rights can therefore only be calculated at that time. However, for information purposes, Ridley has had the Performance Rights independently valued on certain assumptions. The Board believes that the current valuation of the Performance Rights is approximately \$0.62 per Performance Right. This valuation is based on the following assumptions:

- Date of grant: 28 August 2006
- Share price at date of grant: \$1.15
- Exercise price of securities: \$0
- Each Performance Right being exercised automatically on the third anniversary of Date of Offer

Therefore, on this basis, the value of the proposed grant of 450,000 Performance Rights to the Managing Director is \$279,000. Under Australian accounting standards this will be expensed over the 3 year Performance Period. Please note, this valuation is indicative only.

Lapse of Performance Rights

Regardless of the number of Shares allocated after the Test Date, all Performance Rights that vest on the Test Date will then lapse and the Managing Director will have no other rights with respect to them.

Performance Rights will also lapse if:

- a forfeiture event occurs (as determined by the Board);
- the Managing Director ceases to be an employee (with the exceptions explained above); and if
- the Managing Director has (in the reasonable opinion of the Board) acted fraudulently, dishonestly or in material breach of his obligations to the Company.

Limitations on the number of Shares that may be issued

Under the Plan, the Board must not make an Offer of Performance Rights if the total number of Shares that are the subject of Performance Rights (and any other entitlements to Shares, whether under this Plan or other employee incentive schemes) at the time of the Offer exceeds (or would exceed) 5% of the Company's total number of Shares on issue at that time.

The Board is satisfied that the proposed Offer to the Managing Director complies with this limit.

Restrictions on dealing with Performance Rights and Shares

(a) Performance Rights

The Managing Director cannot transfer, assign or novate the Performance Rights without the approval of the Board, and the Performance Rights will not be listed for quotation on any stock exchange.

(b) Shares

One of the purposes of the Plan is to encourage employees to share in the ownership of the Company. As a result, the Plan imposes certain restrictions on when a participant (including the Managing Director) will be able to dispose of any Shares that are allocated to them under the Plan. The Managing Director will only be able to dispose of, or transfer, those Shares if:

- the tenth anniversary of the date of grant of the Performance Rights has occurred;
- the Managing Director has ceased to be an employee (and was not immediately employed by another company within the Group);
- there was a successful takeover or scheme of arrangement in respect of the Company; or
- the Managing Director received written consent from the Board.

In addition, if Shares are allocated to the Managing Director under the Plan and are still subject to disposal restrictions, they are subject to forfeiture at the discretion of the Board if the Managing Director's employment is terminated for cause or he has acted fraudulently, dishonestly or in material breach of his obligations to the Company.

Consequences of a change of control event

If a Change of Control Event occurs during the Performance Period, the Test Date for the Performance Period will be brought forward and the date of the Change of Control Event will be deemed to be the Test Date. The Company's performance will be tested as at that deemed Test Date in accordance with the Performance Criteria explained above, and the Managing Director will be entitled to have allocated to him the number of Shares that is determined by reference to the TSR ranking achieved by the Company, as explained above.

A Change of Control Event occurs if a third party obtains a relevant interest in greater than 50% of Ridley's Shares or the Board of Ridley recommends a takeover bid for the Company.

However, if the new controller has shares listed on the ASX, the Managing Director may agree with the Company to forgo this right and to require the Board to take all reasonable steps to enable the Managing Director be issued new rights relating to securities in the new controller, so as to provide an incentive on substantially similar terms.

Adjustments

If (before the Test Date) the Company makes any new issue of securities, or other alterations to its capital by way of a rights issue, bonus issue or other distribution of capital, reduction of capital, or reconstruction of capital:

- the Board will reconstruct the number of Performance Rights granted to the Managing Director to the extent, if any, required to comply with the ASX Listing Rules; and
- the Board may make adjustments to the number of the Managing Director's Performance Rights on any other basis it sees fit in its absolute discretion.

If the Company declares and pays a special dividend to holders of all issued Shares, the Board may in its absolute discretion, with effect from the time of declaration of the special dividend, make adjustments to the number of the Managing Director's Performance Rights to take into account the effect of that special dividend.

Amendments

The Board has power to amend at any time all or any of the provisions of the Plan and the terms and conditions of an Offer. However, the Board cannot do so without the consent of a Participant if the amendment would prejudicially affect the existing rights of a Participant, with the exception that (even in those circumstances) the Board may make an amendment if it is primarily for the purpose of complying with present or future law, to correct any manifest error or mistake, or to take into consideration possible adverse tax implications in respect of the Plan.

In addition, the Board has power (subject to the ASX Listing Rules) to waive in whole or in part any of the Performance Criteria or other terms or conditions applicable to a Participant's Performance Rights if:

- a Change of Control Event occurs or is likely to occur; or
- the Participant ceases to be an Employee.

Termination

The Board can terminate the operation of the Plan at any time, so long as doing so does not prejudicially affect the existing rights of existing participants, including the Managing Director.

Other information

- A voting exclusion statement is set out immediately beneath the relevant resolution.
- There is no loan scheme in relation to the Plan.
- Details of any Shares acquired by the Managing Director under the Plan will be published in the Ridley Corporation Limited Annual Report relating to the period in which the Shares have been acquired, together with a statement that approval for the acquisition of the Shares, which are the subject of the Performance Rights under the Plan, was obtained under ASX Listing Rule 10.14.
- If any other person to whom an issue of Shares is required to be approved under ASX Listing Rule 10.14 becomes entitled to participate in the Plan after this resolution is approved, that person will not participate until that approval is obtained under ASX Listing Rule 10.14.
- A copy of the Plan Rules will be made available free of charge if requested by a member from the Company Secretary.

Recommendation

The Directors recommend that shareholders vote in favour of the resolution to approve the Offer to the Managing Director to participate in the Ridley Corporation Long Term Incentive Plan.

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